SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

Stock Code : **01426**

Managed by
Spring Asset Management Limited

2018 INTERIM REPORT

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**"). Units of Spring REIT (the "**Units**") were first listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 December 2013.

About the Manager

Spring REIT is managed by Spring Asset Management Limited (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 2018, the Manager was 90.2% owned by Mercuria Investment Co., Limited ("**Mercuria**", formerly known as AD Capital Co., Ltd., renamed on 1 January 2016), a private equity investment firm listed on the Tokyo Stock Exchange (Stock Code: 7190) with notable shareholders that include the Development Bank of Japan, the Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

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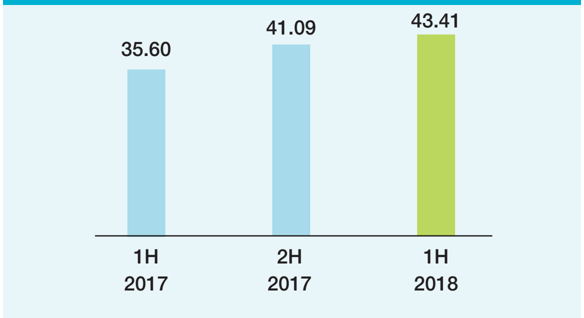
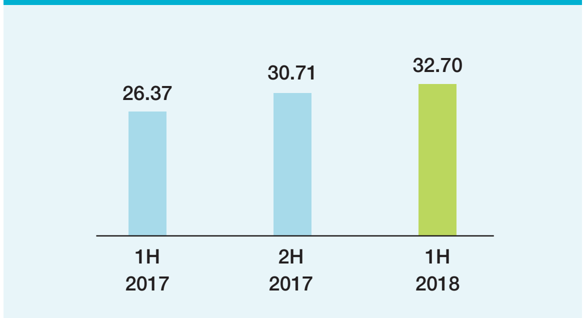
Performance Highlights

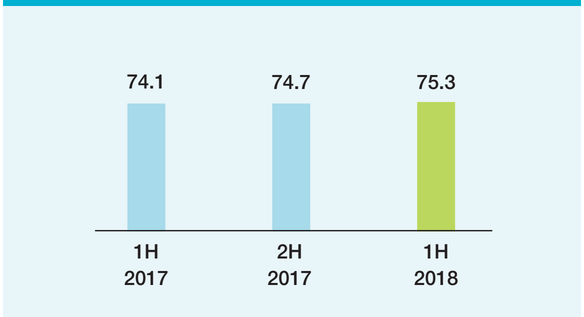
Total Revenue
(US$ million)



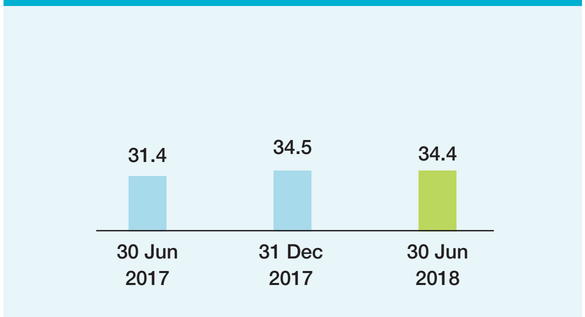
Net Property Income
(US$ million)



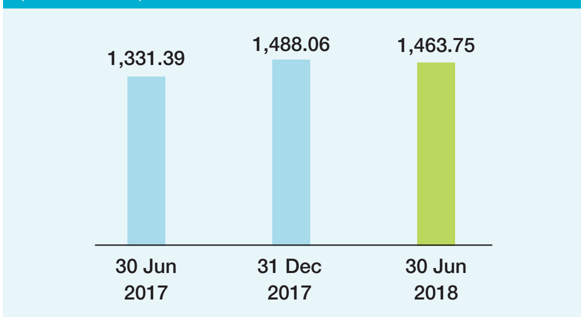
Net Property Income Margin
(%)



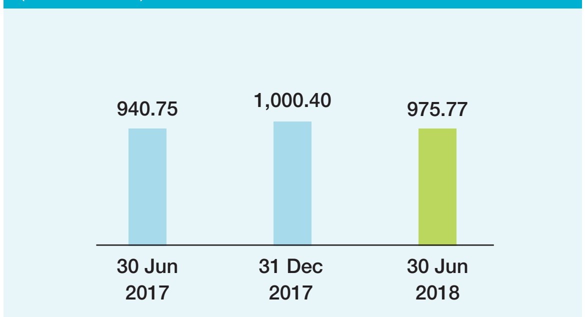
Gearing Ratio
(%)



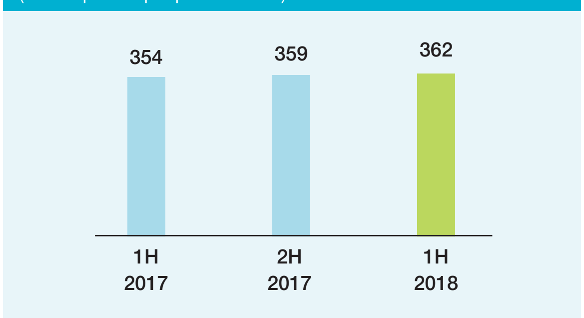
Appraised Property Value
(US$ million)



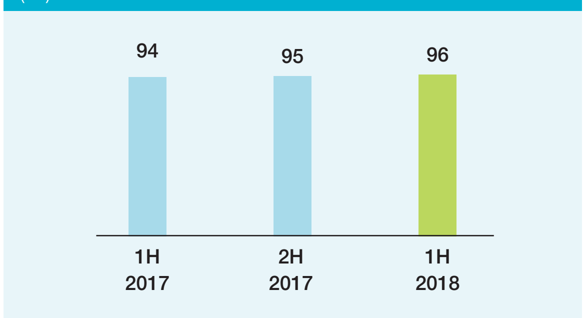
Net Asset Value
(US$ million)



Average Monthly Passing Rent (net of VAT)
(RMB per sqm per month)



Average Occupancy
(%)



Since the portfolio of 84 separate properties in the United Kingdom (the "**UK Portfolio**") is leased 100% to a single tenant on a long-term basis, the net average monthly passing rent and average occupancy charts illustrated above do not take it into account.

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 2018 to 30 June 2018 (the "**Reporting Period**" or "**1H 2018**") of HK12.0 cents per Unit ("**2018 Interim Distribution**"), representing a 26.3% increase year-on-year ("**YoY**"). The distribution, representing a payout ratio of 96%, is subject to adjustment in the event of any issuance of new Units between 1 July 2018 and 18 September 2018 (the "**Record Date**"). Based on the closing price of HK$3.33 per Unit as at 30 June 2018, the distribution implies an annualized distribution yield of 7.2%.

The distribution will be paid in Hong Kong Dollars ("**HK$**"). The HK$/United States Dollars ("**US$**") exchange rate adopted for the 2018 Interim Distribution is 7.8480, which represents the average mid-price of the opening indicative counter exchange rate, as published by the Hong Kong Association of Banks, for the five (5) business days immediately preceding 30 June 2018.

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

The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 17 September 2018, Monday to 18 September 2018, Tuesday, both days inclusive, during which period no transfer of Units will be registered. The 2018 Interim Distribution is expected to be payable on 28 September 2018, Friday to Unitholders whose names appear on the register of Unitholders on the Record Date.

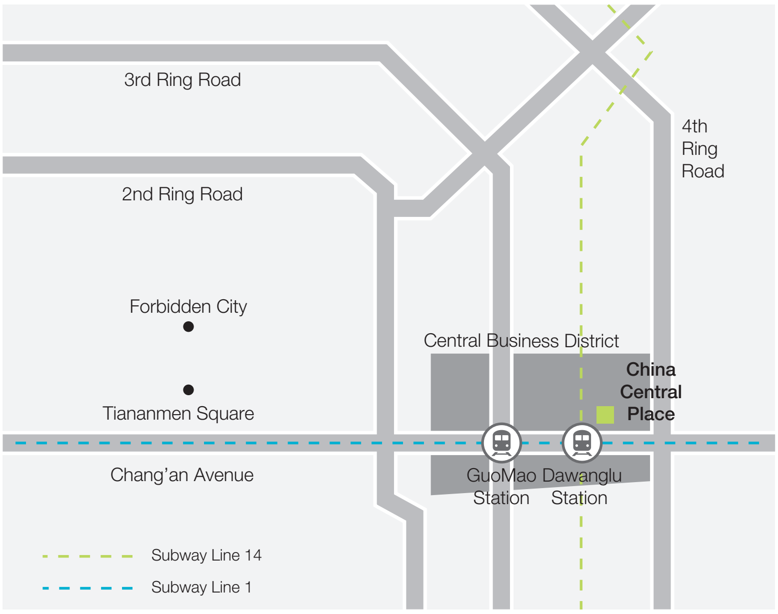
In order to qualify for the 2018 Interim Distribution, all completed transfer forms in respect of transfer of Units (accompanied by the relevant Unit certificates) must be lodged for registration with Computershare Hong Kong Investor Services Limited, Spring REIT's unit registrar in Hong Kong, whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 14 September 2018, Friday.

