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# SpringREIT

## Spring Real Estate Investment Trust

春泉產業信託

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

(Stock Code: 01426)

Managed by

Spring Asset Management Limited

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND CLOSURE OF REGISTER OF UNITHOLDERS

#### ABOUT SPRING REIT

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

Spring REIT offers investors direct exposure to two premium office buildings strategically located in Beijing Central Business District (“**Beijing CBD**”) through its ownership in China Central Place Office Tower 1 and 2 (and the relevant portion of the car park) (the “**CCP Property**”) and to a landmark shopping mall Huamao Place in Huizhou, located in Greater Bay Area, which comprises seven-storey shopping mall and 750 carpark spaces (the “**Huamao Place**”). Being the first Hong Kong REIT to make an acquisition in the United Kingdom, Spring REIT’s core property portfolio is complimented by a portfolio of 84 separate commercial properties in the United Kingdom (“**UK Portfolio**”) which are leased out on a triple-net basis.

## ABOUT THE MANAGER

Spring REIT is managed by Spring Asset Management Limited (as manager of Spring REIT, the “**Manager**”), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 30 June 2024, the Manager is 80.4% owned by Mercuria Holdings Co., Ltd. (“**Mercuria Holdings**”), which is an investment holding company listed on the Tokyo Stock Exchange (Stock Code: 7347) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

## DISTRIBUTION

The board of directors (the “**Board**”) of the Manager, for and on behalf of Spring REIT, has resolved to declare an interim distribution for the period from 1 January 2024 to 30 June 2024 (the “**Reporting Period**”, “**1H 2024**” or “**2024 Interim Distribution Period**”) of HK9.0 cents per Unit (“**2024 Interim Distribution**”) to unitholders of Spring REIT (“**Unitholders**”) whose names appear on the register of Unitholders on 7 October 2024 (the “**Record Date**”), remaining steady half-on-half (“**HoH**”) and representing a decrease of 10.0% year-on-year (“**YoY**”) and a payout ratio of 100% (FY2023: 97.5%, 2023 1st half : 97%).

Based on the closing price of HK\$2.01 per Unit as at 28 June 2024, the Reporting Period distribution per Unit (“**DPU**”) represents an annualized distribution yield of 9.0%. For details of the distribution, please refer to the section headed “Consolidated Statement of Distributions” in the financial information.

The presentation currency of Spring REIT is Renminbi (“**RMB**”) and all distributions will be paid in Hong Kong Dollars (“**HK\$**”). The exchange rate adopted for the 2024 Interim Distribution is HK\$1 = RMB0.9088, which represents the average of month-end central parity rates in the 2024 Interim Distribution Period (as announced by the People’s Bank of China).

The Manager confirms that 2024 Interim Distribution is composed only of consolidated profit after tax, before transactions with Unitholders attributable to Unitholders and non-cash adjustments for the 2024 Interim Distribution Period.

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

The Record Date for the 2024 Interim Distribution will be 7 October 2024. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 4 October 2024 to 7 October 2024, both days inclusive, during which period no transfer of Units will be registered. The 2024 Interim Distribution is to be payable on 22 October 2024 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2024 Interim Distribution, all completed transfer forms in respect of transfer of Units (accompanied by the relevant Unit certificates) must be lodged for registration with Tricor Investor Services Limited, Spring REIT’s Unit registrar in Hong Kong, whose address is 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 3 October 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Manager is pleased to present the financial results of Spring REIT for the six months ended 30 June 2024. During the Reporting Period, the Chinese economy exhibited signs of stability but faced challenges in achieving robust growth. Although it achieved a 5.0% GDP increase in the first half of 2024, the economy had to contend with issues such as local government debt, risks in the property sector, and slower global growth impacting exports. This challenging macroeconomic environment has inevitably impacted the performance of our property portfolio. Net property income experienced a mild year-on-year increase of 0.3%, with the resilient performance at Huamao Place in Huizhou being offset by slower performance at the CCP Property in Beijing.

Recognizing the importance of economic resilience in a uncertain environment, the Manager has placed its emphasis on maintaining high occupancy at the CCP Property by exercising rent flexibility and increasing incentives for new tenants. This strategy has proven effective, resulting in a performance that has outpaced that of the broader office rental market. Meanwhile, our Huizhou property has continued to provide Spring REIT with valuable exposure to the Greater Bay Area retail sector, bringing benefits from resilient spending by local consumers.

High interest rates persisted throughout the Reporting Period. Our comprehensive approach to interest rate management, combining an effective hedging program with strategic use of RMB loan at stable loan prime rate, provided protection for 96.6% of our loans. Despite this protection, the rollover of interest rate swap contracts at higher swap rates resulted in a moderate increase in cash interest expenses during the period. To further mitigate foreign exchange exposure, amid declining RMB borrowing costs, we expanded our currency hedging program. By entering into cross-currency swap (“CCS”) contracts, we increased our HK\$-RMB CCS coverage to 78.3% for our CCP Facilities during the period. Together with the GBP-denominated loan and the RMB-denominated loan, 82.7% of the total borrowings’ currency exposure were aligned with the underlying assets as at 30 June 2024.

TDI for the Reporting Period was RMB119.33 million. The DPU amounted to HK9.0 cents, with a payout ratio of 100%, representing a decrease of 10% compared to the same period in 2023.

## CCP Property Operation Review

### Beijing Office Market Overview

The Beijing CBD is home to tenants from a wide range of industries, including many from the finance and insurance, professional services, and manufacturing industries. It holds the largest amount of Grade-A office stock in Beijing, amounting to 2.80 million sqm as at 30 June 2024, and accounting for 25.0% of the city's total Grade-A office space of 11.21 million sqm.

In the first half of 2024, the Beijing Grade A office market continued to face strong headwinds. Although there was some activity in the market, particularly in the CBD area, improvements in rent and occupancy levels have yet to be seen.

Across the board, landlords have focused primarily on tenant retention rather than attracting new occupants, reflecting the fact that businesses have remained cautious about the costs of relocation and the loss of talent that could arise as a result. Tenants generally fell into two categories: those with expiring leases, who often opted to renew rather than relocate; and those seeking to reduce occupancy costs for their existing spaces. Within this sluggish overall activity, a few tenants have adopted a “flight-to-quality” strategy, leveraging lower rents to upgrade to higher-quality office spaces. Overall transaction volumes have remained subdued, reflecting the cautious approach of both landlords and tenants.

Going forward, the Beijing office market, particularly in the CBD, is expected to remain soft in the near term. Landlords are likely to continue focusing on tenant retention and flexible leasing strategies. We look forward to a gradual improvement as economic conditions stabilize, but a significant recovery in leasing demand may take some time. While challenges persist, signs of recovery and pockets of activity, especially in the CBD, offer grounds for cautious optimism for the future.

## Beijing Office Market Vacancy and Rental Rates in 1H 2024

		Average Rental Rate <sup>1</sup>					
		Occupancy rate <sup>1</sup>	HoH Change	YoY Change	(RMB/sqm/month)	HoH Change <sup>2</sup>	YoY Change <sup>2</sup>
CBD	Grade A	91.1%	+0.6 ppts	+1.1 ppts	304	(6.9%)	(11.5%)
	Premium Grade A	91.9%	+0.4 ppts	+0.1 ppts	332	(8.3%)	(14.6%)

<sup>1</sup> Data is as at 30 June 2024.

<sup>2</sup> YoY and HoH changes in average rental rate are on a chain-linked basis, to facilitate like-for-like comparison.

Source: JLL Research

## Financial Highlights

(in RMB million)					
For the Six Months Ended	30-Jun-2024	HoH Change	31-Dec-2023	HoH Change	30-Jun-2023
Revenues					
– Rental income	221.00	(4.6%)	231.54	0.9%	229.52
– Car park income	2.37	15.0%	2.06	37.3%	1.50
– Other income (note i)	1.79	(15.2%)	2.11	(39.0%)	3.46
	<u>225.16</u>	<u>(4.5%)</u>	<u>235.71</u>	<u>0.5%</u>	<u>234.48</u>
Property operating expenses					
– Property management fee	(4.96)	(4.2%)	(5.18)	—	(5.18)
– Property taxes (note ii)	(27.52)	(5.1%)	(29.00)	1.4%	(28.61)
– Withholding tax (note iii)	(22.43)	(7.7%)	(24.30)	1.7%	(23.89)
– Other taxes (note iv)	(0.39)	85.7%	(0.21)	(8.7%)	(0.23)
– Leasing commission	(1.15)	(62.0%)	(3.03)	240.4%	(0.89)
– Other expenses (note v)	(1.55)	269.0%	(0.42)	—	(0.42)
	<u>(58.00)</u>	<u>(6.7%)</u>	<u>(62.14)</u>	<u>4.9%</u>	<u>(59.22)</u>
Net property income	<u>167.16</u>	<u>(3.7%)</u>	<u>173.57</u>	<u>(1.0%)</u>	<u>175.26</u>

Notes:

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

During the Reporting Period, the CCP Property reported a 4.5% decrease in revenue HoH. Rental income generated from the office space decreased by 4.6% HoH, reflecting a moderate decline in occupancy rate since 31 December 2023. Property operating expenses decreased 6.7% HoH, mainly due to lower commission expenses as lease renewals dominated the activities during the period. After deducting property operating expenses, net property income amounted to RMB167.16 million, representing a decrease of 3.7% HoH and 4.6% YoY.

Property operating expenses are mainly comprised of tax expenses, namely property taxes, withholding tax and other taxes. Tax expenses in aggregate accounted for 86.8% of the total property operating expenses. The property management fee, payable at 2.0% of total revenue, accounted for 8.5% of the total property operating expenses.

## Rental Income

The CCP Property registered an average occupancy rate of 87.9% in 1H 2024. Average passing rent (net of Value-Added Tax (“VAT”)) decreased marginally to RMB346 per sqm in 1H 2024, implying a negative rental reversion rate<sup>1</sup> of 4.8%. Lease expiries during the Reporting Period involved a total area of 32,685 sqm (representing 27.2% of the leasable office area). The retention rate<sup>2</sup> for these expiries was 62% (or 20,204 sqm). Including new lettings, a total area of 17,771 sqm (representing 14.8% of the leasable office area) was leased out in the period, of which 26.0% was attributable to new leases.

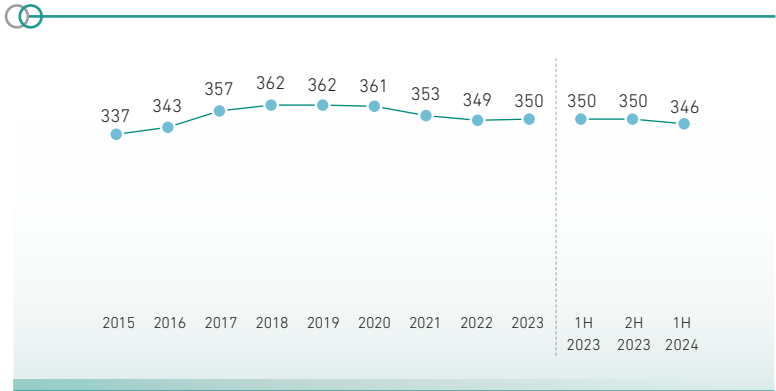
Of the arrears as of 30 June 2024, the amount outstanding at the time of writing stood at RMB2.3 million.

