SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

Stock Code : **01426**

Managed by
Spring Asset Management Limited

INTERIM REPORT 2019

Contents

About Spring REIT

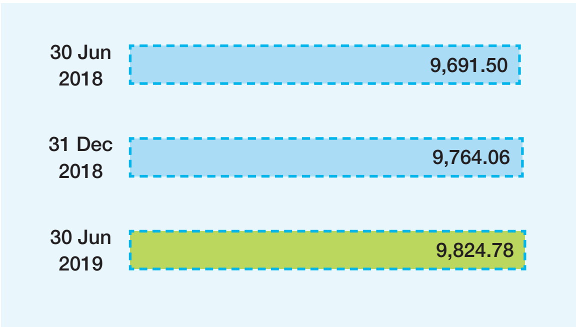
Spring Real Estate Investment Trust ("**Spring REIT**") is a real estate investment trust constituted by a trust deed entered into on 14 November 2013 as amended by the first supplemental deed dated 22 May 2015 (collectively, the "**Trust Deed**") between Spring Asset Management Limited and DB Trustees (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

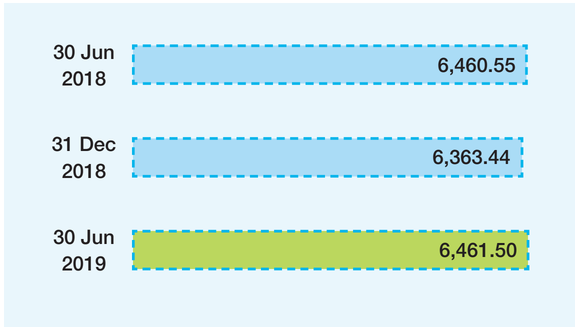
Spring REIT is managed by Spring Asset Management Limited (as manager of Spring REIT, the "**Manager**"), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 30 June 2019, the Manager was 90.2% owned by Mercuria Investment Co., Limited ("**Mercuria**"), an investment management 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.

Performance Highlights

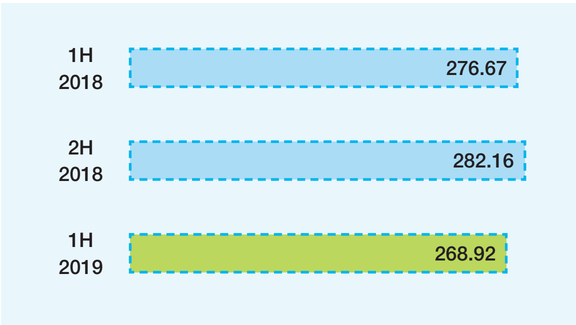
Appraised Property Value
(RMB million)



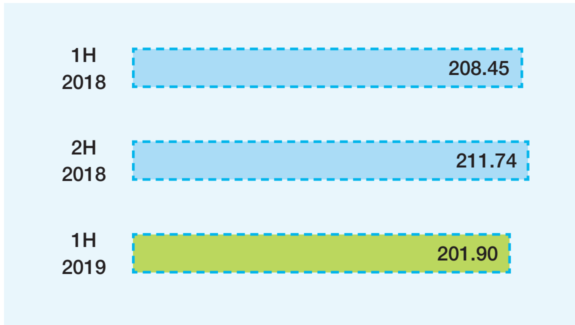
Net Asset Value
(RMB million)



Total Revenue
(RMB million)

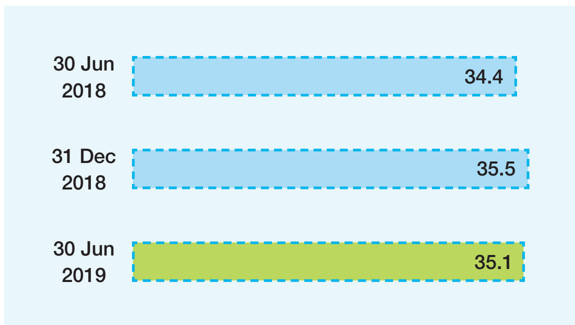


Net Property Income
(RMB million)

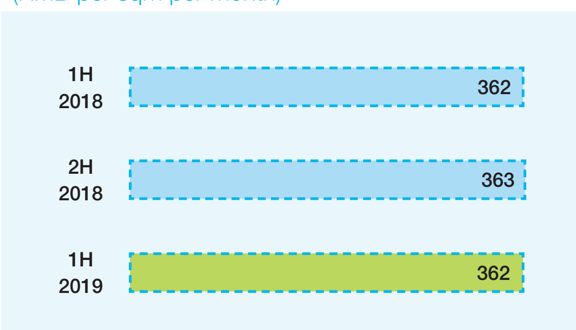


Net Property Income Margin
(%)

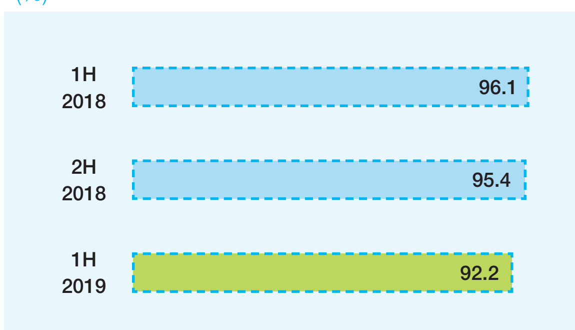
Gearing Ratio
(%)



Net Average Monthly Passing Rent
(RMB per sqm per month)



Average Occupancy
(%)



Distribution

The board of directors (the "**Board**") of the Manager, for and on behalf of Spring REIT, has resolved to declare an interim distribution for the period from 1 January 2019 to 30 June 2019 (the "**Reporting Period**", "**1H2019**" or "**2019 Interim Distribution Period**") of HK10.0 cents per Unit ("**2019 Interim Distribution**"), representing an increase of 38.9% half-on-half ("**HoH**") and a decrease of 16.7% year-on-year ("**YoY**"). The distribution is subject to adjustment in the event of any issuance of new Units between 1 July 2019 and 10 September 2019 (the "**Record Date**"). Based on the closing price of HK$3.36 per Unit as at 28 June 2019, the distribution implies an annualized distribution yield of 6.0%, representing a payout ratio of 97%.

All distributions will be paid in Hong Kong Dollars ("**HK$**"). The exchange rate adopted for the 2019 Interim Distribution is HK$0.8636 per Renminbi ("**RMB**"), which represents the average of month-end central parity rates in the 2019 Interim Distribution Period (as announced by the People's Bank of China).

The Manager confirms that 2019 Interim Distribution is composed only of consolidated profit after tax, before transactions with Unitholders and non-cash adjustments for the Reporting Period.

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

The record date for the 2019 Interim Distribution will be 10 September 2019. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 9 September 2019 to 10 September 2019, both days inclusive, during which period no transfer of Units will be registered. The 2019 Interim Distribution is expected to be payable on 20 September 2019 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2019 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 6 September 2019.

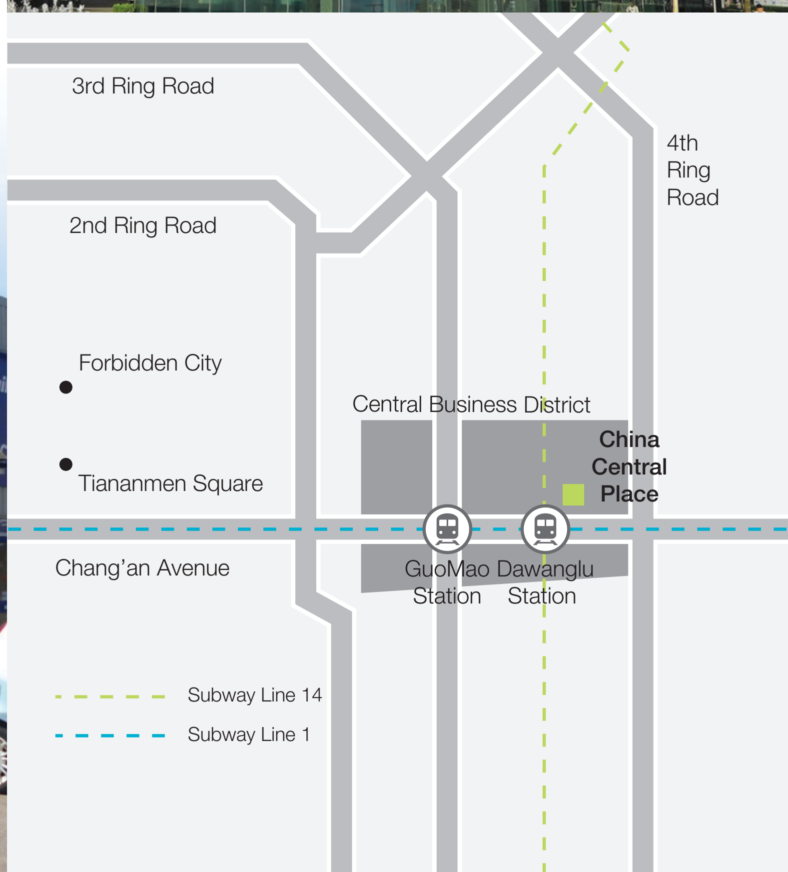
Overview of Spring REIT's Properties

CCP Property

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

UK Portfolio

The UK Portfolio comprises 84 separate commercial properties with diversified locations across the UK. The properties are leased to Kwik-Fit (GB) Limited, a nationwide car servicing service provider in the UK. Founded in 1971, Kwik-Fit has the largest network of fast-fit centres with more than 600 centres in the country.