Overview of Spring REIT's Beijing 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 (the "**CCP Property**").
- 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 2018 was RMB9,031.00 million (equivalent to US$1,363.99 million)
- Average occupancy rate for the six months ended 30 June 2018 was 96.1%

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



Management Discussion and Analysis

CCP Property Operation Review

The Beijing CBD hosts to tenants from a wide range of industries, including representatives of the finance and insurance, professional services, Internet and other hi-tech industries among others. It holds the largest amount of Grade-A office stock in Beijing, amounting to 1.82 million sqm as at the end of 1H 2018, and accounting for 22.0% of the city's total Grade-A office space of 8.26 million sqm, largely unchanged compared to the end of 2017. The market has remained well supported due to the fact that no significant completions of new office buildings took place during the Reporting Period. In terms of leasing activities, the Beijing CBD has remained robust. This can be seen in a declining vacancy rate and higher average rentals compared to the previous half, with domestic firms, and finance firms in particular, being the key driving force. The trend that had previously affected demand in the CBD, namely relocation by tenants to decentralised locations such as Wangjing and other lower-rent areas, was no longer a threat because the larger spaces in these lower-cost areas have now mostly been taken. Due to a resilient market, the performance of the CCP Property was stable throughout the Reporting Period.

Beijing CBD Office Market Vacancy and Rental Rates in 1H 2018

	Vacancy Rate	HoH Change	YoY Change	Average Rental Rate RMB	HoH Change	YoY Change
Grade A	3.2%	-1.7 ppts	-2.4 ppts	398	3.6%	4.2%
Premium Grade A	1.9%	-3.1 ppts	-4.3 ppts	446	4.9%	7.3%

Source: JLL Research

CCP Property Operation Performance					
For the Six Months Ended	30-Jun-17 RMB million	Change	31-Dec-17 RMB million	Change	30-Jun-18 RMB million
Revenues					
– Rental income	237.81	3.0%	244.99	**2.2%**	**250.32**
– Car park income	1.72	0.6%	1.73	**–**	**1.73**
– Other income (note ii)	5.29	47.8%	7.82	**(26.1%)**	**5.78**
	244.82	4.0%	254.54	**1.3%**	**257.83**
Property Operating Expenses					
– Property management fee	(5.39)	2.8%	(5.54)	**2.2%**	**(5.66)**
– Property tax (note iii)	(28.92)	2.8%	(29.72)	**1.3%**	**(30.11)**
– Other taxes (note iv)	(3.48)	(0.6%)	(3.46)	**2.9%**	**(3.56)**
– Withholding tax (note v)	(24.20)	3.1%	(24.94)	**6.0%**	**(26.44)**
– Leasing Commission	(1.09)	275.2%	(4.09)	**(70.9%)**	**(1.19)**
– Others	(0.41)	–	(0.41)	**48.8%**	**(0.61)**
	(63.49)	7.4%	(68.16)	**(0.9%)**	**(67.57)**
Net Property Income	181.33	2.8%	186.38	**2.1%**	**190.26**

Notes:

i. While the consolidated financial statements were prepared in US$, the performance of the CCP Property is presented in RMB in order to facilitate meaningful discussions given that 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. Other taxes represent 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%.

During the Reporting Period, the performance of the CCP Property maintained an upward momentum, with revenue rising by 1.3% half-on-half ("**HoH**") and by 5.3% YoY. After deducting property operating expenses of RMB67.57 million, net property income for the Reporting Period stood at RMB190.26 million, representing rises of 2.1% HoH and 4.9% YoY respectively.

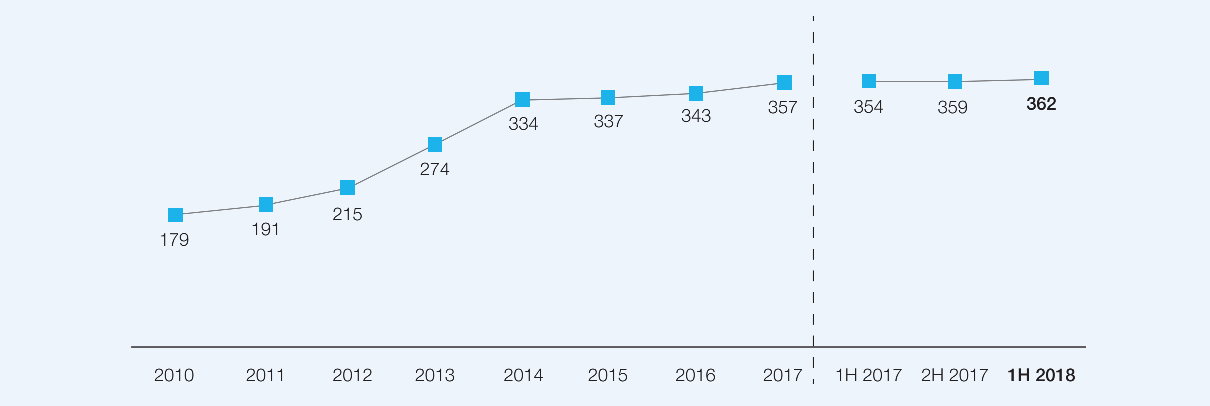
Rental income

For the Reporting Period, the CCP Property reported a 2.2% increase HoH and a 5.3% increase YoY in rental income, to RMB250.32 million. Operating performance was encouraging, with an average occupancy of 96.1% (2H 2017: 95.0%; 1H 2017: 93.5%). A total area of 15,352 sqm (representing 12.8% of leasable office area) was leased out during the period, 40.2% of which was attributable to new lettings while the remainder were renewals. The monthly average passing rent (net of VAT) stood at RMB362 per sqm, up 0.8% HoH and 2.3% YoY on the back of a respectable average rental reversion of 4.5% (2H 2017: 5.8%; 1H 2017: 6.0%).

Summary of Operating Performance

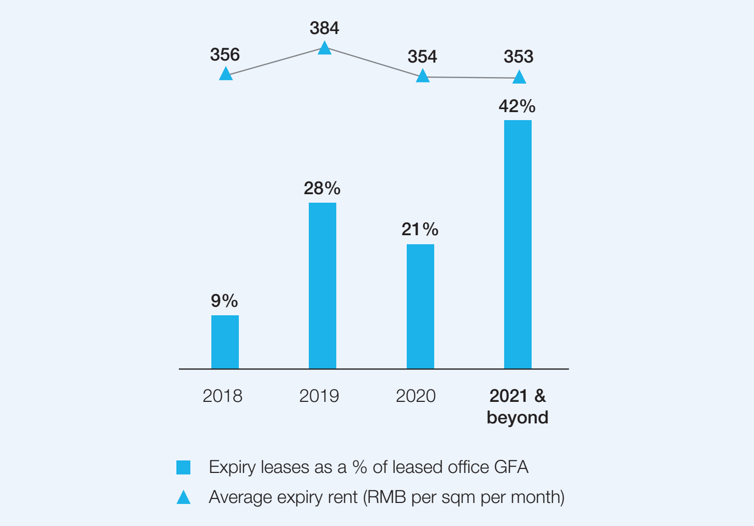
For the six months ended	30-Jun-17	Change	31-Dec-17	Change	30-Jun-18
Net monthly average passing rent (RMB/sqm)	354	1.4%	359	**0.8%**	**362**
Average Occupancy (%)	94%	+1 ppts	95%	**+1 ppts**	**96%**

Net Average Passing Rents
(RMB per sqm per month)



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

Expiry Profile by GFA



As at 30 June 2018, weighted average lease expiry in terms of GFA was 771 days. Leases expiring in the second half of 2018 and in the year ending 31 December 2019 accounted for 9% and 28% of the total leased GFA respectively, and the average unit rents for the expiring leases were RMB356 per sqm and RMB384 per sqm respectively.

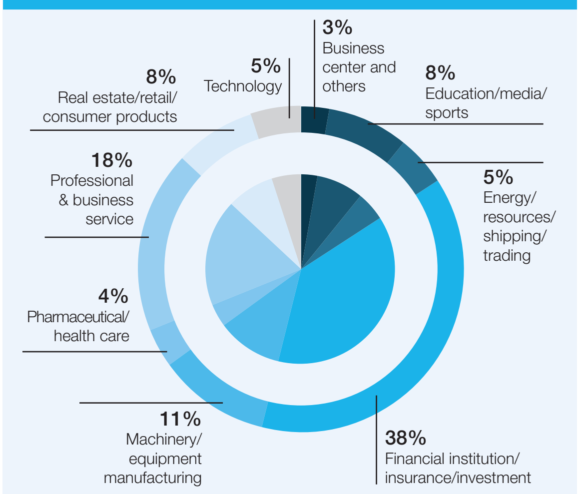
Management Discussion and Analysis (continued)

Tenancy base

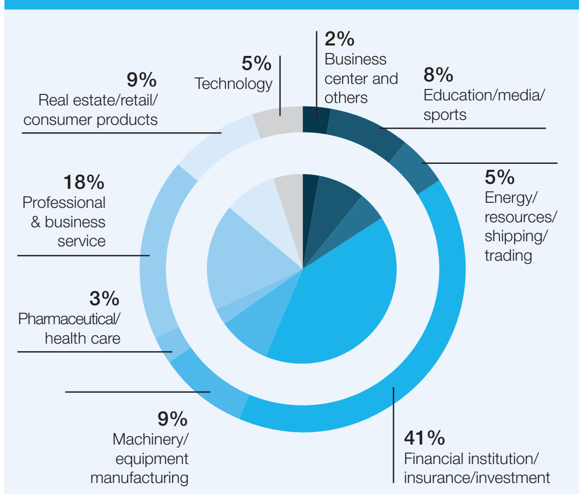
Spring REIT's Property had a total of 192 tenancies as at 30 June 2018. The top five tenants accounted for 21.8% of total rental income of CCP Property for the Reporting Period, and occupied 22.8% of the total GFA as at 30 June 2018.