For the Six Months Ended	30-Jun- 2024	Change	31-Dec- 2023	Change	30-Jun- 2023
Average monthly passing rent (RMB/sqm) <sup>3</sup>	346	-1.1%	350	0.0%	350
Average occupancy rate <sup>4</sup>	<u>87.9%</u>	<u>-3.2 ppts</u>	<u>91.1%</u>	<u>+0.5 ppts</u>	<u>90.6%</u>

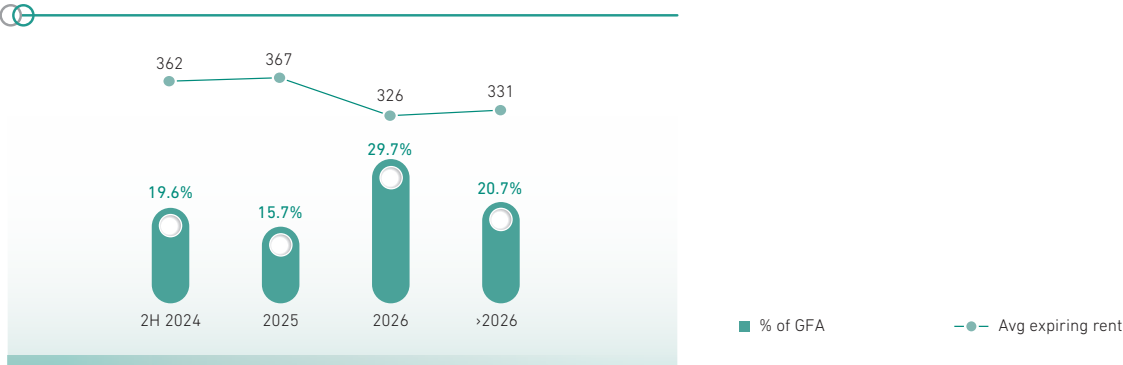


## Passing Rents

(RMB per sqm per month)



## Expiry Profile by GFA



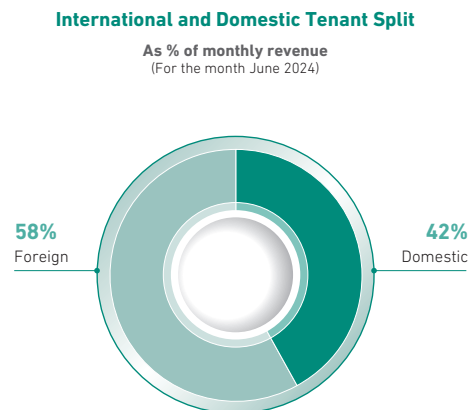
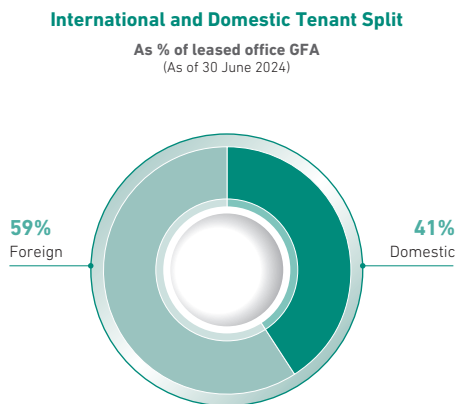
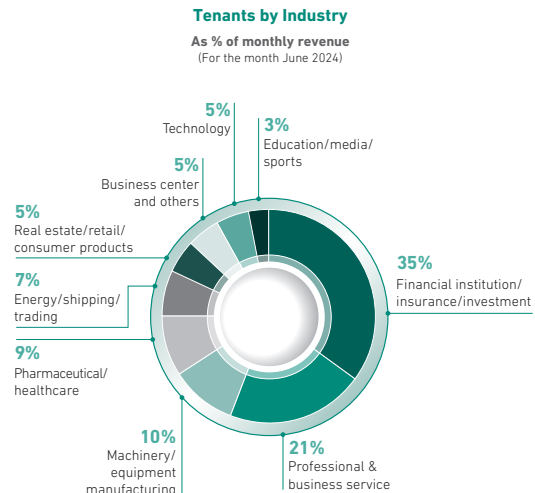
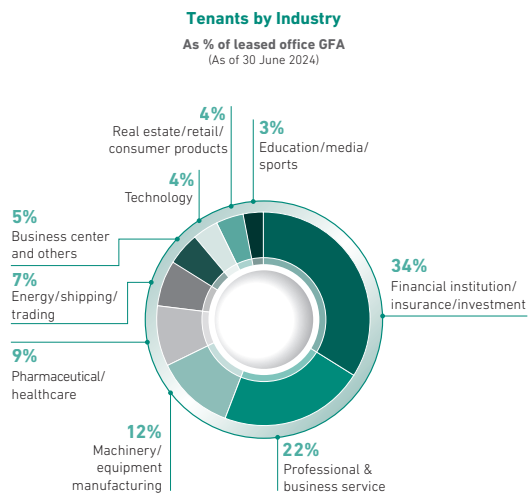
1. Rental reversion rate is calculated on the basis of the difference in the effective rent only for existing tenants who renewed their lease in the same space with the same area during the relevant period.
2. Retention rate illustrates the proportion of the total area under all the expired leases that was taken up by the same tenants entering into new leases during the relevant period.
3. Average monthly passing rent is presented net of business tax and VAT (where applicable) and is an average of the month-end figures throughout the specified period.
4. Occupancy rate is an average of the month-end figures throughout the specified period.

As at 30 June 2024, the weighted average lease expiry in terms of GFA was 596 days for the CCP Property. Leases expiring in the second half of 2024 and in the year ending 31 December 2025 accounted for 19.6% and 15.7% of the total leasable GFA respectively, and the average unit rents for the expiring leases were RMB362 per sqm and RMB367 per sqm respectively.

## Tenancy base

The CCP Property had a total of 183 tenancies as at 30 June 2024. The top five tenants in terms of GFA accounted for 21.5% of the total revenue for the Reporting Period, and occupied 23.5% of the total leased GFA as at 30 June 2024. Details of these tenants are set out below.

Tenants	Portion of total leased GFA
Epson	6.5%
Zhong De Securities	4.6%
Global Law Office	4.6%
The Executive Centre	4.4%
Conde Nast	3.4%
<b>Total</b>	<b>23.5%</b>



## Huamao Place Operation Review

### Huizhou City Overview

One of the 9+2 cities in the GBA in Guangdong Province, Huizhou covers an area of some 11,000 square kilometres and is rich in natural resources, energy resources, and tourist attractions. With a residential population of 6.2 million, the city serves as an essential gateway between eastern and northern Guangdong Province. Huizhou is also one of the closest mainland cities to Hong Kong, adding to its strategic significance in the region. Due to its superior geographical location and rich resources, Huizhou has attracted many high-quality business enterprises. It has also enjoyed industrial spill-over transfers from the nearby cities of Shenzhen and Dongguan, which have boosted the city's population and helped drive its economic development.

### Huizhou Retail Market Review

Huizhou's shopping mall industry has experienced robust growth, driven by high economic growth potential, ongoing urbanization, consumption upgrading, an expanding infrastructure network, and continued government support. According to the research organization China Insights Consultancy, the overall gross merchandise value ("GMV") of shopping malls in Huizhou increased from RMB20.2 billion in 2020 to RMB21.3 billion in 2023. China Insights Consultancy projects a CAGR of 8.8% from 2024 to 2029, with the total GMV of the shopping mall industry in Huizhou predicted to reach RMB34.5 billion by 2029, outpacing the growth of the industry in other cities in the GBA. As of 30 June 2024, Huizhou had 35 shopping malls managed by approximately 29 operators, with a total retail GFA of approximately 2.5 million sqm. Huizhou's shopping mall industry is not highly concentrated, with the top five shopping mall management service providers accounting for 36.8% of the market in terms of retail GFA. Huamao Place's share in the Huizhou shopping industry in gross floor area and GMV amounted to 5.7% and 8.7% respectively as of 30 June 2024.

## Huamao Place Operation Performance

During the Reporting Period, the retail positioning of Huamao Place was further enhanced by the clustering of various international cosmetics brands, prominent electric vehicle brands, and other prestige electronic products on the mall's ground floor. This strategic move has helped build a sense of exclusivity and luxury for the shopping mall, solidifying its high-end reputation. Our efforts were complemented by the mall's increased exposure on social media platforms such as Douyin and Xiaohongshu, which we believe is helping to differentiate our shopping mall from competitors in the city and enhancing its status as a premium destination for shoppers.

The continuous events programme at Huamao Place has also established the mall as a popular weekend destination for many Huizhou locals. A variety of engaging activities were held every weekend, including singing contests, e-sports events, dancing shows, and sports competitions. These events have been successful at increasing foot traffic and enhancing the overall shopping experience for visitors.

Our local property management team has worked tirelessly to optimize the tenant mix, adding value to the shopping mall to improve the customer experience further. We have undertaken a space reconfiguration initiative to ensure that our tenant mix remains attractive, replacing low-value tenants with more popular brands as important anchor tenants for the mall. This strategic move is also aimed at boosting foot traffic and sales.

During the Reporting Period, we were successful in signing and continuously refreshed the mall's appearance in order to create a cohesive and luxurious atmosphere. These efforts have strengthened Huamao Place's reputation as Huizhou's premier shopping destination.

## Financial Highlights

(in RMB million)

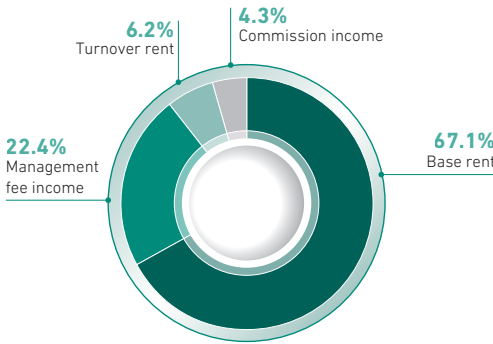
	1H 2024	HoH Change	2H 2023	HoH Change	1H 2023
Revenues					
– Total rental income (note i)	111.8	3.7%	107.8	1.1%	106.6
– Other income (note ii)	3.3	73.7%	1.9	(45.7%)	3.5
	<u>115.1</u>	<u>4.9%</u>	<u>109.7</u>	<u>(0.4%)</u>	<u>110.1</u>
Property operating expenses	(28.4)	(23.7%)	(37.2)	24.0%	(30.0)
Net property income	<u>86.7</u>	<u>19.6%</u>	<u>72.5</u>	<u>(9.5%)</u>	<u>80.1</u>

Notes:

- i Total rental income mainly represents base rental income, turnover rent, commission income and service fee income.
- ii Other income mainly represents advertising income.