Spring REIT has changed its presentation currency from United State Dollars ("**US$**") to RMB for the preparation of its financial statements starting with the period of the six months ended 30 June 2019. The Board made this decision based on the fact that most of Spring REIT's transactions are denominated and settled in RMB. Also, the Board believes the change in the presentation currency from US$ to RMB would reduce the impact of any exchange rate fluctuation, which is not related to the operating performance of Spring REIT's assets and is beyond the Manager's control, on the presentation of the consolidated financial statements of Spring REIT. The change in presentation currency has also been applied retrospectively. For more details, please refer to the announcement of Spring REIT published on 19 July 2019.

CCP Property Operation Review

According to market research by JLL, the Beijing Central Business District ("**CBD**") hosts tenants from a wide range of industries, including 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 1.92 million sqm as at 30 June 2019, and accounting for 21.8% of the city's total Grade-A office space of 8.82 million sqm. Two major projects were completed in 1H 2019 that added 143,000 sqm to the CBD's overall office stock. One of the completed projects, the International Club Centre in East Chang'an Avenue, was 90% committed when it was brought to the market, whereas the other project, the China Life Financial Centre, was only ready to receive anchor tenants due to an electricity supply issue. In terms of overall activity, the market has been lacklustre, as evidenced by a decline in occupancy rates, demand from smaller companies weakened, while demand from larger and more stable companies remained resilient. Domestic companies continue to be the main driver of demand.

In the near term, the source of the majority of new Grade-A office supplies will be the Central Business District Core Area ("**CBD Core Area**") near the Guomao Subway Station. As new completions continue to roll out, the market is likely to remain subdued. On the demand side, domestic companies, and finance companies in particular, are expected to remain the major demand driver, since foreign corporations have become increasingly cautious about their relocation or expansion plan.

CCP Property Operation Performance					
For the Six Months Ended	30-Jun-18 RMB million	HoH Change	31-Dec-18 RMB million	HoH Change	30-Jun-19 RMB million
Revenues					
– Rental income	250.32	(0.6%)	248.81	**(3.8%)**	**239.27**
– Car park income	1.73	–	1.73	**5.2%**	**1.82**
– Other income (note i)	5.78	106.1%	11.91	**(20.2%)**	**9.51**
	257.83	1.8%	262.45	**(4.5%)**	**250.60**
Property Operating Expenses					
– Property management fee	(5.66)	1.8%	(5.76)	**(5.7%)**	**(5.43)**
– Property tax (note ii)	(30.11)	2.3%	(30.81)	**(6.5%)**	**(28.82)**
– Withholding tax (note iii)	(26.44)	0.6%	(26.61)	**(6.6%)**	**(24.86)**
– Other taxes (note iv)	(3.56)	(3.9%)	(3.42)	**(6.1%)**	**(3.21)**
– Leasing Commission	(1.19)	108.4%	(2.48)	**(80.2%)**	**(0.49)**
– Others	(0.61)	(11.5%)	(0.54)	**629.6%**	**(3.94)**
	(67.57)	3.1%	(69.62)	**(4.1%)**	**(66.75)**
Net Property Income	190.26	1.4%	192.83	**(4.7%)**	**183.85**

Notes:

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

ii. Property tax represents real estate tax and land use tax.

iii. Withholding tax in the People's Republic of China is calculated based on rental revenues at a rate of 10%.

iv. Other taxes represent urban construction and maintenance tax, education surcharge and stamp duty.

During the Reporting Period, the performance of the Office Tower 1 and Office Tower 2 in Chinese Central Place along with its approximately 600 car parking slots (the "**CCP Property**") was affected by a temporary decline in occupancy, as a major tenant was not immediately replaced in the first quarter. As a result, revenue fell by 4.5% HoH and by 2.8% YoY. After deducting property operating expenses of RMB66.75 million, net property income stood at RMB183.85 million, representing declines of 4.7% HoH and 3.4% YoY respectively.

Property operating expenses are mainly made up of tax expenses, namely withholding tax, business and other taxes (excluding stamp duty), and property tax. Tax expenses in aggregate accounted for 85.2% of the total property operating expenses, while the property management fee, payable at 2.0% of total revenue, accounted for 8.1% of these expenses.

A 4.1% HoH decrease in property operating expenses was recorded for the Reporting Period. This was due to decreases in all tax expenses as well as in the property management fee, which were proportionate to the decrease in revenue.

Rental income

Despite a temporary setback in the first quarter, the operating performance of the CCP Property compared favourably with the wider office market trend in Beijing (Grade A office has an average occupancy of 91.1%, according to JLL Research), with the CCP Property achieving an average occupancy for the Period of 92.2% (2H 2018: 95.4%; 1H 2018: 96.1%). As of 30 June 2019, the snapshot occupancy had recovered to 94.6%, despite an extended rent void period, which resulted from additional preparation in locating a good replacement tenant.

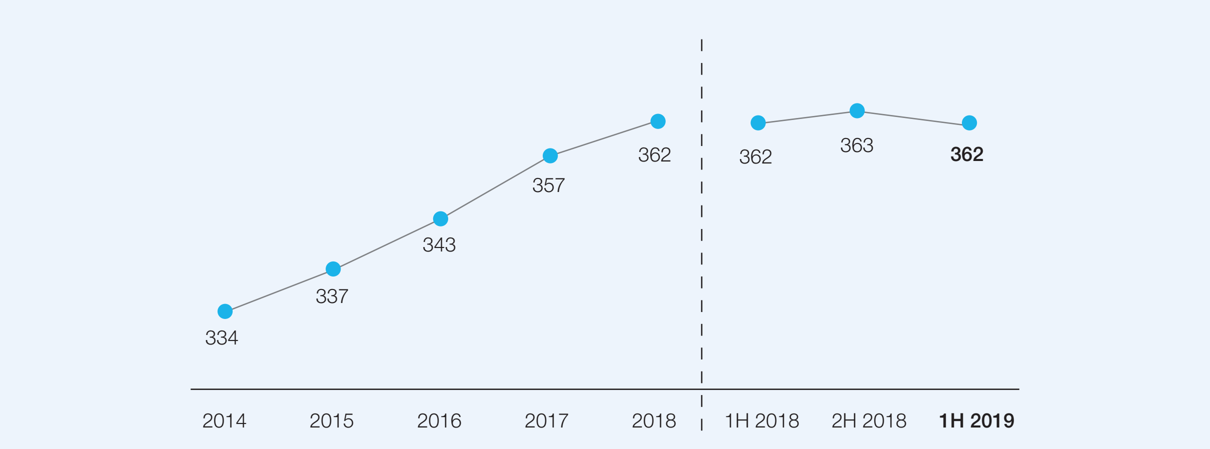
A total area of 26,051 sqm (representing 21.7% of the leasable office area) was leased out during the period, 53.1% of which was attributable to new lettings. The remainder were renewals. The monthly average passing rent (net of VAT) stood at RMB362 per sqm, on the back of a respectable average rental reversion of 1.8% (FY 2018: 4.7%).