Tenants	% of total leased GFA
Epson	5.7%
Delsk	4.8%
Condé Nast	4.1%
Zhong De Securities	4.1%
Deutsche Bank	4.1%
Total	22.8%

Tenants by Industry
As % of leased office GFA
(As of 30 June 2018)



Tenants by Industry
As % of monthly revenue
(For the month 30 June 2018)



Costs

Property operating expenses are mainly comprised of tax expenses, namely withholding tax, business and other taxes (excluding stamp duty), and property tax. Tax expenses in aggregate accounted for 89.0% of the total property operating expenses, while the property management fee, payable at 2.0% of total revenue, accounted for 8.4% of these expenses.

A 0.9% HoH decrease in property operating expenses was seen during the Reporting Period. This was primarily due to a 70.9% HoH decrease in leasing commission, which helped lower operating expenses despite increases in tax expenses and in the property management fee during the Reporting Period.

UK Portfolio Operation Review

For the period	14 Jul 2017[1] – 31 Dec 2017 Great Britain Pound ("GBP")	1 Jan 2018 – 30 Jun 2018 GBP
Income		
– Rental income	2,058,626	**2,193,404**
Expenditure		
– Head rents on leasehold properties	(53,135)	**(43,845)**
– Property management fees	(32,400)	**(31,500)**
	(85,535)	**(75,345)**
Net Property Income	1,973,091	**2,118,059**

1. Completion date of the acquisition of the UK Portfolio by Spring REIT.

Spring REIT completed the acquisition of the UK Portfolio in July 2017. Each of the 84 properties is under a long-term lease with the tenant Kwik-Fit (GB) Limited, a leading car servicing operator in the United Kingdom, with all but one of the leases expiring in March 2032. Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately GBP4.51 million. Spring REIT enjoys substantial pass through of rental income as the leases are "full repairing and insuring" in nature. This means that the tenant agrees to pay all real estate taxes, building insurance, and maintenance (the triple "nets") on the properties, in addition to any normal fees that are specified under the agreement (e.g. rent, utilities, etc.).

Management Discussion and Analysis (continued)

Financial Results Highlights

(in US$ million unless otherwise specified)

For the Six Months Ended 30 June	2017	2018	Change
Revenue	35.60	**43.41**	21.9%
Property operating expenses	(9.23)	**(10.71)**	16.0%
Net property income	26.37	**32.70**	24.0%
Net property income margin	74.1%	**75.3%**	+1.2 ppts
G&A expenses	(4.97)	**(6.60)**	32.8%
Cash interest expense	(8.77)	**(8.43)**	(3.9%)
Profit after taxation	19.02	**6.49**	(65.9%)
Total distributable income	15.21	**20.08**	32.0%

Unit information	1H 2017	1H 2018	Change
DPU (HK cents)	9.5	**12.0**	26.3%
Payout ratio	100%	**96%**	-4 ppts
Net asset value per Unit (HK$)	5.87	**6.05**	3.1%
Number of Units outstanding	1,251,315,163	**1,265,180,645**	1.1%

As at	31 December 2017	30 June 2018	Change
Portfolio valuation	1,488.06	**1,463.75**	(1.6%)
Total assets	1,586.60	**1,547.69**	(2.5%)
Total liabilities	586.20	**571.92**	(2.4%)
Net asset value	1,000.40	**975.77**	(2.5%)
Gearing ratio	34.5%	**34.4%**	-0.1 ppts

Financial Performance

Spring REIT's revenue for the Reporting Period was US$43.41 million, representing a 21.9% increase YoY. The improvement was the combined result of stable rental growth from the CCP Property and the contribution from the UK Portfolio, along with the effects of a stronger RMB/US$ monthly average exchange rate of 6.3680 being adopted for the first half of 2018 (1H 2017: 6.8749). After deducting property operating expenses of US$10.71 million, net property income amounted to US$32.70 million, representing a 24.0% increase YoY. The net property income margin improved to 75.3% for the Reporting Period (1H 2017: 74.1%). Excluding the contribution from the UK Portfolio, revenue and net property income would still have increased by 13.7% and 13.3% YoY respectively.

Professional fees and administrative expenses increased 32.8% to US$6.60 million (1H 2017: US$4.97 million) as a result of an increase in Manager's fee arising from a large portfolio and higher legal and professional fee. Total finance cost was US$20.03 million, resulting from a larger foreign exchange loss of US$8.97 million arising from the conversion of US$ bank borrowings into RMB. Further, a translation loss of US$1.82 million was recorded because the monthly average exchange rate adopted during the Reporting Period overstated the actual rate at which currency was converted. Cash interest expenses amounted to US$8.43 million, compared with US$8.77 million in 1H 2017 benefiting from margin reduction despite a higher benchmark floating rate and larger loan amount.

Taking into account the increase in fair value of the UK Portfolio of US$1.82 million and CCP Property of US$0.15 million, profit after taxation for the Reporting Period was US$6.49 million (1H 2017: US$19.02 million).

Total distributable income of Spring REIT for the Reporting Period was US$20.08 million, representing a 32.0% increase YoY. Among other adjustments, the reported amount excludes the foreign exchange loss and the increase in fair value of the investment properties, both of which are non-cash in nature.

Financial Position

Spring REIT's principal valuer, Knight Frank Petty Limited ("**Knight Frank**" or the "**Principal Valuer**") performed the valuation of the Spring REIT portfolio as at 30 June 2018. The CCP Property was appraised at RMB9,031.00 million (equivalent to US$1,363.99 million) as at 30 June 2018, representing a 0.01% increase in RMB terms and a 1.7% decrease in US$ terms compared to its valuation as at 31 December 2017. 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 remained stable at 5.8% (31 December 2017: 5.8%; 30 June 2017: 5.8%).

The UK Portfolio was appraised at GBP75.53 million (equivalent to US$99.76 million) as at 30 June 2018, representing an increase of GBP1.38 million or approximately 1.9% in GBP terms (a decrease of 0.5% in US$ terms) over the valuation as at 31 December 2017. The valuation of the UK Portfolio was arrived at using the income capitalization approach. The increase in valuation was mainly attributable to a small decrease in capitalization rates, which range from 4.35% to 9.35% (31 December 2017: 4.45% to 9.45%), due to improved market sentiment in the UK commercial property investment markets since last December and the ongoing scarcity of good quality, long-let investment stock.

As at 30 June 2018, Spring REIT had in place aggregate secured loan facilities of approximately US$535.17 million, comprising:

1. A fully drawn term loan facility of US$450.00 million and an uncommitted facility of US$20.00 million (with US$18.00 million drawn down) (the "**CCP Facilities**"), which bears an interest rate of 3-month USD LIBOR plus 1.65% per annum and will expire in April 2020; and

2. A facility of GBP50.00 million (equivalent to approximately US$66.05 million) (the "**UK Facility**") extended by SMBC and put in place on 26 January 2018. The UK Facility bears an interest rate of 3-month GBP LIBOR plus 2.20% per annum and will expire in January 2022.

As at 31 December 2017, Spring REIT had in place two GBP facilities extended by Australia and New Zealand Bank and Banco Santander respectively. In January 2018, the two facilities were fully repaid with GBP50.00 million drawn down from the UK Facility, US$18.00 million of CCP Facilities and internal cash of US$17.00 million.

As at 30 June 2018, the gearing ratio, i.e. total borrowings to gross asset value, was 34.4%, compared with 34.5% as at 31 December 2017.

In the 2017 annual report, the Manager emphasised on managing the interest rate risk in a context of upward-trending interest rates and tightened monetary policies. During the Reporting Period, Spring REIT entered into three US dollar float-to-fixed interest rate swap ("**IRS**") contracts, with a weighted average swap rate of 2.68% per annum and each with a maturity on 29 April 2020. The aggregate notional amount of these IRS contracts is US$150 million, amounting to 32.1% of the US$ loans of Spring REIT.

As at 30 June 2018, Spring REIT's investment property, rent receivables, restricted bank balances, interest rate swaps and ordinary shares of RCA01, Hawkeye Properties 501 Limited, were pledged to secure term loan facilities where applicable. Throughout the Reporting Period, Spring REIT, RCA01, RUK01 Limited and Hawkeye Properties 501 Limited have in all material respects complied with the terms and provisions of the finance and security documents.

The unrestricted cash of Spring REIT (together with its special purpose vehicles, the "**Group**") amounted to US$21.84 million as at 30 June 2018, compared with US$21.31 million as at 31 December 2017. The Group also had total undrawn uncommitted bank loan facilities of US$2.00 million. With these financial resources, Spring REIT has sufficient liquid assets to satisfy its working capital and operating requirements. The cash is generally placed as short-term deposits, mostly denominated in US$. The Group's liquidity and financing requirements are reviewed regularly.

As at 30 June 2018, the gross asset value of the Group was US$1,547.69 million, representing an increase of 8.7% YoY and a decrease of 2.5% HoH.

New Units Issued

As at 30 June 2018, the total number of Units in issue was 1,265,180,645. A total of 7,474,913 new Units were issued during the Reporting Period.

Date	Particulars	No. of Units
31 December 2017	Beginning balance of the total number of Units in issue.	1,257,705,732
26 March 2018	Issue of new Units to the Manager at the price of HK$3.386 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 31 December 2017.	+ 3,706,231
27 April 2018	Issue of new Units to the Manager at the price of HK$3.258 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 31 March 2018.	+ 3,768,682
30 June 2018	Ending balance of the total number of Units in issue.	1,265,180,645

Net Assets Attributable to Unitholders

As at 30 June 2018, net assets attributable to Unitholders stood at US$975.77 million.