During the Reporting Period, Huamao Place reported revenue of RMB111.8 million, comprised of base rent, management fee income, turnover rent and commission income. Base rent is the fixed rent provided for in lease agreements, while management fee income represents additional income from tenants for services provided by the local property management team, such as promotions and events. Turnover rent is collected from certain tenants in the form of a percentage of their sales receipts. Commission income represents a share in the sales receipts for products sold on consignment.

**Huizhou Huamao Place Rental Income Mix**  
(for the six months period ended 30 June 2024)



Property operating expenses are mainly comprised of property management fees and tax expenses, namely property taxes and other taxes. Tax expenses in aggregate accounted for 41% of the total property operating expenses. The property management fee, payable at 3% of total revenue and the actual human resources costs of the property manager of Huamao Place, accounted for 48% of the total property operating expenses.

The contribution of Huizhou Huamao Place in terms of net property income amounted to RMB86.7 million for the Reporting Period.

## Rental Income

During the Reporting Period, average occupancy rate was 97.4%. At the same time, the mall's average monthly rent increased from RMB170 per sqm in 2H 2023 to RMB172 per sqm for the Reporting Period. Occupancy cost, defined as total rental income as a percentage of total GMV of the shopping mall, stood at 11.5% for the Reporting Period.

	1H 2024	Change	2H 2023	Change	1H 2023
Average monthly rent (RMB/sqm) <sup>1</sup>	172	1.2%	170	3.0%	165
– Fixed rent	151	3.4%	146	6.6%	137
– Variable rent	21	(12.5%)	24	(14.3%)	28
Average occupancy rate <sup>2</sup>	97.4%	—	97.4%	1.5 pts	95.9%

1. Average monthly rent is presented net of business tax and VAT (where applicable) and is comprised of base rental income, turnover rental income, consignment sales income and service fee income.
2. Occupancy rate is an average of the month-end figures throughout the specific period.

## Expiry Profile by GFA

	by GFA	by June rental
year ending 31 December 2024	19.3%	22.1%
year ending 31 December 2025	23.5%	35.3%
year ending 31 December 2026	29.8%	22.8%
year ending 31 December 2027 and beyond	27.4%	19.8%
Total	100.0%	100.0%

As at 30 June 2024, leases expiring in the years ending 31 December 2024 and 31 December 2025 accounted for 19.3% and 23.5% of the total leased GFA respectively, and accounted for 22.1% and 35.3% of the June rental income respectively.

## Tenancy base

Huamao Place in Huizhou has strategically adapted its trade mix to reflect new market trends. By decreasing the share of the apparel stores in the mall, space has been freed up to expand its offerings in beauty and high-end cosmetics, catering to the resilient luxury market. Floor-space allocated to healthcare-related products has also been reduced. Responding to growing demand, the first floor now features a strategic cluster of electric vehicle brands including Tesla and Nio, alongside major electronic retailers such as Huawei, DJI, and some Apple-authorized stores. Meanwhile, the mall's many high-quality food and beverage outlets, featuring both local and international brands, have continued to drive footfall at Huamao Place and enhance the mall's appeal. These strategic adjustments are designed to maintaining Huamao Place's status as Huizhou's premier high-end retail destination, meeting the ever-evolving preferences of consumers.

Huamao Place had a total of 519 tenancies as at 30 June 2024. Details of the top five tenants in terms of GFA are set out in the table below.

No.	Tenant's trade sector	by GFA
1	Entertainment	7.1%
2	Food and Beverages	4.2%
3	Tech and Automobiles	1.8%
4	Household	1.8%
5	Household	1.5%
	Total	<u>16.4%</u>

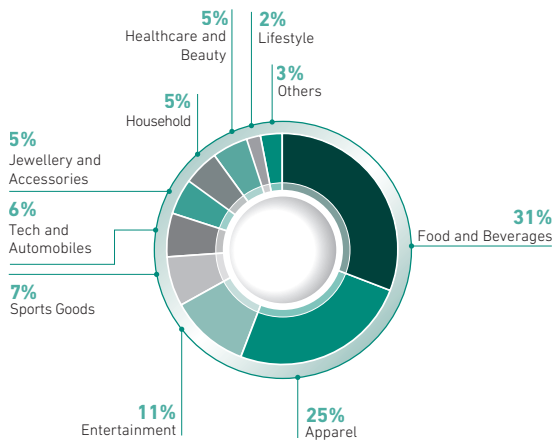


### Tenancy Type

	by leased GFA	by June rental
Higher of fixed or turnover	83.6%	88.2%
Turnover	5.7%	2.7%
Fixed	10.7%	9.1%
Total	100.0%	100.0%

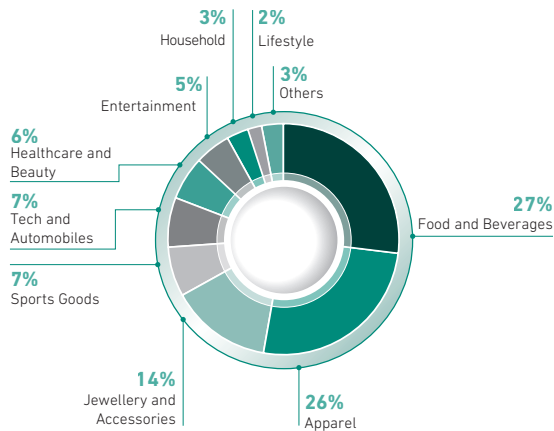
### Tenancy Mix by leased GFA

(As at 30 June 2024)



### Tenancy Mix by rental

(For the month of June 2024)



### UK Portfolio Operation Review

Each of the UK Portfolio’s 84 properties is under a long-term lease with the tenant Kwik-Fit (GB) Limited (“Kwik Fit”), a leading car servicing operator in the United Kingdom, with all but one of the leases expiring in March 2032<sup>1</sup>. Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately GBP4.76 million. Spring REIT enjoys substantial pass through of rental income as the leases are “full repairing and insuring” in nature, under which the tenant pays all real estate taxes, building insurance, and maintenance (the triple “nets”) on the properties in addition to any normal fees that are specified under the agreement (e.g. rent, utilities, etc.).

1. Both the ground lease and the commercial lease of the property located in Islington will be expired in September 2024.

## Financial Results Highlights

(in RMB millions unless otherwise specified)					
For the Six Months Ended	30-Jun-2024	HoH Change	31-Dec-2023	HoH Change	30-Jun-2023
Revenue	361.47	(2.0%)	369.03	1.5%	363.42
Property operating expenses	(86.73)	(13.0%)	(99.67)	11.3%	(89.52)
Net property income	274.74	2.0%	269.37	(1.7%)	273.89
Net property income margin	76.0%	+3.0 ppts	73.0%	-2.4 ppts	75.4%
G&A expenses	(44.06)	(9.0%)	(48.40)	19.2%	(40.61)
Cash interest expenses	(100.66)	13.3%	(88.81)	(3.9%)	(92.38)
Current income tax	(18.42)	20.2%	(15.33)	(9.0%)	(16.84)
Profit/(loss) after taxation					
attributable to Unitholders	42.28	174.9%	15.38	n.a.	(92.92)
Profit after taxation attributable to					
non-controlling interests	17.00	29.2%	13.16	21.6%	10.82
Total distributable income	<u>119.33</u>	<u>(1.0%)</u>	<u>120.48</u>	<u>(8.5%)</u>	<u>131.66</u>

Units Information	1H 2024	HoH Change	2H 2023	HoH Change	1H 2023
DPU (HK cents)	9.0	—	9.0	(10.0%)	10.0
DPU (RMB cents equivalent)	8.2	—	8.2	(7.9%)	8.9
Payout ratio	100%	+2.5 ppts	97.5% <sup>1</sup>	+0.5 ppts	97%
Net asset value per Unit (HK\$)	4.59	(2.3%)	4.70	1.5%	4.63
Number of Units outstanding	<u>1,450,217,368</u>	<u>0.7%</u>	<u>1,440,497,110</u>	<u>(3.6%)</u>	<u>1,493,567,431</u>

As at	30-Jun-2024	HoH Change	31-Dec-2023	HoH Change	30-Jun-2023
Property valuation	11,981.86	(0.5%)	12,039.34	(0.2%)	12,066.23
Total assets	12,804.75	0.2%	12,785.53	(1.7%)	13,009.14
Total borrowings	5,194.63	2.8%	5,054.49	(1.5%)	5,131.00
Net asset value attributable					
to Unitholders	6,078.03	(0.9%)	6,130.66	(3.8%)	6,370.88
Gearing ratio	<u>40.6%</u>	<u>+1.1 ppts</u>	<u>39.5%</u>	<u>+0.1 ppts</u>	<u>39.4%</u>

1. Represents the full year payout ratio of 97.5%.

## Financial Performance

Spring REIT's revenue for the Reporting Period was RMB361.47 million, representing a 2.0% decrease HoH and a 0.5% decrease YoY. After taking into account property operating expenses of RMB86.73 million, net property income amounted to RMB274.74 million, representing a 2.0% increase HoH and a 0.3% increase YoY. The net property income margin increased to 76.0% for the Reporting Period (2H 2023: 73.0%;1H 2023: 75.4%).

General and administrative expenses amounted to RMB44.06 million. Meanwhile, a total finance cost on interest-bearing borrowings of RMB120.97 million (1H 2023: RMB219.61 million) was registered, which consisted of a non-cash foreign exchange loss of RMB28.21 million (1H 2023: RMB118.37 million) when HK\$-dominated bank borrowings were converted to RMB in the financial statements. Cash interest expenses amounted to RMB100.66 million, increased by 9.0% as compared to RMB92.38 million in 1H 2023.

Taking into account the decline in the fair value of the investment properties of RMB76.68 million (1H 2023: RMB98.41 million), profit after taxation attributable to Unitholders for the Reporting Period was RMB49.01 million (2H 2023: profit after taxation attributable to Unitholders of RMB15.38 million; 1H 2023: loss after taxation attributable to Unitholders of RMB92.92 million).

Spring REIT's total distributable income for the Reporting Period was RMB119.33 million, representing a decrease of 1.0% HoH and a decrease of 9.4% YoY. Among other adjustments, the reported amount excludes the foreign exchange loss and the decrease in the fair value of the investment properties, which are non-cash in nature.