Summary of Operating Performance

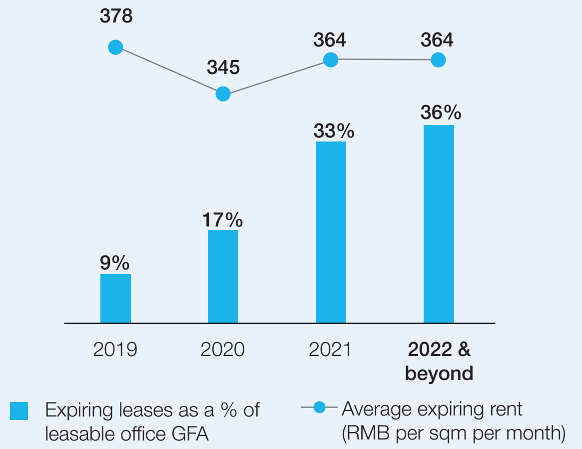
For the six months ended	30-Jun-18	HoH Change	31-Dec-18	HoH Change	30-Jun-19
Net monthly average passing rent (RMB/sqm)	362	0.3%	363	**(0.3%)**	**362**
Average Occupancy (%)	96.1%	-0.7 ppts	95.4%	**-3.2 ppts**	**92.2%**

Note: Net passing rent is presented net of VAT.

Passing Rent
(RMB per sqm per month)



Expiry Profile by GFA



As at 30 June 2019, the weighted average lease expiry in terms of GFA was 787 days. Leases expiring in the second half of 2019 and in the year ending 31 December 2020 accounted for 9% and 17% of the total leasable office GFA respectively, and the average unit rents for the expiring leases were RMB378 per sqm and RMB345 per sqm respectively.

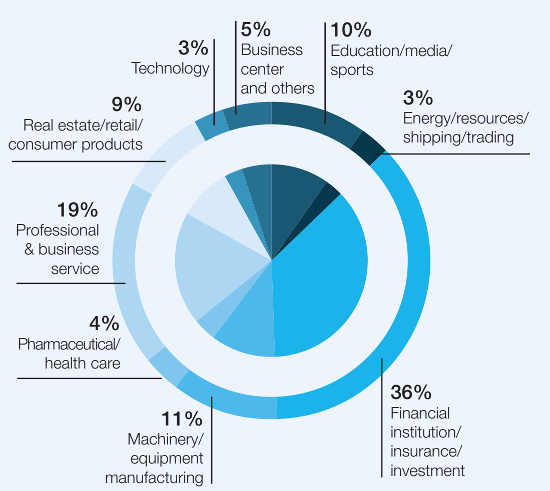
Tenancy base

The CCP Property had a total of 188 tenancies as at 30 June 2019. The top five tenants accounted for 21.0% of total revenue for the Reporting Period, and occupied 22.7% of the total leased GFA as at 30 June 2019. Details of the top five tenants in terms of GFA are set out in the table below.

Tenants	% of total leased GFA
Epson	5.9%
Condé Nast	4.2%
Zhong De Securities	4.2%
Deutsche Bank	4.2%
Xinyuan	4.2%
Total	22.7%

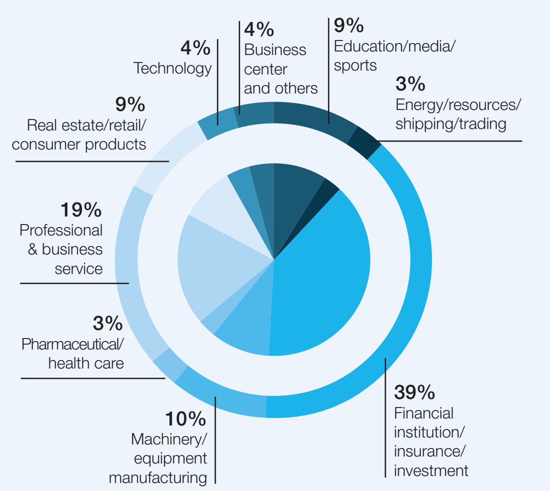
Tenants by Industry

As % of leased office GFA
(As of 30 June 2019)



Tenants by Industry

As % of monthly revenue
(For the month of June 2019)



UK Portfolio Operation Review

Spring REIT completed the acquisition of the UK Portfolio in July 2017. Each of the 84 properties in the UK Portfolio 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.).

Financial Results Highlights

(in RMB million unless otherwise specified)

For the Six Months Ended	30-Jun-2018	HoH Change	31-Dec-2018	HoH Change	30-Jun-2019
Revenue	276.67	2.0%	282.16	**(4.7%)**	**268.92**
Property operating expenses	(68.22)	3.2%	(70.42)	**(4.8%)**	**(67.02)**
Net property income	208.45	1.6%	211.74	**(4.6%)**	**201.90**
Net property income margin	75.3%	-0.3 ppts	75.0%	**+0.1 ppts**	**75.1%**
G&A expenses	(42.06)	81.4%	(76.31)	**(55.9%)**	**(33.68)**
Cash interest expense	(55.16)	31.9%	(72.74)	**3.2%**	**(75.09)**
Profit after taxation	40.98	(126.8%)	(10.99)	**(1,490.7%)**	**152.84**
Total distributable income	127.90	(36.1%)	81.78	**38.6%**	**113.32**

Unit Information	1H 2018		2H 2018		1H 2019
DPU (HK cents)	12.0	(40.0%)	7.2	**38.9%**	**10.0**
Payout ratio	96%	+4.0 ppts	100%[1]	**-3.0 ppts**	**97%**
Net asset value per Unit (HK$)	6.05	(6.0%)	5.69	**0.9%**	**5.74**
Number of units outstanding	1,265,180,645	0.6%	1,272,356,925	**0.5%**	**1,278,916,863**

As at	30-Jun-2018		31-Dec-2018		30-Jun-2019
Portfolio valuation	9,691.50	0.7%	9,764.06	**0.6%**	**9,824.78**
Total assets	10,247.23	0.4%	10,283.94	**0.9%**	**10,379.42**
Total liabilities	3,786.68	3.5%	3,920.50	**(0.1%)**	**3,917.92**
Net asset value	6,460.55	(1.5%)	6,363.44	**1.5%**	**6,461.50**
Gearing ratio	34.4%	+1.1 ppts	35.5%	**-0.4 ppts**	**35.1%**

[1]Note: Implied by a full year payout ratio of 98%

Financial Performance

Spring REIT's revenue for the Reporting Period was RMB268.92 million, representing a 4.7% decrease HoH and a 2.8% decrease YoY. After deducting property operating expenses of RMB67.02 million, net property income amounted to RMB201.90 million, representing a 4.6% decrease HoH and a 3.1% decrease YoY. The net property income margin increased to 75.1% for the Reporting Period (2H 2018: 75.0%; 1H 2018: 75.3%).

General and administrative expenses decreased to RMB33.68 million (2H 2018: RMB76.31 million), mainly due to a substantial amount of one-off expenses arising from extraordinary events in 2H 2018. A total finance cost for interest-bearing borrowings of RMB70.28 million was registered, which consisted of a non-cash foreign exchange gain/(loss) of RMB5.49 million (2H 2018: RMB(120.51) million; 1H 2018: RMB(57.52) million) recognized when US dollar bank borrowings were translated to RMB in the financial statement. Cash interest expenses amounted to RMB75.09 million, increasing by 3.2% HoH and 36.1% YoY, due to higher US$ and GBP LIBOR rates. The effect of this was further amplified by the depreciation of the RMB against the US$, since our interest expenses are predominantly denominated in US$.

Taking into account the increases in fair value of the UK Portfolio of RMB1.62 million and the CCP Property of RMB63.00 million, profit/(loss) after taxation for the Reporting Period was RMB152.84 million (2H 2018: RMB(10.99) million; 1H 2018: RMB40.98 million).

Total distributable income of Spring REIT for the Reporting Period was RMB113.32 million, representing a 38.6% increase HoH and a 11.4% decrease YoY. Among other adjustments, the reported amount excludes the foreign exchange loss and the increase in fair value of our investment properties, both of which are non-cash in nature.

Financial Position

Pursuant to the requirements of the Code on Real Estate Investment Trusts, Knight Frank Petty Limited retired as the principal valuer for Spring REIT after serving three consecutive years and Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or the "**Principal Valuer**") was appointed as the principal valuer. JLL performed the valuation of the Spring REIT portfolio as at 30 June 2019. The CCP Property was appraised at RMB9,159.00 million as at 30 June 2019, representing a 0.7% increase compared to its valuation as at 31 December 2018. The valuation of the CCP Property was arrived at using the income approach, and cross-checked by the direct comparison approach. The increase in valuation was attributable mainly to a decrease in the capitalization rate/reversionary yield. The capitalization rate/reversionary yield was 5.0% (31 December 2018: 5.8%; 30 June 2018: 5.8%).