The net asset value per Unit as at 30 June 2018 was HK$6.05 (31 December 2017: HK$6.22; 30 June 2017: HK$5.87). This represented a 81.7% premium to the closing price of the Units of HK$3.33 as at 30 June 2018.

Management Discussion and Analysis (continued)

Capital Commitments

As at 30 June 2018, the Group had no significant capital commitments.

Employees

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

Outlook

The first half of 2018 was an encouraging one for Spring REIT in many different respects. Resilient activity in the Beijing office market and sustained demand for high quality office space was reflected in a notable improvement in occupancy rates and passing rents. As a result, our CCP Property continued its healthy organic growth with a respectable rental reversion of 4.5%. In the meantime, as anticipated, the UK Portfolio enhanced Spring REIT's cash flow, with a 96.6 percent pass through of its revenue.

From this sound footing, the Manager is cautiously optimistic about prospects for the second half of the year. Despite the potential of a China-US trade war, economic activity in Beijing has remained upbeat as evidenced by the 6.8% YoY growth in GDP growth in 1H 2018. In addition, we continue to be confident about the fundamentals of the CCP Property, especially as we are seeing delays in a number of projects in the CBD area that were scheduled to be completed in 2019. Leases expiring in the second half of 2018 account for 9% of the total leased GFA, with the average unit rent at RMB356 per sqm. Another notable statistic is that 98 of the 192 tenancies at the CCP Property as at 30 June 2018 have been with us since our listing in 2013, with these tenancies making up 57.5% of the leasable GFA. Such a high percentage of renewed tenancies demonstrates strong levels of trust in CCP management and satisfaction with the quality of the building and its facilities. This certainly augurs well for Spring REIT in any future investment initiatives.

At the end of last year, we noted the importance of managing our interest rate risk given the stance of major central banks and the economic situation, and as a result we entered into three IRS contracts to mitigate the impact of probable future rate hikes.

Towards the end of the reporting period the RMB became more volatile, and since mid-June 2018 it has depreciated noticeably. Before then, the exchange rate was tracking broad moves in the dollar, and the RMB was resilient in light of the dollar rebound between mid-April and mid-June. The downward trend in the RMB exchange rate may negatively impact the performance of the CCP Property in US$ terms to the extent that distribution in the second half of 2018 may be lower than the 2018 interim distribution. The outcome of the potential trade war is hard to predict, and the Manager will continue to closely monitor the currency market paying particular attention to its impact on Spring REIT's gearing ratio as well as on future distributions.

As mentioned previously, the Manager will continue to seek potential acquisitions actively but at the same time will remain diligent in carefully evaluating these opportunities. By adopting proactive leasing and property management strategies, and maintaining a healthy, stable capital structure, the Manager is committed to providing unitholders with a stable distribution while capitalising on potential acquisition opportunities as they arise.

To sum up, the Manager believes Spring REIT is in a good position to build on the strong foundations of the first half of 2018, and achieve results that will further reward its loyal unitholders.

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 (the "**Listing Rules**") on The Stock Exchange, 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 corporate governance principles emphasize on accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, and compliance with relevant procedures and guidelines. The Manager has adopted a compliance manual (the "**Compliance Manual**") for use in relation to the management and operation of Spring REIT, which sets out the key processes, systems and measures, and certain corporate governance policies and procedures to be applied for compliance with all applicable legislation and regulations. The Board plays a central supportive and supervisory role in the corporate governance duties. It regularly reviews the Compliance Manual and other policies and procedures on corporate governance and on legal and regulatory compliance, approving changes to governance policies in light of the latest statutory regime and international best practices and reviewing corporate governance disclosures.

During the Reporting Period, both the Manager and Spring REIT have in material terms complied with the provisions of the Compliance Manual, the corporate governance policy, the Trust Deed, the Code on Real Estate Investment Trusts and applicable provisions of the Securities and Futures Ordinance (the "**SFO**") and the Listing Rules.

During the Reporting Period, an annual general meeting and adjourned annual general meeting of Spring REIT were held on 24 May 2018 and 11 June 2018 respectively to note the audited financial statements of Spring REIT together with the independent auditor's report for the year ended 31 December 2017 and the re-appointment of the independent auditor of Spring REIT and for meeting with Unitholders and answering their questions, if any.

Authorization Structure

Spring REIT is a collective investment scheme constituted as a unit trust and authorized by the Securities and Futures Commission (the "**SFC**") under section 104 of the SFO and regulated by the SFC pursuant to the applicable provisions of the SFO, the REIT Code and the Listing Rules. The Manager has been authorized by the SFC under section 116 of the SFO to conduct the regulated activity 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), Mr. CHUNG Wai Fai (Director of Investor Relations of the Manager) and Ms. Alice YU (Chief Compliance Officer of the Manager) are the responsible officers of the Manager 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.

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). It is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

Roles of the Trustee and the Manager

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

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

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

The Board

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

Non-executive Directors

Toshihiro Toyoshima *(Chairman)*
Hideya Ishino

Executive Directors

Leung Kwok Hoe, Kevin
Nobumasa Saeki

Independent Non-executive Directors

Simon Murray
Qiu Liping
Lam Yiu Kin

Conflicts of Interest and Business Competitions with Mercuria

Mercuria may exercise influence over the affairs of Spring REIT through its control over the Manager and RCA Fund 01, L.P. ("**RCA Fund**"). As at 30 June 2018, 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% interest in the Units of Spring REIT as at 30 June 2018. Mercuria can therefore exercise influence on RCA Fund and its exercise of rights as a Unitholder in respect of the affairs of Spring REIT (in particular, in relation to matters that are subject to voting by the Unitholders, on which RCA Fund is not required to abstain from voting), including in relation to the approval of significant corporate transactions, such as acquisitions and disposals. In addition, Mercuria has interest in the Units of Spring REIT directly or through various subsidiaries; including, in particular, the Manager which has received and will continue to receive Units of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

Corporate Governance (continued)

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

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

(i) unless with the approval of the SFC, the Manager will not manage any real estate investment trust other than Spring REIT nor manage other real estate assets other than those in which Spring REIT has an ownership interest or investment;

(ii) the Manager will ensure that it will be able to function independently from its shareholders, and all executive officers are employed by the Manager on a full-time basis and are dedicated to the operations of Spring REIT;

(iii) the Manager has also appointed Independent Non-executive Directors and set up an Audit Committee to provide independent checks on the performance of the Executive Directors/officers and ensure that the Executive Directors/officers manage and operate Spring REIT independently from Mercuria;

(iv) the Manager has established procedures in the Compliance Manual to deal with conflicts of interest;

(v) the Manager has established an internal control system to ensure that connected party transactions between Spring REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the waiver conditions imposed by the SFC) and that other potential conflicts of interest that may arise are monitored;

(vi) all conflicts of interest involving a significant Unitholder or a Director will be required to be managed by a physical Board meeting rather than a written resolution and all Independent Non-executive Directors who, and whose associates, have no material interest in the matter should be present at such Board meeting; and

(vii) where a Director has material interests, whether direct or indirect, in a matter which is the subject of a resolution proposed at a Board meeting of the Manager, such interested Director is expected to disclose his interest to the Board and shall abstain from voting on the resolution concerned.

Conflicts of Interest and Business Competitions with the Property Manager

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

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

Compliance with the Dealings Code

To monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings in the securities of Spring REIT by the Directors and the Manager (the "**Dealings Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Pursuant to the Dealings Code, all Directors, the Manager and the senior executives, officers and employees of the Manager and subsidiaries of the Manager or the special purpose vehicles of Spring REIT (collectively "**Management Persons**") who wish to deal in the Units and, because of their office or employment with the Manager, the relevant subsidiaries of the Manager or the relevant special purpose vehicles of Spring REIT, are likely to be in possession of unpublished 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, the Management Persons must not make any unauthorized disclosure of confidential information obtained in the course of their service to any other person or make any use of such information for the benefits of themselves or others.

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

Disclosure on Independent Non-executive Directors Remuneration Arrangement

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

Name of Independent Non-executive Director of the Manager	Remuneration for the Reporting Period[i] (HK$)	Election for Percentage of Remuneration to be paid in form of Units during the Reporting Period	Number of Units paid as Remuneration during the Reporting Period[ii]
Mr. Simon Murray	180,000	100%	52,000
Mr. Qiu Liping	180,000	100%	52,000
Mr. Lam Yiu Kin	180,000	100%	52,000

Notes:

(i) Each Independent Non-executive Director's remuneration remained unchanged during the Reporting Period. This Director's remuneration was determined after arm's length negotiations between each Independent Non-executive Director and the Manager, with reference to market conditions as well as 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 interim results of Spring REIT for the Reporting Period have been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their respective terms of reference.

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

Changes in Information of Directors of the Manager

During the Reporting Period and up to the date of this interim report, the Manager has not received any notification regarding changes in Directors' information.

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 2018.

Investments in Property Development and Relevant Investments

During the Reporting Period, Spring REIT did not enter into any (i) Investments in Property Development and Related Activities (as defined in Paragraph 2.16A of the REIT Code); and (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 2017 and should therefore be excluded from maintaining "financial accounts" under FATCA for the calendar year 2018, except for those Unitholders who are registered on the books of Spring REIT (i.e. holding physical scripts of Spring REIT directly). Hence, Spring REIT was not required to perform account due diligence, reporting or withholding on most of its account holders (that are excluded from financial account holder definition) under FATCA for the calendar year 2018.