## Financial Position

Spring REIT's principal valuer, Knight Frank Petty Limited (“**Knight Frank**” or the “**Principal Valuer**”), performed a valuation of the Spring REIT portfolio as at 30 June 2024. The CCP Property was appraised at RMB8,480 million as at 30 June 2024, representing a 0.9% decrease in value compared to its valuation as at 31 December 2023. Its valuation was arrived at using the income capitalization approach, and cross-checked by the direct comparison approach. The capitalization rate/reversionary yield was 4.5% (31 December 2023: 5.0%; 30 June 2023: 5.0%).

Huamao Place was appraised at RMB2,852 million as at 30 June 2024, a mild increase of 0.3% compared to its valuation as at 31 December 2023. Its valuation was arrived at using the income approach, and cross-checked by the direct comparison approach. The capitalization rate/reversionary yield was 6.0% (31 December 2023: 6.0%; 30 June 2023: 6.0%).

The UK Portfolio was appraised at GBP71.00 million (equivalent to RMB649.86 million) as at 30 June 2024, representing a 0.9% increase in GBP terms and a 2.5% increase in RMB terms compared to its valuation as at 31 December 2023. The valuation of the UK Portfolio was arrived at using the income approach. The reversionary yield ranged from 4.30% to 9.05% (31 December 2023: 4.35% to 9.05%).

As at 30 June 2024, Spring REIT had in place aggregate debt facilities of approximately RMB5,194.63 million, comprising:

1. a combined facility of HK\$4,875 million consists of a committed facility of HK\$3,705 million and an uncommitted facility of HK\$1,170 million (the “**CCP Facilities**”), which bears an interest rate of 1-month HIBOR plus 1.65% per annum and will mature in September 2025. Of the CCP Facilities, HK\$4,495 million was outstanding as at the end of the Reporting Period.
2. a facility of GBP51 million (the “**UK Facility**”) which bears an interest rate of 2.20% margin per annum plus Sterling Overnight Index Average (“**SONIA**”) plus Credit Adjustment Spread (“**CAS**”) and will expire in January 2025. Of the UK Facility, GBP47.8 million was outstanding as at the end of the Reporting Period.

3. a facility of RMB900 million which bears an interest rate of 60 basis points above the PRC loan prime rate (for five years or more) and will mature in March 2032, of which RMB700.92 million was outstanding as at the end of the Reporting Period.

As at 30 June 2024, the Group's gearing ratio, i.e. total borrowings to gross asset value, was 40.6%, compared with 39.5% at 31 December 2023.

## Capital Management

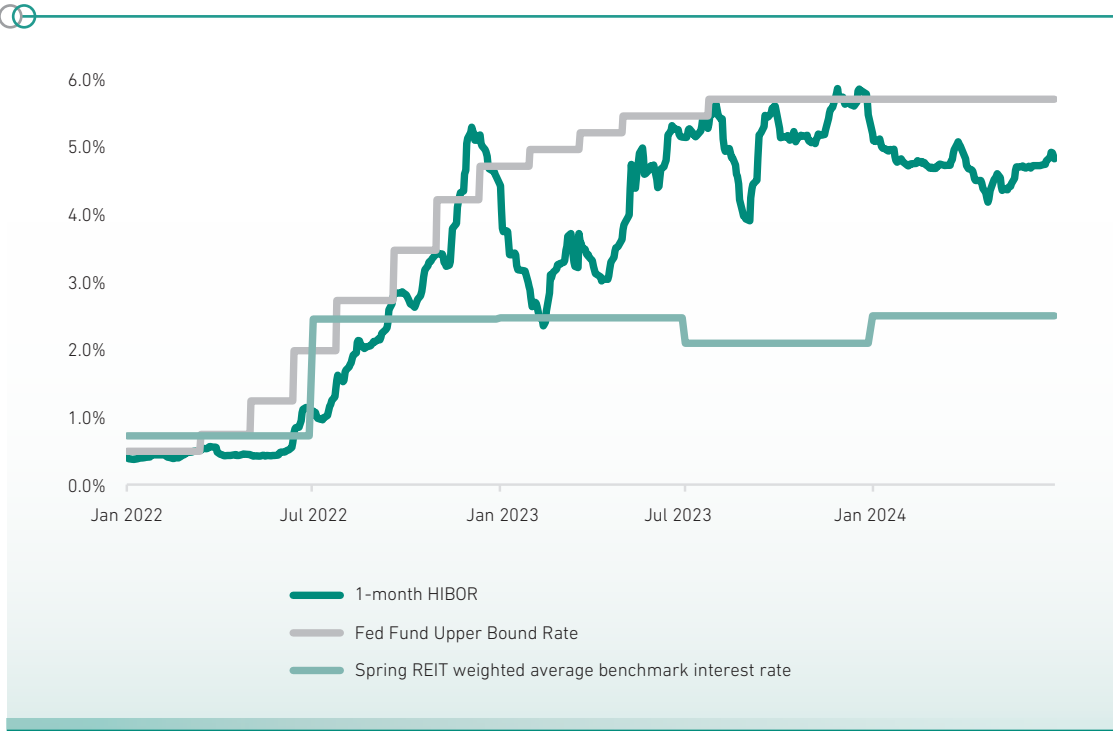
Spring REIT has implemented a hedging programme by entering into float-to-fixed interest rate swap (“**IRS**”) and CCS contracts of varied tenures to mitigate its interest rate and exchange rate risks.

As at 30 June 2024, for the CCP Facilities, a notional amount of HK\$785 million was covered by float-to-fixed IRS, while HK\$3,520 million was effectively covered by HK\$-RMB CCS at fixed RMB interest rate, with a combined weighted average swap rate of 1.5% per annum. For the UK Facility, the notional amount of IRS contract was GBP47.8 million with a swap rate of 3.8% per annum. As a result, the overall weighted average swap rate per annum (before interest margin and credit adjustment spread) was approximately 1.7%. Meanwhile, the RMB-denominated loan is based on the PRC loan prime rate which was relatively stable and on a downward trend during the Reporting Period.

As at 30 June 2024, about 96.6% of Spring REIT's borrowings were either covered by interest rate hedges or under a relatively stable PRC loan prime rate (31 December 2023: 99.5%; 30 June 2023: 74.5%), significantly reducing the impact of interest rate volatility on Spring REIT. Additionally, by entering into CCS contracts, 78.3% of the HK\$ notional amount under CCP Facilities was swapped into RMB (31 December 2023: 45.0%; 30 June 2023: 22.1%). Together with the UK Facility (denominated in GBP) and the RMB-denominated loan, 82.7% of the total borrowings' currency exposure were aligned with the underlying assets as at 30 June 2024 (31 December 2023: 56.7%; 30 June 2023: 40.1%).

During the Reporting Period, the weighted average cash interest rate (after interest margin) increased to approximately 3.9% per annum (2H 2023: 3.5%; 1H 2023:3.7%). This increase is mainly attributable to the rollover of IRS contracts at a higher weighted average swap rate.

### Benchmark interest rates



### Net Assets Attributable to Unitholders

As at 30 June 2024, net assets attributable to Unitholders stood at RMB6,078.03 million. The net asset value per Unit as at 30 June 2024 was HK\$4.59 (31 December 2023: HK\$4.70; 30 June 2023: HK\$4.63). This represented a 128.4% premium to the closing price of the Units of HK\$2.01 as at 28 June 2024, the last trading day in the Reporting Period.

### Capital Commitments

As at 30 June 2024, 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

Approaching mid-2024, Spring REIT continues to navigate the effects of a complex economic landscape, particularly in China where the economy is deleveraging. The country's ongoing debt reduction efforts and the structural shifts being made in key sectors such as real estate, technology, and finance are continuing to reshape the business environment. Encouragingly, recent data indicates a modest uptick in consumer spending and industrial output, but challenges persist in the property sector.

Outside of China, global financial markets remain focused on the outlook for interest rates, particularly in the US. The Federal Reserve's aggressive rate hikes over the past two years, totalling more than five percentage points, have significantly increased borrowing costs and dampened debt-funded investment activities. While the US interest rate cycle peaked in 2023, expectations for rate cuts in 2024 have been scaled back.

In Beijing, the office market has remained subdued, with a limited volume of new lettings and a focus by landlords on concessions and rent reductions in renewal negotiations. Cost-conscious tenants in the CBD are still opting to relocate or downsize, intensifying the competition for quality tenants in premium core areas. We anticipate continued pressure on rent and occupancy in the Beijing office market throughout 2024, including for Grade A office space, where competition may be fierce as landlords aim to attract dwindling leasing demand. However, the limited office pipeline in Beijing's CBD market may result in some stabilization later in the year as government initiatives take effect. At our CCP Property, we will be continuing to prioritize occupancy over rent in the remainder of the year. With 19.6% of the property's leases expiring in 2H 2024, our strategy will remain firmly service-driven, with the aim of providing maximum flexibility to our tenants and fully accommodating their business needs.

While the Beijing office market is closely linked to the state of both the global and the Chinese economies, the performance of Huamao Place in Huizhou is more specifically correlated with domestic consumption trends in the GBA. The GBA has been designated an area of strategic importance for China's future development. Its population, including that of Huizhou City, is expected to become more affluent in the years ahead due to ongoing urbanization and economic growth, consumption upgrades, and continued government support. As Huizhou's premier shopping mall, Huamao Place is well-placed to profit from the long-term growth of this thriving region.

In 2024, our local Huizhou management team undertook a series of dedicated efforts that led to encouraging growth in footfall at Huamao Place, despite the challenging economic environment. The mall achieved an average daily visitor count in excess of 37,500, and its average monthly GMV per month at around RMB163 million. The mall's current tenant mix, featuring retailers of electric vehicles, high-tech products, dining options, and cosmetics, caters well to modern consumer preferences. Plans are in place to allocate additional resources with the goal of further enhancing the mall's social media presence, and promoting Huamao Place as a premier venue for festive events and celebrations. Approximately 19.3% of the leases at Huamao Place expire in the second half of 2024. Having achieved an average occupancy rate of roughly 97.4% in the first six months of 2024 and built up a robust tenant profile, Spring REIT is well-positioned to continue benefiting from the mall's status as Huizhou's leading high-end shopping destination.

From the capital management perspective, Spring REIT's earlier decision to lock in the interest rates of almost all its loan exposures has proved effective in mitigating our interest rate risk in 2024. As at 30 June 2024, approximately 97% of Spring REIT's borrowings were either covered by the interest rate hedging programme or under a relatively stable PRC loan prime rate. Additionally, Spring REIT has adopted a proactive approach to currency risk management. By closely monitoring the movements of the RMB currency against the USD and HK\$, and taking advantage of declining RMB borrowing costs, the Manager has entered into HK\$-RMB CCS to align an increased portion, being 82.7%, of Spring REIT's total borrowings with the currencies of the underlying assets, further mitigating foreign exchange exposures.

Our balance sheet remains robust, with Spring REIT having a gearing ratio of approximately 40.6% that provides us with a buffer against macroeconomic fluctuations while offering scope for potential future growth. Although elevated interest rate levels have had a lingering impact on the cost of debt, they have also brought a silver lining in terms of moderating global inflation trends. We will remain vigilant in monitoring changes in market conditions, and will adapt our capital management efforts to the evolving macroeconomic environment.