The UK Portfolio was appraised at GBP76.32 million (equivalent to RMB665.78 million) as at 30 June 2019, representing an appreciation of GBP0.18 million or approximately 0.2% in GBP terms over the valuation as at 31 December 2018. The valuation of the UK Portfolio was arrived at using an income approach. The reversionary yield ranged from 4.1% to 8.0% (31 December 2018: 4.3% to 9.3%).

As at 30 June 2019, Spring REIT had in place aggregate secured loan facilities of approximately RMB3,646.28 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 will expire in April 2020; and

2. A facility of GBP50.00 million (the "**UK Facility**") extended by SMBC and put in place on 26 January 2018. The UK Facility will expire in January 2022.

As at 30 June 2019, the gearing ratio, i.e. total borrowings to gross asset value, was 35.1%, compared with 35.5% as at 31 December 2018.

As at 30 June 2019, Spring REIT's investment properties, rent receivables, restricted bank balances, interest rate swaps, ordinary shares of RCA01, Hawkeye Properties 501 Limited, and all assets of Hawkeye Properties 501 Limited were pledged to secure term loan facilities where applicable. In addition, RCA01 and Hawkeye Properties 501 Limited's restricted bank balances were charged to, or otherwise subject to the control of the security agent to the CCP Facilities or the UK Facility. Throughout the Reporting Period, Spring REIT, RCA01, RUK01 Limited and Hawkeye Properties 501 Limited have in all material respects complied with the terms and provisions of the finance and security documents.

The unrestricted cash of Spring REIT (together with its special purpose vehicles, the "**Group**") amounted to RMB130.18 million as at 30 June 2019, compared with RMB107.09 million as at 31 December 2018. 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 2019, the gross asset value of the Group was RMB10,379.42 million, representing an increase of 0.9% HoH.

New Units Issued

As at 30 June 2019, the total number of Units in issue was 1,278,916,863. A total of 6,559,938 new Units were issued during the Reporting Period.

Date	Particulars	No. of Units
31 December 2018	Beginning balance of the total number of Units in issue.	1,272,356,925
28 March 2019	Issue of new Units to the Manager at the price of HK$3.606 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 2018.	+ 3,280,773
30 April 2019	Issue of new Units to the Manager at the price of HK$3.527 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 2019.	+ 3,279,165
30 June 2019	Ending balance of the total number of Units in issue.	1,278,916,863

Net Assets Attributable to Unitholders

As at 30 June 2019, net assets attributable to Unitholders stood at RMB6,461.50 million.

The net asset value per Unit as at 30 June 2019 was HK$5.74 (31 December 2018: HK$5.69; 30 June 2018: HK$6.05). This represented a 70.8% premium to the closing price of the Units of HK$3.36 as at 28 June 2019, the last trading day in the Reporting Period.

Capital Commitments

As at 30 June 2019, 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 2019 was challenging for Spring REIT in a number of different respects. A subdued Beijing office market and lacklustre demand for office space was reflected by a sharp drop in occupancy rates and softer rental levels in the broader market. Due to its strategic location and premium quality, our CCP Property remained resilient, outperforming the market by registering a positive rental reversion of 1.8% while maintaining an average occupancy of 92.2%. In the meantime, the UK Portfolio remained immune to the volatility of the UK economy as anticipated and has enhanced Spring REIT's cash flow, with a 95.9% pass through of its revenue.

Given the weak economic backdrop, the Manager remains cautious about prospects for the second half of the year. In the adverse environment created by the trade war, economic activity in Beijing has slowed, as shown by the lower than usual 6.3% YoY growth in Beijing's GDP growth in 1H2019. In addition, further office supply in the CBD Core Area is likely to come onto the market towards the end of 2019, which may adversely impact office occupancy and rental rates. In the near term, our focus will be on managing the CCP Property leases expiring in the second half of 2019, which account for 9% of the total leasable GFA and represent an average unit rent of RMB378 per sqm. In the first half of 2019, a total area of 26,051 sqm (representing 21.7% of the leasable office area) was leased out, 53.1% of which was attributable to new lettings. The remainder were renewals, representing a retention rate of 68.4%. Such a respectable percentage of renewed tenancies tells its own story – one of a high level of trust in CCP management and a strong satisfaction with the quality of the building and its facilities. This bodes well for Spring REIT and the Manager in any future investment initiatives.

Given the current economic situation, we recognize the importance of managing interest rate risk and currency risk. We have three US$ float-to-fixed interest rate swap contracts in place, covering about 32.1% of our US$ loan principal amount, to mitigate the impact of interest rate volatility on interest expenses. With the intensification of the trade war between the US and the PRC, the RMB has become more volatile and has depreciated noticeably, a situation we will continue to monitor closely. Unfortunately, the downward trend in the RMB exchange rate may more than offset any achievements we accomplish. The cost of hedging the RMB remains prohibitive, and as such our Hong Kong dollar distribution may not fully reflect the resilience of our underlying operation. We will remain alert and continue to closely monitor the currency market, paying particular attention to its impact on our gearing ratio as well as future distributions.

As mentioned previously, the Manager will continue to pursue potential acquisition opportunities but at the same time remain diligent in its evaluation of such opportunities. Our priority will continue to be property that delivers a solid and stable cash flow, and China will remain the focus of Spring REIT's core investment activities. By adopting proactive leasing and property management strategies and maintaining a stable and healthy capital structure, the Manager is showing its commitment to provide Unitholders with stable distributions and take advantage of potential acquisition opportunities when they arise.

Corporate Governance

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

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

During the Reporting Period, both the Manager and Spring REIT have in material terms complied with the provisions of the Compliance Manual including the corporate governance policy set out in Schedule 5 of the Compliance Manual, the Trust Deed, the Code on Real Estate Investment Trusts (the "**REIT Code**") and applicable provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and the Listing Rules.

During the Reporting Period, an annual general meeting of Spring REIT was held on 23 May 2019 to note the audited financial statements of Spring REIT together with the independent auditor's report for the year ended 31 December 2018 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 activities of asset management. As at the date of this report, Mr. Leung Kwok Hoe, Kevin (Executive Director of the Manager), Mr. Nobumasa Saeki (Executive Director of the Manager) and Mr. Chung Wai Fai (Director of the Manager) and Ms. Alice Yu (Chief Compliance Officer of the Manager) are the responsible officers of the Manager (the "**RO**") pursuant to the requirements under section 125 of the SFO and Paragraph 5.4 of the REIT Code. Mr. Leung Kwok Hoe, Kevin, Executive Director of the Manager, was approved by the SFC as an approved person of the Manager pursuant to sections 104(2) and 105(2) of the SFO.

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

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 2019, 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 27.63% interest in the Units of Spring REIT as at 30 June 2019. 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.

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 inside information in relation to the securities of Spring REIT, must first have regard to the provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions apply to the securities of Spring REIT. In addition, the Management Persons must not make any unauthorized disclosure of confidential information obtained in the course of their service to any other person or make any use of such information for the benefits of themselves or others.

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

Disclosure on Independent Non-executive Director Remuneration Arrangement

Pursuant to the announcement of the Manager dated 24 October 2014, the Manager has adopted an arrangement for the remuneration of Independent Non-executive Directors (the "**Independent Non-executive Director Remuneration Announcement**"). As stated in the Independent Non-executive Director 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	207,000	100%	59,000
Mr. Qiu Liping	207,000	100%	59,000
Mr. Lam Yiu Kin	225,000	100%	64,000

Notes:

(i) The Independent Non-executive Director's remuneration of Mr. Simon Murray and Mr. Qiu Liping had been increased by 15% and the Independent Non-executive Director's remuneration of Mr. Lam Yiu Kin had been increased by 25% during the Reporting Period. Such remuneration was determined after arm's length negotiation between each Independent Non-executive Director and the Manager, with reference to market conditions as well as experience and qualifications of each Independent Non-executive Director.