Common Reporting Standard/Automatic Exchange of Financial Account Information ("CRS/AEOI")

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

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

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

Connected Party Transactions

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

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

(a) the Manager of Spring REIT;

(b) the Principal Valuer of Spring REIT;

(c) the Trustee of Spring REIT;

(d) a significant holder;

Notes:

(1) A holder is a significant holder if he/she/it holds 10% or more of the outstanding Units.

(2) The following holdings will be deemed holdings of a holder:

(i) holdings of the associate of the holder who is an individual; or

(ii) holdings of the director, senior executive, officer, controlling entity, holding company, subsidiary or associated company of the holder if the holder is an entity.

(e) a director, senior executive or an officer of any of the entities in (a), (b), (c) or (d) above;

(f) an associate of the persons in (d) or (e); and

(g) a controlling entity, holding company, subsidiary or associated company of any of the entities in (a) to (d).

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

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

Based on the best knowledge of the Manager, set out below is the information in respect of connected party transactions during the Reporting Period involving Spring REIT and/or RCA01 and/or RUK01 Limited (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 — 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 June 2018 RMB
MIBJ Consulting (Beijing) Co., Ltd.	Associated company of the Manager and associate of a director of the Manager[1]	Leasing	483,476	289,426
PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司)	Subsidiary of a significant holder of Spring REIT[2]	Leasing	1,198,416	717,368

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. Please refer to further information in the section "PAG Lease" below.

PAG Lease

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

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[1]	Property management	5,655,186

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 (continued)

Connected Party Transactions with Trustee Connected Persons

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income/(Expense) for the Reporting Period RMB
Leasing Transactions			
Deutsche Bank AG and its associated companies	Trustee Connected Persons	Leasing	22,631,402[1]
Ordinary Banking and Financial Services			
Deutsche Bank AG	Trustee Connected Person	Interest income received/receivable on bank deposits	1,935,280
Deutsche Bank AG	Trustee Connected Person	Bank charges	(204,493)

Note:

1. As at 30 June 2018, a rental deposit of RMB6,776,780 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 2018.

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	11,891,916
Zhong De Securities	Trustee Connected Person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	10,739,486

Confirmation by the Independent Non-executive Directors

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

(a) in the ordinary and usual course of business of Spring REIT;

(b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Spring REIT than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interest of the Unitholders as a whole.

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

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

During the Reporting Period, the aggregate amount of fees payable by Spring REIT and/or RCA01 and/or RUK01 Limited to the Manager was US$4.57 million. The Manager's fee paid in the form of Units amounted to HK$24.83 million and the Manager's fee paid in the form of cash amounted to HK$9.46 million. On 12 December 2017, the Manager had elected for the base fee to be paid in the form of Units entirely for the Reporting Period.

During the Reporting Period, the fee payable to the Trustee under the Trust Deed was US$0.15 million.

During the Reporting Period, approximately US$0.03 million in aggregate was accrued for services rendered to Spring REIT by Knight Frank (the Principal Valuer). This included approximately US$0.01 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 fees of US$0.02 million paid for other services rendered.

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

Disclosure of Interests

The REIT Code requires that connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT shall disclose their interests in the Units. In addition, under the provisions of the Trust Deed, Part XV of the SFO is also deemed to be applicable to, among others, the Directors and chief executives of the Manager and also indirectly to certain persons interested in or 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 2018, each of the following was the Manager, the 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:

		As at 30 June 2018		As at 31 December 2017		
Name	Capacity/ Nature of Interest	Number of Units Interested in (Long Position)	Approximate % of interest[5]	Number of Units Interested in (Long Position)	Approximate % of interest[5]	Change in % of interest
The Manager						
Spring Asset Management Limited[1]	Beneficial owner/ Beneficial interest	22,111,645	1.75%	23,296,732	1.85%	-0.10%
Directors						
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	0.03%	0.00%
Hideya Ishino	Beneficial owner/ Personal interest	49,000	0.00%	49,000	0.00%	0.00%
Simon Murray[2]	Beneficial owner/ Personal interest	396,000	0.03%	344,000	0.03%	0.00%
Qiu Liping[3]	Beneficial owner/ Personal interest	396,000	0.03%	344,000	0.03%	0.00%
Lam Yiu Kin[4]	Beneficial owner/ Personal interest	369,000	0.03%	317,000	0.03%	0.00%
Senior Executive						
Alice Yu	Beneficial owner/ Personal interest	170,000	0.01%	170,000	0.01%	0.00%

Notes:

1. During the Reporting Period, an aggregate of 7,474,913 new Units were issued to the Manager as payment of part of the Manager's fee. The Manager beneficially owned 22,111,645 Units as at 30 June 2018 (31 December 2017:23,296,732 Units).

2. Mr. Simon Murray received these Units in lieu of cash pursuant to the arrangement for remuneration of Independent Non-executive Director paid out of the Manager's own assets, under which each of the Independent Non-executive Directors of the Manager may elect the percentage of his remuneration to be made in the form of Units to be transferred from the Manager (the "**INED Remuneration Arrangement**"), as detailed in the announcement made by the Manager on 24 October 2014. During the fourth quarter of 2014, all the Independent Non-executive Directors elected to receive 100% of their remuneration in Units. As at 30 June 2018, 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.

3. Mr. Qiu Liping received these Units in lieu of cash pursuant to the INED Remuneration Arrangement. As at 30 June 2018, 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.

4. Mr. Lam Yiu Kin received these Units in lieu of cash pursuant to the INED Remuneration Arrangement. As at 30 June 2018, 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.

5. The percentages expressed herein are based on the total number of issued Units of 1,265,180,645 as at 30 June 2018 and 1,257,705,732 as at 31 December 2017 respectively.

Save as disclosed above, none of the Manager, the Directors, senior executives or officers of the Manager had beneficial interests (or were deemed to be interested) in any Units and underlying Units or held any short position in the Units as at 30 June 2018 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 2018, based on the information available to the Manager, each of the following persons was considered as a "significant holder" and hence a "connected person" of Spring REIT within the meaning and for the purpose of the REIT Code. Their interests or short positions in the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

		As at 30 June 2018		As at 31 December 2017		
Name	Capacity/ Nature of interest	Number of Units Interested in (Long Position)	Approximate % of Issued Units[1]	Number of Units Interested in (Long Position)	Approximate % of Issued Units[1]	Change in % of interest
RCAC[2]	Interest of controlled corporation/corporate interests	345,204,000	27.28%	345,204,000	27.45%	–0.17%
PAG Holdings Limited[3,4]	Interest of controlled corporation/corporate interests	176,081,000	13.92%	164,375,000	13.07%	+0.85%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,265,180,645 as at 30 June 2018 and 1,257,705,732 as at 31 December 2017 respectively.

2. These 345,204,000 Units are beneficially owned by RCA Fund. Based on the information available to the Manager, RCAC is a general partner of RCA Fund. RCAC has exclusive rights to the management, control and operation of RCA Fund and is thus deemed to be interested in the Units held by RCA Fund.

3. These 176,081,000 Units comprise the interests of (i) 64,010,000 Units directly held by BT Cayman Limited; and (ii) 112,071,000 Units directly held by Spirit Cayman Limited. Based on disclosure of interests notification made by PAG Holdings Limited, as at 7 March 2018, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 176,081,000 Units in which PAG Holdings Limited was interested.

4. Based on disclosure of interests notifications filed on 12 March 2018:

   (a) each of PARE (Cayman) Limited (as controlling person of SCREP V Management (Cayman), LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP V Management (Cayman), LLC), SCREP V Management (Cayman), LLC (being general partner of Secured Capital Real Estate Partners V, L.P. and SCREP V Feeder B, L.P.), SCREP V Feeder B, L.P. (being limited partner of Secured Capital Real Estate Partners V, L.P.) and Secured Capital Real Estate Partners V, L.P. (as controlling person of BT Cayman Limited as to 100%) was deemed to be interested in 64,010,000 Units, being the same parcel of Units directly held by BT Cayman Limited as referred to in Note 3(i) above;

   (b) each of PARE (Cayman) Limited (being controlling person of SCREP VI Management, LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP VI Management, LLC), SCREP VI Management, LLC (being general partner of SCREP VI, L.P. and SCREP VI Feeder A, L.P.), SCREP VI Feeder A, L.P. (being limited partner of SCREP VI, L.P.), SCREP VI, L.P. (being controlling person of SCREP VI Holdings L.P. as to 100%) and SCREP VI Holdings L.P. (being controlling person of Spirit Cayman Limited as to 100%) was deemed to be interested in 112,071,000 Units, being the same parcel of Units directly held by Spirit Cayman Limited as referred to in Note 3(ii) above;

Disclosure of Interests (continued)

(c) PAG Investment Advisors Pte. Ltd. was interested in 176,081,000 Units, comprising 64,010,000 Units which it was deemed to be interested in as manager of SCREP V Management (Cayman), LLC and 112,071,000 Units which it was deemed to be interested in as manager of SCREP VI Management, LLC;

(d) PARE (Cayman) Limited was interested in 176,081,000 Units, comprising 64,010,000 Units which it was deemed to be interested in through its controlled corporation SCREP V Management (Cayman), LLC and 112,071,000 Units which it was deemed to be interested in through its controlled corporation SCREP VI Management, LLC;

(e) PAG Real Estate Limited was interested in 176,081,000 Units through its 100% controlled corporations PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd; and

(f) PAG Holdings Limited was interested in 176,081,000 Units through its 100% controlled corporation PAG Real Estate Limited.