Despite China's current economic adjustments, our focus remains on delivering stable distributions and pursuing long-term growth for our Unitholders. Our cautious yet proactive approach is designed to effectively navigate the current volatile macroeconomic landscape while at the same time positioning Spring REIT for future opportunities as 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 policy of Spring REIT have been adopted with due regard to the requirements under Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), with necessary changes, as if those rules were applicable to real estate investment trusts in Hong Kong.

The Manager was established for the sole purpose of managing Spring REIT. The Manager is committed to maintain good corporate governance culture, 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 and certain internal policies, including corporate governance policy (the “**Corporate Governance Policy**”), for use in relation to the management and operation of Spring REIT, which sets out the key processes, systems and measures, and such policies 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. All Directors act with integrity, lead by example, and promote the desired culture which instils and continually reinforces across the organization values of acting lawfully, ethically and responsibly.

During the Reporting Period, both the Manager and Spring REIT have in material terms complied with the provisions of the compliance manual, the Corporate Governance Policy, the Trust Deed, the Code on Real Estate Investment Trusts (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 29 May 2024 (to note the audited financial statements of Spring REIT together with the independent auditor's report for the year ended 31 December 2023, and the re-appointment of the independent auditor of Spring REIT; and to approve the buy-back mandate and the continual service of Mr. Lam Yiu Kin as an independent non-executive director of the Manager) for meeting with Unitholders and answering their questions, if any.

Besides, an extraordinary general meeting of Spring REIT was held on 9 August 2024 to seek the independent Unitholders' approval on the issuance of the Subject 2024 Manager Fee Units and the Whitewash Waiver, details of which were set out in the circular to Unitholders dated 23 July 2024.

### 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 announcement, Mr. Leung Kwok Hoe, Kevin (Executive Director and Chief Executive Officer of the Manager), Mr. Chung Wai Fai (Executive Director and Chief Financial Officer of the Manager) and Mr. Chan Chun Tung are the responsible officers of the Manager (the "RO") pursuant to the requirements under section 125 of the SFO and Paragraph 5.4 of the REIT Code. Mr. Leung Kwok Hoe, Kevin, Executive Director and Chief Executive Officer of the Manager, was approved by the SFC as an approved person of the Manager pursuant to sections 104(2) and 105(2) of the SFO. Mr. Chan Chun Tung was appointed as a RO with effect from 10 April 2024 and Ms. Bai Yanan was ceased as a RO with effect from 28 June 2024.

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

## New Issue of Units

During the Reporting Period, an aggregate of 10,807,258 new Units were issued to the Manager as payment of part of the Manager's fee. Please refer to the announcements dated 25 March 2024 and 30 April 2024 for more details.

During the Reporting Period, the Manager (on behalf of Spring REIT) bought back a total of 684,000 Units and all the Units bought back were cancelled prior to the end of the Reporting Period. Please refer to the section headed "Purchase, Sale or Redemption of Units" for details.

The total number of Units in issue as at 30 June 2024 was 1,450,217,368 Units.

## Issuance of Subject 2024 Manager Fee Units and Application for Whitewash Waiver

Reference is made to the circular (the "**Circular**") of Spring REIT dated 23 July 2024 in relation to the issuance of the Subject 2024 Manager Fee Units and the Whitewash Waiver by Spring REIT. Unless otherwise defined herein, capitalised terms used in this section shall have the same meanings as given to them in the Circular.

As disclosed in the Circular, the Manager anticipated that the issuance of one of the further tranches of the 2024 Manager Fee Units (being the Subject 2024 Manager Fee Tranche) would result in a mandatory offer threshold under Rule 26 of the Takeovers Code being reached by the Manager Concert Group, which would give rise to an obligation on the part of the Company to make a mandatory general offer unless the EGM Resolutions were duly passed and the Whitewash Waiver was granted by the SFC.

The Manager applied to the SFC for and the SFC granted the Whitewash Waiver from the obligation on the part of the Manager to make a general offer for all issued Units and other securities of Spring REIT (if any) not already owned or agreed to be acquired by the Manager Concert Group as a result of the Manager's receipt of the Subject 2024 Manager Fee Tranche. The EGM Resolutions were duly passed by way of a poll on 9 August 2024.

The completion of the issuance of the Subject 2024 Manager Fee Units (the “**Completion**”) took place on 16 August 2024. As disclosed in the announcement of Spring REIT dated 16 August 2024, 5,447,302 Units were issued to the Manager as payment of part of the Manager’s Fee for the period from 1 April 2024 to 30 June 2024, which caused the unitholding of Manager Concert Group in Spring REIT to first exceed 30%.

Details of the issuance of the Subject 2024 Manager Fee Units, the Whitewash Waiver and the Completion were set out in the Spring REIT’s announcements dated 22 July 2024, 9 August 2024 and 16 August 2024 and the Circular.

### Purchase, Sale or Redemption of Units

During the Reporting Period, the Manager (on behalf of Spring REIT) bought back on-market a total of 684,000 Units on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK\$1.5 million. Further details are set out as follows:

Month	Number of Units bought back (on-market)	Purchase price per Unit		Approximate aggregate consideration (excluding expenses) HK\$’000
		Highest HK\$	Lowest HK\$	
<b>2024</b>				
January	684,000	2.2824	2.2140	1,543

All the above on-market Unit buy-backs by the Manager during the Reporting Period were carried out pursuant to the general mandate to buy back Units granted by the Unitholders that was in force in the relevant time, and were made in the interests of Spring REIT and the Unitholders as a whole. The buy-backs were effected by the Manager for the enhancement of the net asset value and/or earnings per Unit.

The average cost (excluding expenses) of the Units bought back on-market was approximately HK\$2.26 per Unit. All the above Units bought back were cancelled during the Reporting Period.

Save as disclosed above, there was no purchase, sale or redemption of the Units by the Manager on behalf of Spring REIT or any of the special purpose vehicles that are owned and controlled by Spring REIT during the Reporting Period. Please also refer to the section headed “New Issue of Units” in this announcement for details relating to new Units issued by Spring REIT during the Reporting Period.

### **Public Float of the Units**

Based on information that is publicly available and within the knowledge of the Directors, Spring REIT maintained a public float of not less than 25% of the issued and outstanding Units as of 30 June 2024.

### **Investments in Property Development and Relevant Investments**

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

### **Review of Interim Results**

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

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

## Issuance of the Interim Report

The interim report of Spring REIT for the Reporting Period will be published on the websites of the Hong Kong Exchanges and Clearing Limited, at [www.hkexnews.hk](http://www.hkexnews.hk), and Spring REIT, at [www.springreit.com](http://www.springreit.com), and will be sent to Unitholders, who have elected for hard copies, on or before 31 August 2024.

By order of the Board

**Spring Asset Management Limited**

(as manager of Spring Real Estate Investment Trust)

**Mr. Toshihiro Toyoshima**

*Chairman of the Manager*

Hong Kong, 22 August 2024

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

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Revenues</b>	6	<b>361,474</b>	363,415
Property operating expenses	7	<u>(86,735)</u>	<u>(89,521)</u>
<b>Net property income</b>		<b>274,739</b>	273,894
General and administrative expenses	8	(44,059)	(40,605)
Fair value loss of investment properties	14	(76,677)	(98,412)
Fair value loss of right-of-use assets	15	(30)	(107)
Other gains, net	9	<u>48,858</u>	<u>19,593</u>
<b>Operating profit</b>		<b>202,831</b>	154,363
Bank interest income		3,338	2,736
Finance costs on interest-bearing borrowings	10	<u>(120,966)</u>	<u>(219,610)</u>
<b>Profit/(loss) before taxation and transactions with Unitholders</b>		<b>85,203</b>	(62,511)
Income tax expense	11	<u>(25,929)</u>	<u>(19,582)</u>
<b>Profit/(loss) for the period, before transactions with Unitholders</b>		<b>59,274</b>	(82,093)
Distributions paid to Unitholders:			
– 2022 final distribution		—	(135,192)
– 2023 final distribution ( <i>note i</i> )		<u>(120,332)</u>	<u>—</u>
		<u><b>(61,058)</b></u>	<u><b>(217,285)</b></u>

**Six months ended 30 June**

	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Represented by:		
Change in net assets attributable to Unitholders, excluding issuance of new units and units bought back for cancellation	<b>(70,439)</b>	(206,529)
Amount arising from exchange reserve movements regarding translation of financial statements	<b>(7,618)</b>	(21,580)
Non-controlling interests	<b>16,999</b>	10,824
	<b><u>(61,058)</u></b>	<b><u>(217,285)</u></b>
Profit/(loss) for the period, before transactions with Unitholders attributable to:		
– Unitholders ( <i>note ii</i> )	<b>42,275</b>	(92,917)
– Non-controlling interests	<b>16,999</b>	10,824
	<b><u>59,274</u></b>	<b><u>(82,093)</u></b>

*Notes:*

- (i) 2023 final distribution of RMB120,332,000 for the year ended 31 December 2023 was paid during the six months ended 30 June 2024. Total distribution for the six months ended 30 June 2024 is presented in the consolidated statement of distributions.
- (ii) Earnings/(loss) per unit, based upon profit/(loss) for the period, before transactions with Unitholders attributable to Unitholders and the weighted average number of units in issue, is set out in note 13.

The notes on pages 41 to 64 are an integral part of these condensed consolidated interim financial information.



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2024*

	Note	Before transactions with Unitholders (Unaudited) RMB'000	Transactions with Unitholders (note i) (Unaudited) RMB'000	After transactions with Unitholders (note ii) (Unaudited) RMB'000	Non- Controlling interests (Unaudited) RMB'000	Total (Unaudited) RMB'000
<b>For the six months ended</b>						
<b>30 June 2024</b>						
Profit for the period		42,275	(49,893)	(7,618)	16,999	9,381
Other comprehensive income:						
<i>Items that may be reclassified to condensed consolidated income statement</i>						
Exchange gains on translation of financial statements of subsidiaries		22,250	—	22,250	—	22,250
<i>Items that may not be reclassified to condensed consolidated income statement</i>						
Exchange losses on translation of financial statements of Spring REIT		(14,632)	—	(14,632)	—	(14,632)
<b>Total comprehensive income for the period</b>	ii	<u>49,893</u>	<u>(49,893)</u>	<u>—</u>	<u>16,999</u>	<u>16,999</u>
<b>For the six months ended</b>						
<b>30 June 2023</b>						
Loss for the period		(92,917)	71,337	(21,580)	10,824	(10,756)
Other comprehensive income:						
<i>Items that may be reclassified to condensed consolidated income statement</i>						
Exchange losses on translation of financial statements of subsidiaries		(28,365)	—	(28,365)	—	(28,365)
<i>Items that may not be reclassified to condensed consolidated income statement</i>						
Exchange gains on translation of financial statements of Spring REIT		49,945	—	49,945	—	49,945
<b>Total comprehensive income for the period</b>	ii	<u>(71,337)</u>	<u>71,337</u>	<u>—</u>	<u>10,824</u>	<u>10,824</u>

*Notes:*

- (i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB120,332,000 (2023: RMB135,192,000), and change in net assets attributable to Unitholders excluding issuance of new units and units bought back for cancellation, which is a decrease of RMB70,439,000 (2023: decrease of RMB206,529,000).
  