(ii) For each Independent Non-executive Director's current beneficial interests in Units of Spring REIT and the change (if any) in their respective beneficial interests in Units of Spring REIT during the Reporting Period, please see the section headed "Disclosure of Interests" 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 received notification regarding the following changes in Directors' information:

Director	Changes in Information
Mr. Lam Yiu Kin	as an Independent Non-executive Director of Vital Mobile Holdings Limited (Stock Code: 6133) which changed its name to "Vital Innovations Holdings Limited" with effect from 10 July 2019.

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

Purchase, Sale or Redemption of Units

During the Reporting Period, there was no purchase, sale or redemption of the Units by the Manager on behalf of Spring REIT or any of the special purpose vehicles that are owned and controlled by Spring REIT. Please also refer to the section headed "Management Discussion and Analysis – New Units Issued" above for details relating to new Units issued by Spring REIT during Reporting Period.

Public Float of the Units

Based on information that is publicly available and within the knowledge of the Directors, Spring REIT maintained a public float of not less than 25% of the issued and outstanding Units as of 30 June 2019.

Investments in Property Development and Relevant Investments

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

Foreign Account Tax Compliance Act ("FATCA")

Spring REIT met the criteria of "regularly traded on a recognized securities market" for the calendar year of 2018 and should therefore be excluded from maintaining "financial accounts" under FATCA for the calendar year 2019, except for those Unitholders who are registered on the book 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 2019.

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 its subsidiaries (on the one side) and connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT (on the other side), which are governed by Chapter 8 of the REIT Code.

Connected Party Transactions — Income

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income for the Reporting Period RMB	Rental Deposit received as at 30 Jun 2019 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 and associate of a director of the Manager[1]	Property management	5,427,847

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. Mr. Toshihiro Toyoshima, the chairman and Non-executive Director of the Manager is also director of Beijing Hua-re Real Estate Consultancy Co., Ltd.

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	22,614,115[1]
Ordinary Banking and Financial Services			
Deutsche Bank AG	Trustee Connected Person	Interest income received/receivable on bank deposits	1,764,203
Deutsche Bank AG	Trustee Connected Person	Bank charges	(111,866)

Note:

1. As at 30 Jun 2019, a rental deposit of RMB6,839,825 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 Jun 2019.

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	11,896,725
Zhong De Securities	Trustee Connected Person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	10,717,390

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 its subsidiaries to the Manager was RMB26.41 million. The Manager's fee paid in the form of Units amounted to HK$23.40 million and the Manager's fee paid in the form of cash amounted to HK$5.26 million. On 19 December 2018, 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 RMB0.85 million.

During the Reporting Period, approximately RMB0.64 million in aggregate was payable for services rendered Spring REIT by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the new Principal Valuer) and Knight Frank (the retired Principal Valuer).

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

Disclosure of Interests

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

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

As at 30 June 2019, each of the following was the Manager, a director, senior executive or officer of the Manager and thus each of them was a connected person of Spring REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units in Spring REIT as follows:

Name	Capacity/ Nature of Interest	As at 30 June 2019 Number of Units interested in (Long Position)	Approximate % of Interest[5]	As at 31 December 2018 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	14,207,363	1.11%	28,829,425	2.27%	-1.16%
Directors						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	900,000	0.07%	700,000	0.06%	+0.01%
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	507,000	0.04%	448,000	0.04%	0.00%
Qiu Liping[3]	Beneficial owner/ Personal interest	507,000	0.04%	448,000	0.04%	0.00%
Lam Yiu Kin[4]	Beneficial owner/ Personal interest	485,000	0.04%	421,000	0.03%	+0.01%
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 6,559,938 new Units were issued to the Manager as payment of part of the Manager's fee. The Manager beneficially owned 14,207,363 Units as at 30 June 2019 (31 December 2018: 28,829,425 Units). Save as disclosed above, Mercuria beneficially owned 35,289,500 Units as at 30 June 2019 (31 December 2018: 35,289,500 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. As at 30 June 2019, (i) the Independent Non-executive Director's remuneration of Mr. Simon Murray had been increased by 15%; and (ii) there had been no change to 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 2019, (i) the Independent Non-executive Director's remuneration of Mr. Qiu Liping had been increased by 15%; and (ii) there had been no change to 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 2019, (i) the Independent Non-executive Director's remuneration of Mr. Lam Yiu Kin had been increased by 25%; and (ii) there had been no change to 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 1,278,916,863 as at 30 June 2019 and 1,272,356,925 as at 31 December 2018 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 2019 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 2019, 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 2019		As at 31 December 2018		
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	353,304,000	27.63%	345,204,000	27.13%	+0.50%
Sumitomo Mitsui Banking Corporation[2]	Person having a security interest in shares	405,903,109	31.74%	N/A	N/A	N/A
PAG Holdings Limited[3 & 4]	Interest of controlled corporation/corporate interests	211,031,400	16.50%	211,031,400	16.59%	-0.09%
Spirit Cayman Limited[5]	Beneficial owner/ Beneficial interest	147,021,400	11.50%	147,021,400	11.56%	-0.06%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,278,916,863 as at 30 June 2019 and 1,272,356,925 as at 31 December 2018 respectively.

2. These 353,304,000 Units (including 351,304,000 Units in short position) are beneficially owned by RCA Fund. Based on the information available to the Manager, RCAC is a general partner of RCA Fund. RCAC has exclusive rights to the management, control and operation of RCA Fund and is thus deemed to be interested in the Units held by RCA Fund. The interest in short position represents a pledge by RCA Fund to Sumitomo Mitsui Banking Corporation using the said Units of Spring REIT as collateral to secure the borrowing of a loan.

3. These 211,031,400 Units comprise the interests of (i) 64,010,000 Units directly held by BT Cayman Limited; and (ii) 147,021,400 Units directly held by Spirit Cayman Limited. Based on disclosure of interests notification made by PAG Holdings Limited filed on 27 November 2018, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 211,031,400 Units in which PAG Holdings Limited was interested.

4. Based on disclosure of interests notifications filed on 30 November 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 and controlling 70.87% 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 and controlling 75.33% 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 147,021,400 Units, being the same parcel of Units directly held by Spirit Cayman Limited as referred to in Note 3(ii) above;

   (c) PAG Investment Advisors Pte. Ltd. was interested in 211,031,400 Units, comprising 64,010,000 Units which it was deemed to be interested in as manager of SCREP V Management (Cayman), LLC and 147,021,400 Units which it was deemed to be interested in as manager of SCREP VI Management, LLC;

   (d) PARE (Cayman) Limited was interested in 211,031,400 Units, comprising 64,010,000 Units which it was deemed to be interested in through its controlled corporation SCREP V Management (Cayman), LLC and 147,021,400 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 211,031,400 Units through its 100% controlled corporations PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd; and

   (f) PAG Holdings Limited was interested in 211,031,400 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 27 November 2018.

   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 parcel of 64,010,000 Units.

5. These 147,021,400 Units were beneficially owned by Spirit Cayman Limited. Please refer to Note 4(b) above.

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 2019 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 2019, 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 2019		As at 31 December 2018		
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	8.98%	114,884,000	9.03%	-0.05%
BT Cayman Limited[3]	Beneficial owner/ Beneficial interest	64,010,000	5.01%	64,010,000	5.03%	-0.02%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,278,916,863 as at 30 June 2019 and 1,272,356,925 as at 31 December 2018 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, each of Long Hills Capital Ltd. and Long Hills Holdings International Ltd and Zeng Yuyu was deemed to be interested in those 114,884,000 Units.

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.