The interests of each of the above were also disclosed in the disclosure of interests notification made by PAG Holdings Limited filed on 12 March 2018.

In addition, according to the subsequent disclosure of interests notifications, Spirit Cayman Limited acquired 768,000 Units on 19 March 2018 crossing one percentage level from 8.99% to 9.05% and was interested in a total of 113,869,000 Units. Accordingly, each of SCREP VI Management, LLC, SCREP VI Feeder A, L.P., SCREP VI, L.P. and SCREP VI Holdings L.P. was deemed to be interested in 113,869,000 Units, being the same parcel of Units held by Spirit Cayman Limited. Such increase in number of Units was not included in the above-mentioned disclosure of interest notification made by PAG Holdings Limited.

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 113,869,000 Units.

Save as disclosed above and based on the information available to the Manager, no other significant Unitholders had beneficial interests (or were deemed to be interested) in any Units or underlying Units or held any short position in the Units as at 30 June 2018 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 2018, 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:

		As at 30 June 2018		As at 31 December 2017		
Name	Capacity/ Nature of interest	Number of Units Interested in (Long Position)	Approximate % of Issued Units[1]	Number of Units Interested in (Long Position)	Approximate % of Issued Units[1]	Change in % of interest
Zeng Yuyu[2]	Interest of controlled corporation/corporate interests	114,884,000	9.08%	114,884,000	9.13%	–0.05%
BT Cayman Limited[3]	Beneficial owner/ Beneficial interest	64,010,000	5.06%	64,010,000	5.09%	–0.03%
Spirit Cayman Limited[4]	Beneficial owner/ Beneficial interest	113,869,000	9.00%	100,634,000	8.00%	+1.00%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,265,180,645 as at 30 June 2018 and 1,257,705,732 as at 31 December 2017 respectively.

2. 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. Accordingly, China Orient Stable Value Fund Limited and Long Hills Capital Ltd. are deemed to be interested in 114,884,000 Units. 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 notification made by Zeng Yuyu dated 21 April 2017.

3. These 64,010,000 Units were beneficially owned by BT Cayman Limited. Please refer to Note 4(a) in the section "Interests Held by Significant Unitholders" above.

4. These 113,869,000 Units were beneficially owned by Spirit Cayman Limited. Please refer to Note 4(b) in the section "Interests Held by Significant Unitholders" above.

Save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other substantial Unitholders under the SFO who had beneficial interests (or were deemed to be interested) in 5% or more but below 10% of the Units or underlying Units or held any short position in the Units as at 30 June 2018 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 2018, 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 or underlying 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 29 to 56, 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 2018 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 2018

Condensed Consolidated Income Statement

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Revenues	6	43,407	35,604
Property operating expenses	7	(10,712)	(9,234)
Net property income		32,695	26,370
General and administrative expenses	8	(6,602)	(4,970)
Fair value gain of investment properties	14	1,981	3,378
Other losses, net	9	(1,781)	(6,976)
Operating profit		26,293	17,802
Finance income		303	222
Finance costs on interest-bearing borrowings	10	(20,026)	999
Profit before taxation and transactions with Unitholders		6,570	19,023
Income tax expenses	11	(81)	–
Profit for the period, before transactions with Unitholders		6,489	19,023
Distributions paid to Unitholders:			
– 2016 final distribution		–	(14,568)
– 2017 final distribution (note i)		(18,644)	–
		(12,155)	4,455
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		(27,801)	23,597
Amount arising from exchange reserve movements regarding translations of financial statements		15,646	(19,142)
		(12,155)	4,455

Notes:

(i) 2017 final distribution of US$18,644,000 for the year ended 31 December 2017 was paid during the six months ended 30 June 2018. Total distribution for the six months ended 30 June 2018 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 13.

The notes on pages 35 to 56 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Note	Before transactions with Unitholders (Unaudited) US$'000	Transactions with Unitholders (note i) (Unaudited) US$'000	After transactions with Unitholders (Unaudited) US$'000
For the six months ended 30 June 2018				
Profit for the period		6,489	9,157	15,646
Other comprehensive loss:				
Items that may be reclassified to condensed consolidated income statement				
Exchange losses on translation of financial statements		(15,646)	–	(15,646)
Total comprehensive income for the period	ii	(9,157)	9,157	–
For the six months ended 30 June 2017				
Profit for the period		19,023	(38,165)	(19,142)
Other comprehensive income:				
Items that may be reclassified to condensed consolidated income statement				
Exchange gains on translation of financial statements		19,142	–	19,142
Total comprehensive income for the period	ii	38,165	(38,165)	–

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of US$18,644,000 (2017: US$14,568,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is a decrease of US$27,801,000 (2017: an increase of US$23,597,000).

(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 35 to 56 are an integral part of these condensed consolidated interim financial information.

Statement of Distributions

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Profit for the period, before transactions with Unitholders	6,489	19,023
Adjustments:		
– Fair value gain of investment properties	(1,981)	(3,378)
– Net fair value (gains)/losses of derivative financial instruments	(40)	8,082
– Manager's fee expenses in units in lieu of cash	3,151	2,743
– Amortization of transaction cost for the bank borrowings	1,680	896
– Unrealized foreign exchange losses/(gains)	10,783	(12,155)
Distributable income for the period (note i)	20,082	15,211
Total distributions of the period (note ii)	19,339	15,211
Percentage of total distribution over distributable income for the period	96%	100%
Distributions per unit to Unitholders for the period		
– Interim distribution per unit, paid (note iii and iv)	HK12.0 cents	HK9.5 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. 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 HK12.0 cents for the six months ended 30 June 2018 is calculated based on the interim distribution to be paid to Unitholders of US$19,339,000 for the first half of 2018 and 1,265,180,645 units in issue as at 30 June 2018, without taking into account any consideration or subdivision of units which may have occurred between the dates of declaration of the distribution and 18 September 2018 (the "**Record Date**"). Distributions to Unitholders for the six months ended 30 June 2018 represent a payout ratio of 96% (2017: 100%) of Spring REIT's total distributable income for the period. The interim distribution for the six months ended 30 June 2018 is expected to be paid on 28 September 2018. Such interim distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2018 and Record Date, if any.

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

The notes on pages 35 to 56 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Non-current assets			
Investment properties	14	1,463,754	1,488,059
Derivative financial instruments	15	103	–
Total non-current assets		1,463,857	1,488,059
Current assets			
Trade and other receivables	16	4,798	4,525
Restricted bank balances	17	57,192	72,701
Cash and cash equivalents	17	21,841	21,310
Total current assets		83,831	98,536
Total assets		1,547,688	1,586,595
Current liabilities			
Interest-bearing borrowings	19	–	50,005
Trade and other payables	18	13,901	13,878
Rental deposits	18	24,550	24,360
Income tax payable		241	476
Total current liabilities		38,692	88,719
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	19	533,166	497,472
Derivative financial instrument	15	63	–
Total non-current liabilities		533,229	497,472
Total liabilities, excluding net assets attributable to Unitholders		571,921	586,191
Net assets attributable to Unitholders		975,767	1,000,404
Units in issue ('000)	20	1,265,181	1,257,706
Net asset value per unit attributable to Unitholders			
In US$		0.77	0.80
In HK$		6.05	6.22

The notes on pages 35 to 56 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 Net Assets attributable to Unitholders

For the six months ended 30 June 2018

	Reserves (note) US$'000	Net assets attributable to Unitholders US$'000
As at 1 January 2018	**–**	**1,000,404**
Profit for the period, before transactions with Unitholders	–	6,489
Exchange losses on translation of financial statements	(15,646)	–
Amount arising from exchange reserve movements	15,646	(15,646)
Distributions paid to Unitholders:		
– 2017 final distribution	–	(18,644)
Change in net assets attributable to Unitholders for the six months ended 30 June 2018, excluding issues of new units	–	(27,801)
Issuance of units	–	3,164
As at 30 June 2018	**–**	**975,767**
As at 1 January 2017	–	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
As at 30 June 2017	–	940,753

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 35 to 56 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Cash flows from operating activities			
Cash generated from operations	21	28,320	23,086
Interest received		303	222
Income tax paid		(307)	–
Net cash generated from operating activities		28,316	23,308
Cash flows from financing activities			
Proceeds from issuance of new units		–	48,001
Proceeds from borrowings, net of transaction cost		82,838	–
Repayment of borrowings		(97,500)	(33,750)
Interest paid		(8,429)	(8,774)
Settlement of derivative financial instruments		–	(5,412)
Decrease/(increase) in restricted bank balances		13,756	(1,281)
Distributions to Unitholders		(18,644)	(14,568)
Net cash used in financing activities		(27,979)	(15,784)
Net increase in cash and cash equivalents		337	7,524
Cash and cash equivalents at the beginning of the period		21,310	28,825
Exchange gains/(losses) on cash and cash equivalents		194	(230)
Cash and cash equivalents at end of period		21,841	36,119

The notes on pages 35 to 56 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 2018 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 2017, 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 2017 as described in those annual financial statements.

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

The Group has adopted all of the new standards issued by the International Accounting Standards Board that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2018.