- (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 and units bought back for cancellation, 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 41 to 64 are an integral part of these condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF DISTRIBUTIONS

*For the six months ended 30 June 2024*

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Profit/(loss) for the period, before transactions with Unitholders attributable to Unitholders</b>	<b>42,275</b>	(92,917)
Adjustments:		
– Fair value loss of investment properties attributable to Unitholders	<b>79,306</b>	95,196
– Fair value loss of right-of-use assets	<b>30</b>	107
– Net fair value (gain)/loss of derivative financial instruments	<b>(26,773)</b>	9,803
– Deferred taxation attributable to Unitholders	<b>5,105</b>	1,867
– Manager's fee in units in lieu of cash	<b>19,076</b>	19,479
– Amortisation of transaction costs for host liability components of bank borrowings	<b>(6,010)</b>	8,999
– Unrealised foreign exchange loss	<b>6,321</b>	89,126
<b>Distributable income for the period (note ii)</b>	<b><u>119,330</u></b>	<u>131,660</u>
Total distributions of the period (note iii)	<b>119,330</b>	127,710
Percentage of total distribution over distributable income for the period	<b>100%</b>	97%
Distributions per unit to Unitholders for the period		
– Interim distribution per unit, to be paid (note iv, v and vi)	<b><u>HK9.0 cents</u></b>	<u>HK 10.0 cents</u>

*Notes:*

- (i) All distributions to Unitholders are determined and paid in Hong Kong dollar. For Unitholder's reference, the distributions per unit to Unitholders expressed in RMB term is as follows:

Distributions per unit to Unitholders		
– Interim distribution per unit	<b><u>RMB8.2 cents</u></b>	<u>RMB8.9 cents</u>
<b>Distribution per unit for the period</b>	<b><u>RMB8.2 cents</u></b>	<u>RMB8.9 cents</u>

- (ii) Under the terms of the Trust Deed, the distributable income represents the profit/(loss) for the period before transactions with Unitholders attributable to Unitholders, adjusted to eliminate the effects of certain non-cash transactions which have been recorded in the condensed consolidated income statement for the period.
- (iii) 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.
- (iv) 1,087,000 units repurchased were cancelled during the six months ended 30 June 2024. On 25 March 2024 and 30 April 2024, a total of 5,227,842 and 5,579,416 units were issued as payment of part of the Manager's fees respectively. On 16 August 2024, a total of 5,447,302 units were issued, as payment of part of the Manager's fees.

Accordingly, the interim distribution per unit of HK9.0 cents for the six months ended 30 June 2024 is calculated based on the interim distribution to be paid to Unitholders of RMB119,330,000 for the period and 1,455,664,670 units in issue as at 22 August 2024, being the date of declaration of the interim distribution, rounded to the nearest HK0.1 cents.

Distributions to Unitholders for the six months ended 30 June 2024 represent a payout ratio of 100% (2023: 97%) of Spring REIT's total distributable income for the period. The interim distribution for the six months ended 30 June 2024 is expected to be paid to Unitholders on 22 October 2024. Such interim distributions per unit, however, may be subject to adjustment upon the issuance of new units between 22 August 2024 (being the date of the declaration of the interim distribution) and 7 October 2024 (the "Record Date"), if any.

- (v) On 20 April 2023, a total of 259,000 units repurchased during the six months ended 30 June 2023 were cancelled. On 24 March 2023 and 2 May 2023, a total of 4,411,081 and 4,484,163 units were issued as payment of part of the Manager's fees respectively. Subsequent to the six month ended 30 June 2023, on 18 July 2023, a total of 63,235,000 units repurchased on 7 July 2023 were cancelled. On 18 August 2023, a total of 5,001,961 units were issued as payment of part of the Manager's fees. Accordingly, the interim distribution per unit of HK10.0 cents for the six months ended 30 June 2023 is calculated based on the interim distribution to be paid to Unitholders of RMB127,710,000 for the period and 1,435,334,392 units in issue as at 22 August 2023, being the date of declaration of the interim distribution, rounded to the nearest HK0.1 cents.
- (vi) All distributions to Unitholders are determined and paid in Hong Kong dollar.

The notes on pages 41 to 64 are an integral part of these condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2024

		For the period ended 30 June 2024 (Unaudited) <i>RMB'000</i>	For the year ended 31 December 2023 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
<b>Assets</b>			
Investment properties	14	<b>11,981,863</b>	12,039,343
Right-of-use assets	15	<b>15,697</b>	15,468
Derivative financial instruments	16	<b>102,463</b>	93,186
Restricted bank balances	18	<b>308,684</b>	326,532
Trade and other receivables	17	<b>75,976</b>	88,103
Time deposits	18	<b>88,224</b>	—
Cash and cash equivalents	18	<b>231,844</b>	222,893
<b>Total assets</b>		<b>12,804,751</b>	12,785,525
<b>Liabilities, excluding net assets attributable to Unitholders</b>			
Interest-bearing borrowings	20	<b>5,194,625</b>	5,054,490
Derivative financial instruments	16	<b>2,294</b>	41,376
Deferred tax liabilities	21	<b>117,657</b>	110,150
Lease liabilities	15	<b>11,232</b>	11,163
Rental deposits	19	<b>204,224</b>	211,544
Trade and other payables	19	<b>173,397</b>	215,122
Income tax payable		<b>38,339</b>	39,866
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		<b>5,741,768</b>	5,683,711
<b>Non-controlling interests</b>		<b>984,949</b>	971,150
<b>Net assets attributable to Unitholders</b>		<b>6,078,034</b>	6,130,664
Units in issue ('000)	22	<b>1,450,217</b>	1,440,497
Net asset value per unit attributable to Unitholders			
In RMB		<b>4.19</b>	4.26
In HK\$		<b>4.59</b>	4.70

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

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

**Chung Wai Fai, Michael**  
*Executive Director*

The notes on pages 41 to 64 are an integral part of these condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

*For the six months ended 30 June 2024*

	<b>Reserves</b>	<b>Net assets attributable to Unitholders</b>	<b>Non- controlling interest</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2024</b>	—	6,130,664	971,150	7,101,814
Profit for the period, before transactions with Unitholders	—	42,275	16,999	59,274
Exchange gains on translation of financial statements	7,618	—	—	7,618
Amount arising from exchange reserve movements	(7,618)	7,618	—	—
Distributions paid to Unitholders:				
– 2023 final distribution	—	(120,332)	—	(120,332)
– Dividend paid to minority interest	—	—	(3,200)	(3,200)
Change in net assets attributable to Unitholders for the six months ended 30 June 2024, excluding issuance of new units and units bought back for cancellation	—	(70,439)	13,799	(56,640)
Issuance of units ( <i>note 22</i> )	—	19,231	—	19,231
Units bought back for cancellation ( <i>note 22</i> )	—	(1,422)	—	(1,422)
<b>As at 30 June 2024</b>	<b>—</b>	<b>6,078,034</b>	<b>984,949</b>	<b>7,062,983</b>

	Reserves <i>RMB'000</i>	Net assets attributable to Unitholders <i>RMB'000</i>	Non- controlling interest <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2023</b>	—	6,558,843	947,165	7,506,008
Loss for the period, before transactions with Unitholders	—	(92,917)	10,824	(82,093)
Exchange gains on translation of financial statements	21,580	—	—	21,580
Amount arising from exchange reserve movements	(21,580)	21,580	—	—
Distributions paid to Unitholders: – 2022 final distribution	—	(135,192)	—	(135,192)
Change in net assets attributable to Unitholders for the six months ended 30 June 2023, excluding issuance of new units and units bought back for cancellation	—	(206,529)	10,824	(195,705)
Issuance of units ( <i>note 22</i> )	—	19,120	—	19,120
Units bought back for cancellation ( <i>note 22</i> )	—	(551)	—	(551)
<b>As at 30 June 2023</b>	—	6,370,883	957,989	7,328,872

*Note:* The amount represented earnings retained for the period to offset the reserve movements.

The notes on pages 41 to 64 are an integral part of these condensed consolidated interim financial information.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Spring Real Estate Investment Trust (“Spring REIT”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Spring REIT was established on 25 November 2013 and its units are listed on the main board of The Stock Exchange of Hong Kong Limited (the “HKSE”) on 5 December 2013. Spring REIT is governed by a trust deed entered into on 14 November 2013 as amended and supplemented by the first supplemental deed dated 22 May 2015 and the First Amending and Restating Deed entered into between Spring Asset Management Limited (the “Manager”) and DB Trustees (Hong Kong) Limited (the “Trustee”) on 28 May 2021 (collectively, the “Trust Deed”) and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the “REIT Code”). The addresses of the registered offices of the Manager and the Trustee are Room 2602, 26/F, LHT Tower, 31 Queen’s Road Central, Central, Hong Kong and 60/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

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

The condensed consolidated interim financial information are presented in Renminbi (“RMB”). The functional currency of Spring REIT is Hong Kong dollars (“HK\$”), the distribution of Spring REIT is determined and paid in HK\$.

## 2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2024 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 2023, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023 as described in those annual financial statements.

### **New standards, amendments, improvements and interpretation to existing standards adopted by the Group**

The Group has adopted all of the new standards, amendments, improvements and interpretation issued by the International Accounting Standards Board that are mandatory for annual accounting periods beginning on or after 1 January 2024.

New standards, amendments, improvements and interpretation to existing standards effective in 2024:

		<b>Effective for accounting periods beginning on or after</b>
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024

The adoption of these new standards, amendments, improvements and interpretation to existing standards does not have a material impact on the accounting policies or results and the financial position of the Group and/or the disclosure set out in these condensed consolidated financial information.

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

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

		<b>Effective for accounting periods beginning on or after</b>
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 9 and IFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

### (b) Estimates of fair values of derivative financial instruments

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

### (c) Taxation

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

## 5 FINANCIAL RISK

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2023.