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 2019 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 2019, 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 Principal Valuer, whose have 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 60, 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 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in 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, 22 August 2019

Condensed Consolidated Income Statement

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Revenues	6	268,917	276,672
Property operating expenses	7	(67,023)	(68,220)
Net property income		201,894	208,452
General and administrative expenses	8	(33,682)	(42,064)
Fair value gain of investment properties	14	61,934	12,817
Other losses, net	9	(8,010)	(11,483)
Operating profit		222,136	167,722
Finance income		1,767	1,941
Finance costs	10	(70,282)	(128,160)
Profit before taxation and transactions with Unitholders		153,621	41,503
Income tax expenses	11	(777)	(527)
Profit for the period, before transactions with Unitholders		152,844	40,976
Distributions paid to Unitholders:			
– 2017 final distribution		–	(117,425)
– 2018 final distribution (note i)		(78,635)	–
		74,209	(76,449)
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		74,478	(84,072)
Amount arising from exchange reserve movements regarding translations of financial statements		(269)	7,623
		74,209	(76,449)

Notes:

(i) 2018 final distribution of RMB78,635,000 for the year ended 31 December 2018 was paid during the six months ended 30 June 2019. Total distribution for the six months ended 30 June 2019 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 36 to 60 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Note	Before transactions with Unitholders (Unaudited) RMB'000	Transactions with Unitholders (note i) (Unaudited) RMB'000	After transactions with Unitholders (Unaudited) RMB'000
For the six months ended 30 June 2019				
Profit for the period		152,844	(153,113)	(269)
Other comprehensive income:				
Items that may be reclassified to condensed consolidated income statement				
Exchange gain on translation of financial statements		269	–	269
Total comprehensive income for the period	ii	153,113	(153,113)	–
For the six months ended 30 June 2018 (Restated)				
Profit for the period		40,976	(33,353)	7,623
Other comprehensive loss:				
Items that may be reclassified to condensed consolidated income statement				
Exchange loss on translation of financial statements		(7,623)	–	(7,623)
Total comprehensive income for the period	ii	33,353	(33,353)	–

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB78,635,000 (2018: RMB117,425,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is an increase of RMB74,478,000 (2018: a decrease of RMB84,072,000).

(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 recognised in the condensed consolidated income statement. Accordingly, the total comprehensive income, after transactions with Unitholders is zero.

The notes on pages 36 to 60 are an integral part of these condensed consolidated interim financial information.

Statement of Distributions

For the six months ended 30 June 2019

	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Profit for the period, before transactions with Unitholders	152,844	40,976
Adjustments:		
– Fair value gain of investment properties	(61,934)	(12,817)
– Net fair value loss/(gain) of derivative financial instruments	5,373	(247)
– Manager's fee expenses in units in lieu of cash	20,132	20,028
– Amortisation of transaction cost for the bank borrowings	(236)	10,738
– Unrealised foreign exchange (gain)/loss	(2,855)	69,223
Distributable income for the period (note i)	113,324	127,901
Total distributions of the period (note ii)	110,441	122,785
Percentage of total distribution over distributable income for the period	97%	96%
Distributions per unit to Unitholders for the period		
– Interim distribution per unit, paid (note iii and iv)	HK10.0 cents	HK12.0 cents

Notes:

(i) Under the terms of the Trust Deed, the distributable income represents the profit for the period before transactions with Unitholders, adjusted to eliminate the effects of certain non-cash transactions which have been recorded in the condensed consolidated income statement for the period.

(ii) In accordance with the terms of the Trust Deed, Spring REIT is required to distribute to Unitholders not less than 90% of its total distributable income for each financial year. The Manager also has the discretion to make distributions over and above the minimum 90% of Spring REIT's total distributable income if and to the extent Spring REIT has funds surplus to meet its business requirements.

(iii) Interim distribution per unit of HK10 cents for the six months ended 30 June 2019 is calculated based on the interim distribution to be paid to Unitholders of RMB110,441,000 for the first half of 2019 and 1,278,916,863 units in issue as at 30 June 2019, without taking into account any consideration or subdivision of units which may have occurred between the dates of declaration of the distribution and 10 September 2019 (the "Record Date"). Distributions to Unitholders for the six months ended 30 June 2019 represent a payout ratio of 97% (2018: 96%) of Spring REIT's total distributable income for the period. The interim distribution for the six months ended 30 June 2019 is expected to be paid on 20 September 2019. Such interim distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2019 and Record Date, if any.

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

The notes on pages 36 to 60 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Non-current assets			
Investment properties	14	9,824,783	9,764,060
Right-of-use assets	3	15,266	–
Derivative financial instruments	15	–	438
Total non-current assets		9,840,049	9,764,498
Current assets			
Trade and other receivables	16	28,688	28,527
Restricted bank balances	17	380,502	383,811
Cash and cash equivalents	17	130,181	107,094
Total current assets		539,371	519,432
Total assets		10,379,420	10,283,930
Current liabilities			
Trade and other payables	18	94,524	110,127
Rental deposits	18	158,631	154,533
Interest-bearing borrowings	19	3,214,420	–
Derivative financial instruments	15	5,666	–
Income tax payable		1,337	598
Lease liabilities	3	72	–
Total current liabilities		3,474,650	265,258
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	19	431,859	3,654,535
Derivative financial instrument	15	–	702
Lease liabilities	3	11,410	–
Total non-current liabilities		443,269	3,655,237

	Note	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Total liabilities, excluding net assets attributable to Unitholders		**3,917,919**	3,920,495
Net assets attributable to Unitholders		**6,461,501**	6,363,435
Units in issue ('000)	20	**1,278,917**	1,272,357
Net asset value per unit attributable to Unitholders			
In RMB		**5.05**	5.00
In HK$		**5.74**	5.69

The notes on pages 36 to 60 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 2019

	Reserves (note) RMB'000	Net assets attributable to Unitholders RMB'000
As at 1 January 2019, restated	–	6,363,435
Adjustment on adoption of IFRS 16	–	3,543
Restated net assets attributable to Unitholders as at 1 January 2019	–	6,366,978
Profit for the period, before transactions with Unitholders	–	152,844
Exchange gain on translation of financial statements	269	–
Amount arising from exchange reserve movements	(269)	269
Distributions paid to Unitholders:		
– 2018 final distribution	–	(78,635)
Change in net assets attributable to Unitholders for the six months ended 30 June 2019, excluding issues of new units	–	74,478
Issuance of units	–	20,045
As at 30 June 2019	–	6,461,501
	(Restated)	(Restated)
As at 1 January 2018	–	6,509,429
Profit for the period, before transactions with Unitholders	–	40,976
Exchange loss on translation of financial statements	(7,623)	–
Amount arising from exchange reserve movements	7,623	(7,623)
Distributions paid to Unitholders:		
– 2017 final distribution	–	(117,425)
Change in net assets attributable to Unitholders for the six months ended 30 June 2018, excluding issues of new units	–	(84,072)
Issuance of units	–	19,940
As at 30 June 2018	–	6,445,297

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 36 to 60 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Cash flows from operating activities			
Cash generated from operations	21	176,954	182,451
Interest received		1,767	1,941
Income tax paid		(33)	(1,985)
Net cash generated from operating activities		178,688	182,407
Cash flows from investing activity			
Additions to investment properties		(2,684)	–
Net cash used in investing activity		(2,684)	–
Cash flows from financing activities			
Proceeds from borrowings, net of transaction cost		–	535,234
Repayment of borrowings		–	(630,807)
Interest paid		(75,093)	(55,158)
Payment of lease liabilities		(501)	–
Decrease in restricted bank balances		705	89,556
Distributions to Unitholders		(78,635)	(117,425)
Net cash used in financing activities		(153,524)	(178,600)
Net increase in cash and cash equivalents		22,480	3,807
Cash and cash equivalents at the beginning of the period		107,094	138,660
Exchange gains on cash and cash equivalents		607	2,143
Cash and cash equivalents at end of period		130,181	144,610

The notes on pages 36 to 60 are an integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 General information

Spring Real Estate Investment Trust ("**Spring REIT**") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Spring REIT was established on 25 November 2013 and its units are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**HKSE**") on 5 December 2013. Spring REIT is governed by 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 Renminbi ("**RMB**"). The functional currency of Spring REIT is Hong Kong dollars ("**HK$**"), the distribution of Spring REIT is determined and paid in HK$.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The Group has changed its presentation currency from US dollars ("**US$**") to RMB for the preparation of its financial statements for the six months ended 30 June 2019.

Having considered the principal activities of the Group are mainly conducted in the People's Republic of China ("**PRC**") and the functional currency of the subsidiary in the PRC is denominated in RMB, the directors of the Manager considered that the change would result in a more appropriate presentation of the Group's transactions in the financial statements.

The change in presentation currency has been applied retrospectively. Thus, the comparative figures in these condensed consolidated interim financial information were translated from US$ to RMB using applicable averages rates that approximated to actual rates for items in the interim condensed consolidated statement of profit and loss and interim condensed consolidated statement of comprehensive income and applicable closing rates for items in the interim condensed consolidated statement of financial position.