3 Accounting policies (Continued)

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

New standards, amendments, interpretations and improvements to existing standards effective in 2018 which are relevant to the Group's operations:

IAS 40 Amendments	Transfers of Investment Property
IFRS 2 Amendments	Classification and measurement of Share-based Payment Transactions
IFRS 4 Amendments	Applying IFRS 9 Financial Instruments with IFRS4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 15 Amendments	Clarifications to IFRS 15
Annual Improvements Project IFRS 1 and IAS 28	Annual Improvements to IFRS 2014 – 2016 Cycles
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration

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

New standards, amendments and interpretations to existing standards not yet adopted

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

		Effective for accounting periods beginning on or after
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC – Int 23	Uncertainty Over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 Critical accounting estimates and judgements

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

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

(a) Estimates of fair value of investment properties

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

(b) Estimates of fair values of derivative financial instruments

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

(c) Taxation

The Group is a foreign enterprise established outside the PRC and the UK. The Group is subject to various taxes in the PRC and the UK. Significant judgement is required in determining the provision for taxation including deferred taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group 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 2017.

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

6 Revenue and segment information

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

For the six months period ended 30 June 2018, revenue of US$40.5 million (30 June 2017: US$35.6 million) is attributable to tenants from the PRC investment properties and US$2.9 million (30 June 2017: Nil) is attributable to tenants from the UK investment properties. As at 30 June 2018, non-current assets of US$1,364 million (31 December 2017: US$1,388 million) is located in the PRC and US$100 million (31 December 2017: US$100 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Six months ended 30 June	
	2018	**2017**
	(Unaudited)	**(Unaudited)**
	US$'000	**US$'000**
Revenues		
Rental income	42,578	34,911
Car park income	271	250
Other income (note i)	558	443
	43,407	35,604

Note:

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

7 Property operating expenses

	Six months ended 30 June	
	2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Property management fee	930	784
Property tax (note i)	4,729	4,205
Other taxes (note ii)	558	506
Withholding tax (note iii)	4,151	3,520
Leasing commission	189	159
Others	155	60
	10,712	9,234

Notes:

(i) Property taxes represent real estate tax and land use tax in the PRC. Real estate tax applicable to the Group's Beijing properties is calculated: (a) for leased area, at 12% of rental income; and (b) for vacant area, at 1.2% of the residual value of the relevant area.

(ii) Other taxes represent urban construction and maintenance tax, education surcharge and stamp duty in the PRC.

(iii) Withholding tax is calculated based on 10% of the revenues received from rental operation in the PRC.

8 General and administrative expenses

	Six months ended 30 June	
	2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Manager's fee (note i)	4,565	3,429
Trustee fee	151	120
Valuation fee	31	8
Auditor's remuneration	109	109
Legal and other professional fee (note ii)	1,611	960
Others	135	344
	6,602	4,970

Notes:

(i) The breakdown of the Manager's fee was set out in note 12.

(ii) Legal and other professional fee mainly comprises advisory fees and other professional fees.

Notes to the Condensed Consolidated Interim Financial Information

9 Other losses, net

	Six months ended 30 June 2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Net fair value (gains)/losses on derivative financial instruments at fair value through profit or loss	(40)	8,082
Foreign exchange losses/(gains)	1,816	(1,108)
Other miscellaneous losses	5	2
	1,781	6,976

10 Finance costs

	Six months ended 30 June 2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Interest expenses on bank borrowings (note i)	10,530	9,898
Interest expenses on derivative financial instruments	127	–
Foreign exchange losses/(gains) on bank borrowings (note ii)	8,967	(11,047)
Other incidental borrowing costs	402	150
	20,026	(999)

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 losses/(gains) on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies.

11 Income tax expense

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

For the subsidiary with operation in the UK, they are subject to non-resident landlord income tax at a rate of 20%.

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong.

The amount of income tax expense charged to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Current income tax	81	–
	81	–

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the country concerned, and the Group's tax charge for the period are as follows:

	Six months ended 30 June	
	2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Profit before income tax and transactions with unitholders	6,570	19,023
Exclude profit from the PRC operation which is not subject to income tax (note 7(iii))	(11,903)	(22,896)
	(5,333)	(3,873)
Tax calculated at the domestic rates applicable to profit in the country concerned	(875)	(639)
Income not subject to tax	(533)	–
Expenses not deductible for tax purposes	1,489	639
	81	–

12 Manager's fee

	Six months ended 30 June 2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Base fee	3,577	2,637
Variable fee	988	792
	4,565	3,429

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

(i) Base fee at 0.4% per annum of the value of the Deposited Property ("**Base Fee**", as defined in the Trust Deed).

(ii) Variable fee at 3.0% per annum of the Net Property Income ("**Variable Fee**", as defined in the Trust Deed) (before deduction therefrom of the Base fee and Variable fee).

Based on the election made by the Manager dated 4 December 2017 and 6 December 2016 in relation to the Manager's elections for the Base Fee to be paid to the Manager in the form of Units entirely, 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 2018 and 2017 respectively in accordance with the Trust Deed.

13 Earnings per unit

	Six months ended 30 June 2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Profit for the period, before transactions with Unitholders	6,489	19,023
Weighted average number of units for the period for calculating basic earnings per unit	1,261,045,338	1,178,165,219
Adjustment for units issuable in respect of the Manager's fee	3,791,887	3,104,388
Weighted average number of units for the period for calculating diluted earnings per unit	1,264,837,225	1,181,269,607
Basic earnings per unit based upon profit before transactions with Unitholders	US0.5 cents	US1.6 cents
Diluted earnings per unit based upon profit before transactions with Unitholders	US0.5 cents	US1.6 cents

14 Investment properties

	For the period ended 30 June 2018 US$'000	For the year ended 31 December 2017 US$'000
At beginning of the period/year	1,488,059	1,296,616
Additions	–	419
Acquisition (note ii)	–	95,654
Exchange differences recognized in other comprehensive income	(26,286)	90,563
Changes in fair value recognized in consolidated income statement	1,981	4,807
At end of the period/year	1,463,754	1,488,059

14 Investment properties (Continued)

Notes:

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

In the PRC, 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. The land use rights of the property have been granted to RCA01 for a 50-year term expiring on 28 October 2053.

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

(ii) Amount included acquisition consideration of GBP73.5 million, related transaction costs and net asset adjustments for the investment properties in the UK.

As at 30 June 2018 and 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 30 June 2018 and 31 December 2017, the investment properties were pledged to secure the Group's bank borrowings (note 19).

Valuation process

The Group's investment properties were 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 properties valued.

The Manager reviewed the valuation performed by the independent valuer for financial reporting purpose. Discussions of valuation processes and results are held between the Manager and the independent valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 30 June 2018 and 31 December 2017, 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 where applicable.

Valuation techniques

(i) PRC investment property

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

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

14 Investment properties (Continued)

Valuation techniques (Continued)

(ii) UK investment properties

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

Fair value hierarchy

	Fair value measurements using		
	Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000
Recurring fair value measurements			
As at 30 June 2018	**–**	**–**	**1,463,603**
As at 31 December 2017	–	–	1,488,059

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

Key unobservable inputs used to determine fair values

(i) PRC investment property

(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 2018 valuation, a capitalization rate of 5.8% (31 December 2017: 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 properties. The average gross monthly office unit base rent of RMB412 (31 December 2017: RMB409) per square meter exclusive of VAT is used in the valuation. The corresponding amount inclusive of VAT is RMB457 (31 December 2017: RMB454) per square meter.

14 Investment properties (Continued)

Key unobservable inputs used to determine fair values (Continued)

(ii) UK investment properties

(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 properties. In the 30 June 2018 valuations, the capitalization rate used in the income capitalization approach of 84 investment properties range from 4.35% to 9.35% (31 December 2017: from 4.45% to 9.45%).

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of taxes, other relevant charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The gross annual unit base rents of 84 investment properties range from GBP4.52 to GBP21.96 per square foot (31 December 2017: from GBP4.52 to GBP20.11 per square foot).

As at 30 June 2018, if the market value of investment properties had been 5% higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been US$73.2 million (31 December 2017: US$74.4 million) higher/lower.

15 Derivative financial instruments

	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Non-current asset		
Fair value of the interest rate swap	103	–
Non-current liability		
Fair value of the interest rate swap	63	–

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

The aggregated notional principal amount of the interest rate swap as at 30 June 2018 was US$150 million (31 December 2017: Nil) which will be settled on 29 April 2020.

The Group recorded net fair value gains on interest rate swap for the six months ended 30 June 2018 amounting to US$40,000 (2017: Nil) (note 9) which were charged to the condensed consolidated income statement.

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

15 Derivative financial instruments (Continued)

Fair value hierarchy

	Fair value measurements using		
	Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000
Recurring fair value measurements			
As at 30 June 2018			
Non-current asset			
Fair value of the interest rate swap	–	103	–
Non-current liability			
Fair value of the interest rate swap	–	63	–
As at 31 December 2017			
Non-current asset			
Fair value of the interest rate swap	–	–	–
Non-current liability			
Fair value of the interest rate swap	–	–	–

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

16 Trade and other receivables

	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Rent receivables	277	8
Deferred rent receivables (note iv)	3,875	4,133
Prepayments	608	365
Other receivable	38	19
	4,798	4,525

Notes:

(i) Trade and other receivables are denominated in RMB and GBP, and the carrying amounts of these receivables approximate their fair values.

There are no specific credit terms given to the tenants.

Monthly rentals are payable in advance by tenants in accordance with the leases while daily gross receipts from car parks are received from the car park operators in arrears.