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 and provision of related services. 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 2024, revenue of RMB340.2 million (30 June 2023: RMB344.6 million) is attributable to tenants from the PRC investment properties and RMB21.3 million (30 June 2023: RMB18.8 million) is attributable to tenants from the UK investment properties. As at 30 June 2024, investment properties of RMB11,332 million (31 December 2023: RMB11,403 million) is located in the PRC and RMB650 million (31 December 2023: RMB636 million) is located in the UK. Right-of-use assets of RMB16 million (31 December 2023: RMB15 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenues		
Rental income	353,995	346,974
Car park income	2,370	1,497
Other income ( <i>note i</i> )	5,109	14,944
	<u>361,474</u>	<u>363,415</u>

*Note:*

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

## 7 PROPERTY OPERATING EXPENSES

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Property management fee	<b>18,871</b>	16,717
Property taxes <i>(note i)</i>	<b>37,441</b>	38,613
Other taxes <i>(note ii)</i>	<b>2,083</b>	2,269
Enterprise income tax <i>(note iii)</i>	<b>22,434</b>	23,892
Leasing commission	<b>1,152</b>	889
Advertising and promotion expense	<b>3,000</b>	6,586
Reinstatement costs	<b>1,089</b>	—
Others	<b>665</b>	555
	<b>86,735</b>	89,521

*Notes:*

- (i) Property taxes represent real estate tax and land use tax in the PRC. Real estate tax applicable to the Group's PRC 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 mainly represent urban construction and maintenance tax, education surcharge, consumption tax and stamp duty in the PRC.
- (iii) Enterprise income tax is calculated based on 10% of the revenues received from rental operation for the Beijing properties.

## 8 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Manager's fee ( <i>note i</i> )	30,991	31,512
Trustee fee	1,058	1,359
Valuation fee	521	266
Auditor's remuneration		
– Audit services	113	105
– Other assurance services	658	732
– Other non-assurance services	35	169
Legal and other professional fee ( <i>note ii</i> )	7,830	5,271
Others	2,853	1,191
	<u>44,059</u>	<u>40,605</u>

Notes:

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

## 9 OTHER GAINS, NET

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net fair value gain/(loss) of derivative financial instruments		
at fair value through profit or loss	26,773	(9,803)
Foreign exchange gains, net	21,893	29,248
Other gains	192	148
	<u>48,858</u>	<u>19,593</u>

## 10 FINANCE COSTS ON INTEREST-BEARING BORROWINGS

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Interest expenses on bank borrowings ( <i>note i</i> )	(150,422)	(135,049)
Interest income on derivative financial instruments	58,126	34,249
Interest expenses on lease liabilities	(456)	(436)
Foreign exchange losses on bank borrowings ( <i>note ii</i> )	(28,214)	(118,374)
	<u>(120,966)</u>	<u>(219,610)</u>

### Notes:

- (i) Interest expenses on bank borrowings comprised contractual loan interest and amortised loan arrangement fee, which were recognised using the effective interest rate method.
- (ii) Foreign exchange losses on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies.

## 11 INCOME TAX EXPENSE

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

For the subsidiary with operation in Huizhou, the PRC, it is subject to corporate income tax at a rate of 25%.

Prior to 31 March 2023, for the subsidiary with operation in the UK, it is subject to corporate income tax at a 19%. From 31 March 2023 onwards, the UK subsidiary is subject to corporation tax at a rate of 25%.

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:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Current tax</b>		
Current income tax	<b>18,422</b>	16,836
<b>Deferred taxation</b>		
	<b>7,507</b>	2,746
	<b>25,929</b>	19,582

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 were as follows:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Profit/(loss) before income tax and transactions with Unitholders	<b>85,203</b>	(62,511)
Exclude (profit)/loss from the PRC operation which is not subject to income tax ( <i>note 7(iii)</i> )	<b>(23,736)</b>	79,405
	<b>61,467</b>	16,894
Tax calculated at the Hong Kong profit tax rate at 16.5% (2023: 16.5%)	<b>10,142</b>	2,788
Effect on different taxation rate on overseas operations	<b>6,730</b>	2,476
Income not subject to tax	<b>(4,886)</b>	(8,646)
Expenses not deductible for tax purposes	<b>13,943</b>	22,964
	<b>25,929</b>	19,582



## 12 MANAGER'S FEE

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Base fee	23,604	23,953
Variable fee	7,387	7,559
	<u>30,991</u>	<u>31,512</u>

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

- (i) Base fee at 0.4% per annum of the value of the Deposited Property ("Base Fee", as defined in the Trust Deed).
- (ii) Variable fee at 3.0% per annum of the Net Property Income ("Variable Fee", as defined in the Trust Deed) (before deduction therefrom of the Base fee and Variable fee).

Based on the election made by the Manager dated 13 December 2023 and 2 December 2022 in relation to the Manager's elections for the Base Fee to be paid to the Manager in the form of cash as to 20% and in the form of Units as to 80% (2023: same), and Variable Fee to be paid to the Manager in the form of cash entirely (2023: same), arising from any real estate of Spring REIT for the six months ended 30 June 2024 and 2023 in accordance with the Trust Deed.

### 13 EARNINGS/(LOSS) PER UNIT

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Profit/(loss) for the period, before transactions with Unitholders attributable to Unitholders	42,275	(92,917)
Weighted average number of units for the period for calculating basic earnings per unit	1,444,154,859	1,488,702,672
Adjustment for dilutive units issuable in respect of the Manager's fee	<u>5,217,891</u>	—
Weighted average number of units for the period for calculating diluted earnings per unit	1,449,372,750	1,488,702,672
Basic earnings/(loss) per unit based upon profit/(loss) before transactions with Unitholders attributable to Unitholders	<u><b>RMB2.9 cents</b></u>	<u>(RMB6.2 cents)</u>
Diluted earnings/(loss) per unit based upon profit/(loss) before transactions with Unitholders attributable to Unitholders	<u><b>RMB2.9 cents</b></u>	<u>(RMB6.2 cents)</u>

The units issuable in respect of the Manager's fee are considered to have an anti-dilutive effect on the basic loss per unit for the period ended 30 June 2023, thus it is not included in the calculation of diluted loss per unit.

### 14 INVESTMENT PROPERTIES

	<b>For the</b>	For the
	<b>period ended</b>	year ended
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
At beginning of the period/year	12,039,343	12,082,952
Additions	8,534	37,636
Exchange differences recognised in other comprehensive income	10,663	50,588
Changes in fair value recognised in consolidated income statement	<u>(76,677)</u>	<u>(131,833)</u>
At end of the period/year	<u><b>11,981,863</b></u>	<u>12,039,343</u>

*Notes:*

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

In Beijing, the investment properties comprises office towers 1 & 2 and approximately 608 car parking spaces located at No. 79 and 81 Jianguo Road, Beijing, the land use rights of the properties have been granted to RCA01 for a 50-year term expiring on 28 October 2053.

In Huizhou, the investment properties comprises seven-storey shopping mall and 700 underground and 50 above-ground car park spaces located at No. 9 First Wencheng Road, Huicheng District, Huizhou, Guangdong Province, the PRC. The land use rights of the properties have been granted to Huizhou Runxin for 40-year term expiring on 1 February 2048.

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 2024 and 31 December 2023, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties..

As at 30 June 2024 and 31 December 2023, the investment properties were pledged to secure the Group's bank borrowings (note 20).

### **Valuation process**

The Group's investment properties were valued by an independent qualified valuer not connected to the Group who holds a recognised relevant professional qualification and has recent experiences in the locations and segments of the investment properties valued.

The Manager reviewed the valuation performed by the independent valuer for financial reporting purpose. Discussions of valuation processes and results are held between the Manager and the independent valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 30 June 2024 and 31 December 2023, the fair values of the investment properties have been determined by 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 properties

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

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

### (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 having regard to the current passing rental income from the existing tenancies and potential future reversionary income at the market level. In this valuation method, the total rental income comprises the term income and the reversionary income. Both the term income and the reversionary income are capitalised using the same capitalisation rate either on perpetual basis (for freehold properties) or on the basis of the properties’ remaining land tenure (for leasehold properties).

## Fair value hierarchy

	Fair value measurements using		
	Level 1	Level 2	Level 3
	RMB’000	RMB’000	RMB’000
Recurring fair value measurements			
As at 30 June 2024	—	—	11,981,863
As at 31 December 2023	—	—	12,039,343

There were no transfers between levels 1, 2 and 3 during the period/year (31 December 2023: nil).

## Key unobservable inputs used to determine fair values

### (i) *Beijing CCP 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 2024 valuation, a capitalisation rate of 4.5% (31 December 2023: 5.0%) is used in the income capitalisation approach.

#### (b) Base rent

Base rent is the standard rent payable under the lease exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The average gross monthly office unit base rent of RMB374 (31 December 2023: RMB399) per square meter exclusive of VAT is used in the valuation.

### (ii) *Huizhou Huamao Place*

#### (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 2024 valuation, a capitalisation rate of 6.0% (31 December 2023: 6.0%) is used in the income capitalisation approach.

#### (b) Base rent

Base rent is the standard rent payable under the lease exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The gross monthly base rent for the retail unit is RMB181 (31 December 2023: RMB179) per square meter.

(iii) *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 2024 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties ranged from 4.30% to 9.05% (31 December 2023: 4.35% to 9.05%).

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of taxes, other relevant charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The gross annual unit base rents of 84 investment properties ranged from GBP4.50 to GBP27.96 (31 December 2023: GBP4.50 to GBP27.96) per square foot.

## 15 LEASES

This note provides information for leases where the Group is a lessee that is not occupied by the Group.

	<b>For the period ended 30 June 2024 (Unaudited) RMB'000</b>	For the year ended 31 December 2023 (Audited) RMB'000
<b>Right-of-use assets</b>		
At beginning of the period/year	<b>15,468</b>	14,460
Exchange differences recognised in other comprehensive income	<b>259</b>	1,195
Changes in fair value recognised in consolidated income statement	<b>(30)</b>	(187)
At end of the period/year	<b><u>15,697</u></b>	<u>15,468</u>
	<b>As at 30 June 2024 (Unaudited) RMB'000</b>	As at 31 December 2023 (Audited) RMB'000
<b>Lease liabilities, expected to be settled:</b>		
Within 1 year	<b>299</b>	344
After 1 year	<b>10,933</b>	10,819
	<b><u>11,232</u></b>	<u>11,163</u>

## Fair value hierarchy

The following table presents right-of-use assets that related to investment properties are measured at fair values.

	Fair value measurements using		
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>
Recurring fair value measurements			
<b>As at 30 June 2024</b>	<u>—</u>	<u>—</u>	<u>15,697</u>
As at 31 December 2023	<u>—</u>	<u>—</u>	<u>15,468</u>

There were no transfers between levels 1, 2 and 3 during the period/year (31 December 2023: nil).

## 16 DERIVATIVE FINANCIAL INSTRUMENTS

	As at <b>30 June</b> <b>2024</b> <b>(Unaudited)</b> <b><i>RMB'000</i></b>	As at 31 December 2023 (Audited) <i>RMB'000</i>
<b>Asset</b>		
Derivative financial instruments	<u>102,463</u>	<u>93,186</u>
<b>Liabilities</b>		
Derivative financial instruments	<u>2,294</u>	<u>41,376</u>

As at 30 June 2024, the Group has entered into interest rate swaps and cross currency swaps as part of its financial risk management but did not account for these as accounting hedges under IFRS 9. Plain vanilla interest rate swap was used to hedge the floating interest payments of the debt instruments. Cross-currency swap was used to hedge both floating interest payment and foreign exchange risk of the debt instruments.