The Group recorded net current liabilities amounting to RMB2,935,279,000 as at 30 June 2019, given the existing US dollar bank borrowing will mature within one year and therefore reclassified from non-current liabilities to current liabilities. After the period end, the Group has signed a mandate letter with the existing lender to refinance the existing US dollar bank borrowing and the Group expected to refinance the bank borrowing in the next twelve months. Taking into account the available bank facility being refinanced and expected cash flows from operations, it is reasonable to expect that the Group will have adequate resources to meet its liabilities and commitments as and when they fall due and to continue as a going concern for the foreseeable future. Accordingly, the Group has continued to adopt the going concern basis in preparing the interim financial information.

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 2018 as described in those annual financial statements.

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

The Group has adopted all of the new standards issued by the International Accounting Standards Board that are mandatory for annual accounting periods beginning 1 January 2019.

New standards, amendments, interpretations and improvements to existing standards effective in 2019:

IAS 19 Amendments	Employee Benefit	1 January 2019
IAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
Annual Improvements Project IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS 2015 – 2017 Cycles	1 January 2019
IFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019

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, except IFRS 16.

IFRS 16 "Leases" — Impact of adoption

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.29%.

	2019 (Unaudited) RMB'000
Operating lease commitments disclosed as at 1 January 2019 (Restated)	53,542
Discounted using the incremental borrowing rates	(42,027)
Lease liabilities recognised as at 1 January 2019	11,515

3 Accounting policies (Continued)

IFRS 16 "Leases" – Impact of adoption (Continued)

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position as at 31 December 2018. There were no onerous contracts that would have required adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to UK lands are GBP1.8 million (approximately RMB15.3 million) as at 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group is a lessee of UK lands. Rental contracts are typically made for fixed periods of 5 to 999 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 31 December 2018, leases of land were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to condensed consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

3 Accounting policies (Continued)

IFRS 16 "Leases" – Impact of adoption (Continued)

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets that related to investment properties are measured at fair value.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets that related to investment properties are measured at fair value.

3 Accounting policies (Continued)

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
IAS 1 and IAS 8 Amendments	Definition of Material	1 January 2020
IFRS 3 Amendments	Definition of A Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
IFRS 10 and IAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 Critical accounting estimates and judgements

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

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

(a) Estimates of fair value of investment properties

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

(b) Estimates of fair values of derivative financial instruments

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

(c) Taxation

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

5 Financial risk

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

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 2019, revenue of RMB250.6 million (30 June 2018: RMB257.8 million) is attributable to tenants from the PRC investment properties and RMB18.3 million (30 June 2018: RMB18.9 million) is attributable to tenants from the UK investment properties. As at 30 June 2019, non-current assets of RMB9,159 million (31 December 2018: RMB9,096 million) is located in the PRC and RMB681 million (31 December 2018: RMB668 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Revenues		
Rental income	259,844	271,420
Car park income	1,818	1,727
Other income (note i)	7,255	3,525
	268,917	276,672

Note:

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

7 Property operating expenses

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Property management fee	5,703	5,926
Property tax (note i)	28,822	30,113
Other taxes (note ii)	3,208	3,556
Withholding tax (note iii)	24,855	26,438
Leasing commission	492	1,194
Others	3,943	993
	67,023	68,220

Notes:

(i) Property tax 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	
	2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Manager's fee (note i)	26,408	29,051
Trustee fee	846	965
Valuation fee	643	199
Auditor's remuneration	624	690
Legal and other professional fee (note ii)	4,534	10,298
Others	627	861
	33,682	42,064

Notes:

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

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

9 Other losses, net

	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Net fair value loss/(gain) on derivative financial instruments at fair value through profit or loss	5,373	(247)
Foreign exchange losses	2,637	11,699
Other miscellaneous losses	–	31
	8,010	11,483

10 Finance costs

	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Interest expenses on bank borrowings (note i)	75,773	67,222
Interest (income)/expenses on derivative financial instruments	(468)	815
Interest expenses on lease liabilities	469	–
Foreign exchange (gain)/loss on bank borrowings (note ii)	(5,492)	57,524
Other incidental borrowing costs	–	2,599
	70,282	128,160

Notes:

(i) Interest expenses on bank borrowings comprised contractual loan interest and amortised loan arrangement fee, which were recognised using the effective interest rate method.

(ii) Foreign exchange (gain)/loss on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies.

11 Income tax expense

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

For the subsidiary with operation in the UK, it is 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	
	2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Current income tax		
– Overseas tax	777	527
	777	527

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	
	2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Profit before income tax and transactions with unitholders	153,621	41,503
Exclude profit from the PRC operation which is not subject to income tax (note 7(iii))	(176,243)	(75,334)
	(22,622)	(33,831)
Tax calculated at the Hong Kong profit tax rate at 16.5% (2018: 16.5%)	(3,733)	(5,582)
Effect on different taxation rate on overseas operations	350	32
Income not subject to tax	(1,039)	(3,448)
Expenses not deductible for tax purposes	5,199	9,525
	777	527

Note: Expenses not deductible for tax purposes mainly comprised of expenses incurred in Hong Kong and they are not deductible under Hong Kong profit tax given the Group has no assessable profit in Hong Kong.

12 Manager's fee

	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Base fee	**20,239**	22,758
Variable fee	**6,169**	6,293
	26,408	29,051

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 19 December 2018 and 4 December 2017 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 years ending 31 December 2019 and 2018 respectively in accordance with the Trust Deed.

13 Earnings per unit

	Six months ended 30 June 2019 (Unaudited) RMB'000	Six months ended 30 June 2018 (Unaudited) (Restated) RMB'000
Profit for the period, before transactions with Unitholders	152,844	40,976
Weighted average number of units for the period for calculating basic earnings per unit	1,275,202,128	1,261,045,338
Adjustment for units issuable in respect of the Manager's fee	3,380,323	3,791,887
Weighted average number of units for the period for calculating diluted earnings per unit	1,278,582,451	1,264,837,225
Basic earnings per unit based upon profit before transactions with Unitholders	RMB12.0 cents	RMB3.2 cents
Diluted earnings per unit based upon profit before transactions with Unitholders	RMB12.0 cents	RMB3.2 cents

14 Investment properties

	For the period ended 30 June 2019 (Unaudited) RMB'000	For the year ended 31 December 2018 (Audited) (Restated) RMB'000
At beginning of the period/year	9,764,060	9,682,514
Additions	2,684	483
Exchange differences recognised in other comprehensive income	(3,895)	(1,760)
Changes in fair value recognised in consolidated income statement	61,934	82,823
At end of the period/year	9,824,783	9,764,060

14 Investment properties (Continued)

Note:

(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.

As at 30 June 2019 and 31 December 2018, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 30 June 2019 and 31 December 2018, 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 recognised 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 2019, the fair values of the investment properties have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (31 December 2018: Knight Frank Petty Limited). The independent valuer adopted the income capitalisation approach and cross-checked by the direct comparison approach for the valuation where applicable.

Valuation techniques

(i) PRC investment property

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

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

14 Investment properties (Continued)

Valuation techniques (Continued)

(ii) UK investment properties

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

Fair value hierarchy

	Fair value measurements using		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
As at 30 June 2019	**–**	**–**	**9,824,783**
As at 31 December 2018	–	–	9,764,060

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) Capitalisation rate

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rates used, the lower the fair values of the investment property. In the 30 June 2019 valuation, a capitalisation rate of 5.0% (31 December 2018: 5.8%) is used in the income capitalisation approach.

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The average gross monthly office unit base rent of RMB401 (31 December 2018: RMB418) per square meter exclusive of VAT is used in the valuation.

14 Investment properties (Continued)

Key unobservable inputs used to determine fair values (Continued)

(ii) UK investment properties

(a) Capitalisation rate

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rates used, the lower the fair values of the investment properties. In the 30 June 2019 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 4.12% to 8.00% (31 December 2018: from 4.30% to 9.30%).

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of taxes, other relevant charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The gross annual unit base rents of 84 investment properties range from GBP4.50 to GBP22.47 per square foot (31 December 2018: from GBP4.52 to GBP22.42 per square foot).

As at 30 June 2019, 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 RMB491 million (31 December 2018: RMB488 million) higher/lower.

15 Derivative financial instruments

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Current liability		
Fair value of the interest rate swap	5,666	–
Non-current asset		
Fair value of the interest rate swap	–	438
Non-current liability		
Fair value of the interest rate swap	–	702

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 2019 was RMB1,032 million (31 December 2018: RMB1,032 million) which will be settled on 29 April 2020.