(ii) The Group's exposure from outstanding rent receivables in the PRC is generally fully covered by the rental deposits from the corresponding tenants (note 18).

(iii) As at 30 June 2018 and 31 December 2017, the Group's rent receivables and all future rent receivables in the PRC were pledged to secure the Group's bank borrowings (note 19).

(iv) Deferred rent receivables represent the accumulated difference between effective rental revenue and actual rental receipts.

17 Restricted bank balances and cash and cash equivalents

	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Restricted bank balances	57,192	72,701
Cash and cash equivalents	21,841	21,310
	79,033	94,011

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

	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
US$	39,003	56,146
RMB	34,627	33,354
HK$	1,071	1,875
GBP	4,332	2,636
	79,033	94,011

Restricted bank balances are related to bank accounts restricted under the bank borrowing facility agreements of the bank borrowings (note 19).

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. Included in the unrestricted bank balances, there is an amount of US$7,000 which is denominated in RMB as at 30 June 2018 (31 December 2017: US$6,000).

18 Rental deposits and trade and other payables

	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Rental deposits (note i)	24,550	24,360
Trade and other payables:		
Rental receipts in advance	7,315	7,566
Provision for other taxes (note ii)	6	4
VAT payable	261	380
Accrued expenses and other payables	6,319	5,928
	13,901	13,878

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 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Within 1 year	7,335	5,161
Over 1 year	17,215	19,199
	24,550	24,360

(ii) Provision for other taxes represents provision for 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.

19 Interest-bearing borrowings

	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Current	–	50,005
Non-current	533,166	497,472
	533,166	547,477

The exposure of the Group's non-current 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 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
6 months or less	533,166	477,802

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

Upon completion of the acquisition of the UK investment properties on 14 July 2017, the Group:

(i) assumed a security loan facility of GBP36.1 million (approximately US$48.8 million) as part of the acquisition consideration. The borrowing is repayable in full on 18 August 2020. 54% of the borrowing bears interest rate of 3-month GBP LIBOR plus 1.90% per annum and the remaining portion of the borrowing bears fixed interest rate of 1.66% plus 1.90% per annum. The Group subsequently repaid the borrowing in January 2018; and

(ii) obtained a unsecured loan facility of GBP37.0 million (approximately US$50.0 million) to finance the acquisition of the UK investment properties. The borrowing bears an interest rate of 3-month GBP LIBOR plus 2.15% per annum, and was subsequently repaid in full on 31 January 2018.

To refinance existing facilities, in January 2018, the Group:

(iii) entered into a GBP50 million (approximately US$66.1 million) secured term loan facility. The borrowing is repayable in full on 26 January 2022 and bears an interest rate of 3-month GBP LIBOR plus 2.20% per annum; and

(iv) utilised a US$18.0 million revolving loan under the existing US dollar secured loan facility. Together with the previously drawn down US$450.0 million term loan from the same secured facility, the entire US dollar borrowing of US$468.0 million is repayable in full on 29 April 2020. The term loan facility bears an interest rate of 3-month US dollar LIBOR plus 1.65% per annum.

As at 30 June 2018 and 31 December 2017, the Group's investment properties (note 14) derivative financial instruments (note 15), rent receivables and all future rent receivables (note 16), restricted bank balances (note 17), interests in certain subsidiaries of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's loan borrowings. In addition, the Trustee (in its capacity as trustee of Spring REIT) has provided guarantee for all the loan facilities.

Notes to the Condensed Consolidated Interim Financial Information

20 Units in issue

	Number of units
Balance as at 31 December 2017	1,257,705,732
New units issued for Manager's fee	7,474,913
Balance as at 30 June 2018 (note i)	1,265,180,645

Notes:

(i) Traded market value of the units as of 30 June 2018 was HK$3.33 per unit. Based on 1,265,180,645 units, the market capitalization was US$536.93 million.

21 Notes to statements of cash flows

Cash generated from operating activities

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Profit for the period, before transactions with Unitholders	6,570	19,023
Fair value gain of investment properties	(1,981)	(3,378)
Net fair value (gains)/losses on derivative financial instruments	(40)	8,082
Manager's fee expenses in units in lieu of cash	3,164	2,472
Interest income	(303)	(222)
Finance costs on interest-bearing borrowings	20,026	(999)
Foreign exchange losses/(gains)	1,816	(1,108)
Increase in trade and other receivables	(437)	(1,644)
Increase in rental deposits	631	1,521
Decrease in trade and other payables	(1,126)	(661)
	28,320	23,086

Material non-cash movements:

(i) The Manager's fee amounting US$3,164,000 (2017: US$2,472,000) was settled by issuance of new units.

22 Future minimum rental receivables

As at 30 June 2018, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Within 1 year	80,599	74,935
After 1 year, but within 5 years	130,612	138,364
After 5 years	49,554	50,947
	260,765	264,246

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2017: 3 years).

23 Capital Commitment

	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Capital commitments in respect of the investment property		
Contracted but not provided for	203	–
	203	–

24 Lease Commitment

The future aggregate minimum lease payments under non-cancellable operating leases that are related to the leasehold land of certain UK investment properties are as follows:

	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Within 1 year	143	146
After 1 year, but within 5 years	572	583
After 5 years	7,258	7,535
	7,973	8,264

25 Connected party transactions and related party transactions and balances

For the period ended 30 June 2018, 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 2018:

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 and its subsidiaries (excluding the Trustee) ("**DBAG**")	Trustee Connected Persons
Zhong De Securities ("**ZDS**")	Trustee Connected Persons

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

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

(b) Income from connected/related parties

	Note	Six months ended 30 June 2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Rental revenue from ITOCHU	(ii)(iii)	–	396
Rental revenue from MIBJ	(iii)	76	70
Rental revenue from DBAG and ZDS	(iii)	3,554	3,745
Rental revenue from PAG Beijing	(i)(iii)	188	153
Interest income from DBAG	(iv)	303	222

25 Connected party transactions and related party transactions and balances

(Continued)

(c) Expenses to connected/related parties

	Note	Six months ended 30 June 2018 (Unaudited) US$'000	2017 (Unaudited) US$'000
Management fee to HuaRe	(v)	888	784
Trustee's fee paid and payable to the Trustee	(vi)	151	121
Manager's fee to Spring Asset Management Limited	(vii)	4,565	3,429
Valuation fee to the Principal Valuer	(viii)	31	227
Interest expense to DBAG	(ix)	–	692
Bank charges to DBAG	(iv)	32	2
Prepayment premium to DBAG	(ix)	–	11
Settlement of a derivative financial instrument with DBAG	(iv)	–	2,169

(d) Balances with connected/related parties

	Note	As at 30 June 2018 (Unaudited) US$'000	As at 31 December 2017 (Audited) US$'000
Lease deposit from MIBJ	(x)	44	44
Lease deposit from DBAG and ZDS	(x)	1,024	1,084
0Lease deposit from PAG Beijing	(i)(x)	108	110

Notes:

(i) On 9 March 2017, PAG Beijing became a connected person of Spring REIT as PAG Beijing's parent company, PAG Holdings Limited, increase its interest in units to 10.02%.

(ii) On 2 May 2017, ITOCHU ceased to be a connected person of Spring REIT as ITOCHU no longer held more than 20% of Mercuria.

(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 financial instrument were charged in accordance with the terms of the relevant agreements with DBAG.

(v) Property management services fees were charged based on mutually agreed terms between the parties.

Notes to the Condensed Consolidated Interim Financial Information

25 Connected party transactions and related party transactions and balances

(Continued)

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

Notes: (Continued)

(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 was charged in accordance with the terms of the relevant agreements with DBAG.

(x) Lease deposits were received in accordance with the terms of the relevant lease agreements.

No transaction was entered with the directors of the Manager (being the key management personnel) for the period ended 30 June 2018 (2017: Nil).

26 Subsidiaries

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

27 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information were authorized for issue by the Manager on 23 August 2018.

Performance Table

As at 30 June	2018	2017
Net assets attributable to Unitholders	US$975.77 million	US$940.75 million
Net assets per Unit attributable to Unitholders	HK$6.05	HK$5.87
Total borrowings as a percentage of gross assets	34.4%	31.4%
Market capitalization[1]	US$536.93 million	US$544.94 million
Units issued	1,265,180,645	1,251,315,163

For the six months ended 30 June	2018	2017
Highest traded unit price	HK$3.50	HK$3.43
Highest premium of the traded unit price to net assets per Unit	N/A	N/A
Lowest traded unit price	HK$3.21	HK$3.12
Highest discount of the traded unit price to net assets per Unit	47.0%	46.8%
Distributions per Unit[2]	HK12.0 cents	HK9.5 cents
Net yield per Unit[2]	3.6%	2.8%
Net yield (annualized) per Unit[2]	7.2%	5.6%

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

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Mr. Leung Kwok Hoe, Kevin

Non-executive Director
Mr. Hideya Ishino

Independent Non-executive Directors
Mr. Simon Murray
Mr. Qiu Liping
Mr. Lam Yiu Kin

Responsible Officers of the Manager
Mr. Nobumasa Saeki
Mr. Leung Kwok Hoe, Kevin
Mr. Chung Wai Fai
Ms. Alice Yu

Company Secretary of the Manager
Fair Wind Secretarial Services Limited

Auditor
PricewaterhouseCoopers

Internal Auditor
BDO Financial Services Limited

Trustee
DB Trustees (Hong Kong) Limited

Principal Valuer
Knight Frank Petty Limited

Legal Advisors
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