The Group entered into interest rate swaps to swap the floating interest to fixed interest. The interest rate swaps in relation to the GBP-denominated borrowings will be matured on 27 January 2025 and the interest rate swaps in relation to the HK\$-denominated borrowings will be matured on 23 September 2025. The total notional amount of the interest rate swaps is approximately RMB2,589 million (31 December 2023: approximately total of RMB2,566 million).

The Group entered into cross-currency swaps swapping HK\$-denominated borrowings to RMB. The cross-currency swaps will be matured on 23 September 2025. The total notional amount of cross-currency swaps is approximately RMB3,213million (31 December 2023: approximately total of RMB1,767 million).

The Group recorded net fair value gain on derivative financial instruments for the six months ended 30 June 2024 amounting to RMB26,773,000 (30 June 2023: loss of RMB9,803,000) (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.

The carrying amounts of interest rate swaps are expected to be recovered/settled after twelve months.



## 17 TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Rent receivables ( <i>note vi</i> )	8,617	10,223
Deferred rent receivables ( <i>note iv</i> )	37,907	35,080
Prepayments	9,566	9,026
Other receivables	6,007	8,960
Indemnified tax recoverable ( <i>note v</i> )	13,879	24,814
	<u>75,976</u>	<u>88,103</u>

### Notes:

- (i) Trade and other receivables are mainly 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.

Fixed monthly rentals are payable in advance by tenants in accordance with the leases while the turnover rent and daily gross receipts from tenants and car parks are received from the car park operators in arrears.

- (ii) The Group's exposure from outstanding rent receivables and deferred rent receivables in the PRC is generally fully covered by the rental deposits from the corresponding tenants (note 19).
- (iii) As at 30 June 2024 and 31 December 2023, the Group's rent receivables and all future rent receivables in the PRC were pledged to secure the Group's interest-bearing borrowings (note 20).
- (iv) Deferred rent receivables represent the accumulated difference between effective rental revenue and actual rental receipts.
- (v) Balance represents the tax indemnity from seller in relation to the acquisition of Huizhou properties for any tax liabilities of the project company before the acquisition and the balance was unsecured, interest free, repayable on demand and denominated in RMB.

(vi) The ageing of rent receivables, presented based on the due date, is as follows:

	As at 30 June 2024 (Unaudited) <i>RMB'000</i>	As at 31 December 2023 (Audited) <i>RMB'000</i>
0 – 30 days	3,009	4,207
31 – 90 days	2,752	1,967
Over 90 days	2,856	4,049
	<u>8,617</u>	<u>10,223</u>

(vii) The carrying amounts of trade and other receivables are expected to be recovered within the next twelve months.

## 18 RESTRICTED BANK BALANCES, TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 30 June 2024 (Unaudited) <i>RMB'000</i>	As at 31 December 2023 (Audited) <i>RMB'000</i>
Restricted bank balances	308,684	326,532
Time deposits	88,224	—
Cash and cash equivalents	231,844	222,893
	<u>628,752</u>	<u>549,425</u>

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

	As at 30 June 2024 (Unaudited) <i>RMB'000</i>	As at 31 December 2023 (Audited) <i>RMB'000</i>
US\$	3,695	19,290
RMB	332,020	352,093
HK\$	275,906	166,241
GBP	17,131	11,801
	<u>628,752</u>	<u>549,425</u>

Restricted bank balances are related to bank accounts restricted under the bank borrowing facility agreements of the Group's bank borrowings (note 20).

The carrying amounts of cash and cash equivalents, time deposit and restricted bank balances are expected to be recovered as below:

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
<b>Cash and cash equivalents</b>		
Within 1 year	<u>231,844</u>	<u>222,893</u>
<b>Time deposits</b>		
Within 1 year	<u>88,224</u>	<u>—</u>
<b>Restricted bank balances</b>		
After 1 year	<u>308,684</u>	<u>326,532</u>

## 19 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
<b>Rental deposits (note i)</b>	<u>204,224</u>	<u>211,544</u>
<b>Trade and other payables:</b>		
Rental receipts in advance	60,772	59,677
Provision for other taxes (note ii)	9,356	15,003
Accrued expenses and other payables	<u>103,269</u>	<u>140,442</u>
	<u>173,397</u>	<u>215,122</u>

Notes:

- (i) The carrying amount is expected to be settled based on the terms of agreement as below:

	<b>As at 30 June 2024 (Unaudited) RMB'000</b>	As at 31 December 2023 (Audited) RMB'000
Within 1 year	<b>59,690</b>	71,815
After 1 year	<b>144,534</b>	139,729
	<b><u>204,224</u></b>	<u>211,544</u>

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

The carrying amounts of trade and other payables approximate their fair values, mainly denominated in RMB and GBP and are expected to be settled within twelve months.

## 20 INTEREST-BEARING BORROWINGS

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

	<b>As at 30 June 2024 (Unaudited) RMB'000</b>	As at 31 December 2023 (Audited) RMB'000
<b>Bank borrowings</b>		
Within 1 year	<b>503,969</b>	67,765
After 1 year	<b>4,690,656</b>	4,986,725
	<b><u>5,194,625</u></b>	<u>5,054,490</u>

Bank borrowings are denominated in the following currencies:

	As at 30 June 2024 (Unaudited) <i>RMB'000</i>	As at 31 December 2023 (Audited) <i>RMB'000</i>
HK\$ (note i)	4,056,489	3,890,949
RMB (note ii)	700,921	735,309
GBP (note iii)	437,215	428,232
	<u>5,194,625</u>	<u>5,054,490</u>

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

	As at 30 June 2024 (Unaudited) <i>RMB'000</i>	As at 31 December 2023 (Audited) <i>RMB'000</i>
6 months or less	<u>5,194,625</u>	<u>5,054,490</u>

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

Notes:

- (i) The borrowing bears interest of 1.65% per annum above 1-month HK\$ HIBOR and repayable in full on 23 September 2025;
- (ii) The borrowing bears interest of 60 basis point above the loan prime rate for more than five years as announced by the National Interbank Funding Centre, repayable periodically and will mature in March 2032; and
- (iii) The borrowing is repayable in full on 26 January 2025 and bears interest of 2.20% margin plus Sterling Overnight Index Average plus Credit Adjustment Spread.

As at 30 June 2024 and 31 December 2023, the Group's investment properties (note 14), derivative financial instruments (note 16), rent receivables (note 17) and all future rent receivables (note 23), restricted bank balances (note 18), interests in certain subsidiaries of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's loan borrowings. In addition, the Trustee (in its capacity as trustee of Spring REIT) has provided guarantee for all the loan facilities.

## 21 DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method.

Deferred tax liabilities are expected to be settled after one year.

The movements in deferred tax liabilities during the period/year are as follows:

	<b>Investment properties revaluation RMB'000</b>	<b>Acceleration depreciation allowance RMB'000</b>	<b>Total RMB'000</b>
<b>At 30 June 2024</b>			
At beginning of the period	100,250	9,900	110,150
Deferred tax expense recognised in consolidated income statement	2,250	5,257	7,507
At end of the period	<u>102,500</u>	<u>15,157</u>	<u>117,657</u>
	Investment properties revaluation RMB'000	Acceleration depreciation allowance RMB'000	Total RMB'000
<b>At 31 December 2023</b>			
At beginning of the year	95,250	2,063	97,313
Deferred tax expense recognised in consolidated income statement	5,000	7,837	12,837
At end of the year	<u>100,250</u>	<u>9,900</u>	<u>110,150</u>

## 22 UNITS IN ISSUE

	Number of units	
	For the period ended 30 June 2024	For the year ended 31 December 2023
Balance at the beginning of the period/year	1,440,497,110	1,484,931,187
New units issued for Manager's fee	10,807,258	19,510,923
Repurchase of units in issue ( <i>note ii</i> )	<u>(1,087,000)</u>	<u>(63,945,000)</u>
Balance at the end of the period/year ( <i>note i</i> )	<u><u>1,450,217,368</u></u>	<u><u>1,440,497,110</u></u>

### Notes:

- (i) Traded market value of the units as of 30 June 2024 was HK\$2.01 (31 December 2023: HK\$2.28) per unit. Based on 1,450,217,368 (31 December 2023: 1,440,497,110) units, the market capitalisation was HK\$2,915 million (approximately RMB2,660 million) (31 December 2023: HK\$3,284 million (approximately RMB2,976 million)).
- (ii) Pursuant to the general mandate granted to the Manager by the Unitholders, the Manager (on behalf of Spring REIT) bought back a total of 684,000 units at an aggregate consideration of approximately RMB1,442,000 during the period ended 30 June 2024. Together with 403,000 units bought-back but not yet cancelled as at 31 December 2023, a total of 1,087,000 units were cancelled during the period.

## 23 FUTURE MINIMUM RENTAL RECEIVABLES

As at 30 June 2024, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2024 (Unaudited) RMB'000	As at 31 December 2023 (Audited) RMB'000
Within 1 year	586,303	616,502
1 - 2 years	470,957	461,364
2 - 3 years	301,070	286,603
3 - 4 years	183,594	146,101
4 - 5 years	143,325	106,042
After 5 years	<u>177,938</u>	<u>204,626</u>
	<u><u>1,863,187</u></u>	<u><u>1,821,238</u></u>

*Note:* Most of the operating leases are on fixed terms and of terms of ranging from 3 years (31 December 2023: 3 years).

## 24 PRINCIPAL SUBSIDIARIES

Name	Place of establishment and kind of legal entity/place of operations	Principal activities	Particulars of issued share capital	Interest held	
				2024	2023
<b>Directly held:</b>					
RCA01	Cayman Islands, limited liability	Property investment	1,000 of US\$1 each	<b>100%</b>	100%
RUK01 Limited	Jersey, limited liability	Investment holding	1 of GBP1 each	<b>100%</b>	100%
RHZ01 Limited	British Virgin Islands, limited liability	Investment holding	1 of US\$1 each	<b>100%</b>	100%
<b>Indirectly held:</b>					
Huamao Capital Focus 03 Limited	British Virgin Islands, limited liability	Investment holding	1 of US\$1 each	<b>100%</b>	100%
Hawkeye Properties 501 Limited	Jersey, limited liability	Property investment	2 of GBP1 each	<b>100%</b>	100%
Huizhou Runxin Shopping Mall Development Co., Ltd.	PRC, limited liability	Property investment	RMB400,000,000	<b>68%</b>	68%

The above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

## 25 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information was authorised for issue by the Manager on 22 August 2024.