The Group recorded net fair value loss on interest rate swap for the six months ended 30 June 2019 amounting to RMB5,373,000 and net fair value gain for the six months ended 30 June 2018 amounting to RMB247,000 (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 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
As at 30 June 2019			
Current liability			
Fair value of the interest rate swap	–	5,666	–
As at 31 December 2018			
Non-current asset			
Fair value of the interest rate swap	–	438	–
Non-current liability			
Fair value of the interest rate swap	–	702	–

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

16 Trade and other receivables

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Rent receivables	753	424
Deferred rent receivables (note iv)	24,353	24,104
Prepayments	3,419	3,598
Other receivable	163	401
	28,688	28,527

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 2019 and 31 December 2018, the Group's rent receivables and all future rent receivables 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 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Restricted bank balances	380,502	383,811
Cash and cash equivalents	130,181	107,094
	510,683	490,905

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

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
US$	241,832	210,863
RMB	226,481	225,548
HK$	25,036	37,825
GBP	17,334	16,669
	510,683	490,905

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

18 Rental deposits and trade and other payables

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Rental deposits (note i)	158,631	154,533
Trade and other payables:		
Rental receipts in advance	44,664	45,363
Provision for other taxes (note ii)	52	20
VAT payable	1,788	1,678
Accrued expenses and other payables	48,020	63,066
	94,524	110,127

Notes:

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

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Within 1 year	28,206	51,263
Over 1 year	130,425	103,270
	158,631	154,533

(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 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Current (Note)	3,214,420	–
Non-current	431,859	3,654,535
	3,646,279	3,654,535

Note: After the period end, the Group has signed a mandate letter with the existing lender to refinance the existing US dollar bank borrowing and the Group expected to refinance the bank borrowing in the next twelve months.

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

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
6 months or less	3,646,279	3,654,535

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 RMB317.6 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 an unsecured loan facility of GBP37.0 million (approximately RMB325.5 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 GBP50.0 million (approximately RMB446.3 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 an US$18.0 million (approximately RMB123.8 million) revolving loan under the existing US dollar secured loan facility. Together with the previously drawn down of US$450.0 million (approximately RMB3,095.3 million) term loan from the same secured loan facility, the entire US dollar borrowing of US$468.0 million (approximately RMB3,214.4 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.

19 Interest-bearing borrowings (Continued)

As at 30 June 2019 and 31 December 2018, 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.

20 Units in issue

	Number of units
Balance as at 31 December 2018	1,272,356,925
New units issued for Manager's fee	6,559,938
Balance as at 30 June 2019 (note i)	1,278,916,863

Notes:

(i) Traded market value of the units as of 30 June 2019 was HK$3.36 per unit. Based on 1,278,916,863 units, the market capitalisation was HK$4,297.2 million (approximately RMB3,776.3 million).

21 Notes to statements of cash flows

Cash generated from operating activities

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
		(Restated)
	RMB'000	RMB'000
Profit for the period, before transactions with Unitholders	153,621	41,503
Fair value gain of investment properties	(61,934)	(12,817)
Net fair value loss/(gain) on derivative financial instruments	5,373	(247)
Manager's fee expenses in units in lieu of cash	20,132	20,028
Interest income	(1,767)	(1,941)
Finance costs on interest-bearing borrowings	70,282	128,160
Foreign exchange losses	2,637	11,669
(Decrease)/increase in trade and other receivables	(1,850)	7,536
Increase in rental deposits	4,098	4,043
Decrease in trade and other payables	(13,638)	(15,483)
	176,954	182,451

Material non-cash movements:

(i) The Manager's fee amounting RMB20,132,000 (2018: RMB20,028,000) was settled by issuance of new units.

22 Future minimum rental receivables

As at 30 June 2019, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Within 1 year	512,687	480,960
After 1 year, but within 5 years	864,076	797,986
After 5 years	309,532	321,638
	1,686,295	1,600,584

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2018: 3 years).

23 Connected party transactions and related party transactions and balances

For the period ended 30 June 2019, the Group entered into the following transactions with related parties at mutually agreed terms in the normal course of its business.

(a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties, as defined in the REIT Code/IAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 30 June 2019:

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
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 and associate of a director of the Manager
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	The Principal Valuer
Knight Frank Petty Limited	Previously 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.

23 Connected party transactions and related party transactions and balances
(Continued)

(b) Income from connected/related parties

	Note	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Rental revenue from MIBJ	(i)	483	483
Rental revenue from DBAG and ZDS	(i)	22,614	22,631
Rental revenue from PAG Beijing	(i)	1,198	1,198
Interest income from DBAG	(ii)	1,764	1,935

(c) Expenses to connected/related parties

	Note	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) (Restated) RMB'000
Management fee to HuaRe	(iii)	5,428	5,655
Trustee's fee paid and payable to the Trustee	(iv)	846	965
Manager's fee to Spring Asset Management Limited	(v)	26,408	29,051
Valuation fee to the Principal Valuer	(vi)	643	199
Bank charges to DBAG	(vii)	112	204

23 Connected party transactions and related party transactions and balances

(Continued)

(d) Balances with connected/related parties

	Note	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) (Restated) RMB'000
Lease deposit from MIBJ	(viii)	289	289
Lease deposit from DBAG and ZDS	(viii)	6,840	6,777
Lease deposit from PAG Beijing	(viii)	717	717

Notes:

(i) Rental revenue was charged in accordance with the terms of the relevant agreements with the connected/related parties.

(ii) Interest income received on bank deposits, bank charges and settlement of a financial instrument were charged in accordance with the terms of the relevant agreements with DBAG.

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

(iv) The Trustee is entitled to in each financial period, an ongoing fee of not more than 0.025% of the value of the deposited property payable semi-annually or quarterly in arrears, subject to a minimum of RMB672,000 per annum.

(v) Fee to the Manager was charged in accordance with the Trust Deed.

(vi) Valuation fee were charged based on mutually agreed terms between the parties.

(vii) Bank charges was charged in accordance with the terms of the relevant agreements with DBAG.

(viii) 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 2019 (2018: Nil).

24 Subsidiaries

Name	Place of establishment and kind of legal entity	Principal activities	Particulars of issued share capital	Interest held
Directly held:				
RCA01	Cayman Islands, limited liability	Property investment	1,000 of US$1 each	100%
RHZ01	Cayman Islands, limited liability	Investment holding	1 of US$1 each	100%
RUK01 Limited	Jersey, limited liability	Investment holding	1 of GBP1 each	100%
Indirectly held:				
Hawkeye Properties 501 Limited	Jersey, limited liability	Property investment	2 of GBP1 each	100%

25 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information were authorised for issue by the Manager on 22 August 2019.

Performance Table

As at 30 June	2019	2018
Net assets attributable to Unitholders	**RMB6,461.50 million**	RMB6,460.55 million
Net assets per Unit attributable to Unitholders	**HK$5.74**	HK$6.05
Total borrowings as a percentage of gross assets	**35.1%**	34.4%
Market capitalization[1]	**RMB3,776.34 million**	RMB3,554.76 million
Units issued	**1,278,916,863**	1,265,180,645

For the six months ended 30 June	2019	2018
Highest traded Unit price	**HK$3.72**	HK$3.50
Highest premium of the traded Unit price to net assets per Unit	**N/A**	N/A
Lowest traded Unit price	**HK$3.33**	HK$3.21
Highest discount of the traded Unit price to net assets per Unit	**42.0%**	47.0%
Distributions per Unit[2]	**HK10.0 cents**	HK12.0 cents
Net yield per Unit[2]	**3.0%**	3.6%
Net yield (annualized) per Unit[2]	**6.0%**	7.2%

Notes:

1. Market capitalization is calculated based on the closing Unit price of the period times the Unit outstanding as at the end of the period.

2. Net yield per Unit is calculated based on distribution per Unit for each period to the closing price as at the end of each period.

Corporate Information

The Manager

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Board of Directors of the Manager

Chairman and Non-executive Director

Mr. Toshihiro Toyoshima

Executive Directors

Mr. Nobumasa Saeki
Mr. Leung Kwok Hoe, Kevin

Non-executive Director

Mr. Hideya Ishino

Independent Non-executive Directors

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

Responsible Officers of the Manager

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

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Legal Advisors

Baker & McKenzie

Unit Registrar

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