SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

Stock Code : 01426

Managed by
Spring Asset Management Limited

2017 Annual Report

About Spring REIT

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

About the Manager

Spring REIT is managed by Spring Asset Management Limited, a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 31 December 2017, the Manager is 90.2% owned by Mercuria Investment Co., Limited., ("**Mercuria**", formerly known as AD Capital Co., Ltd., renamed on 1 January 2016), which is a private equity investment firm listed on the Tokyo Stock Exchange (Stock Code: 7190) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

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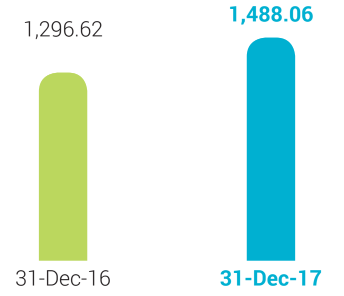
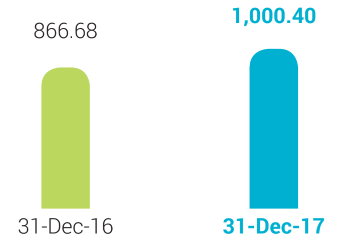
Performance Highlights

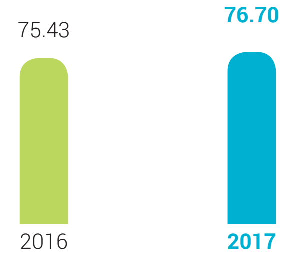
Appraised Property Value
(USD million)



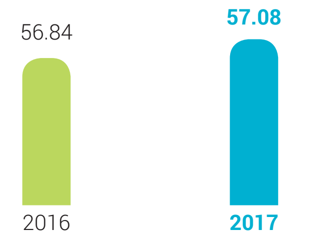
Net Asset Value
(USD million)



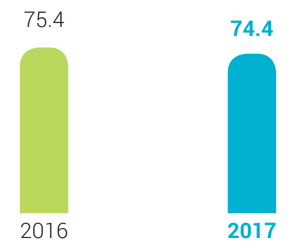
Total Revenue
(USD million)



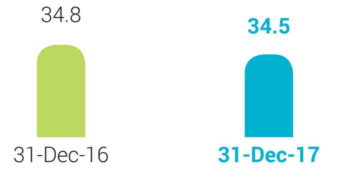
Net Property Income
(USD million)



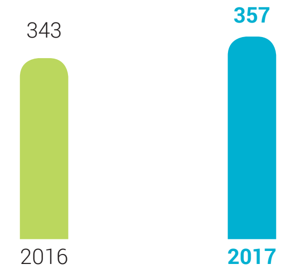
Net Property Income Margin
(%)



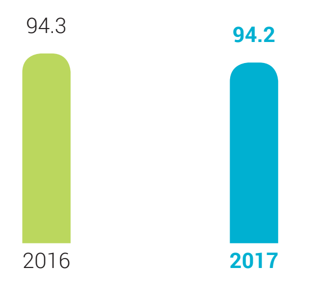
Gearing Ratio
(%)



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



Average Occupancy
(%)



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

Distribution

Below is the distribution summary of Spring REIT (the "**Group**") since its listing on Stock Exchange in 2013 till the year ended 31 December 2017 (the "**Reporting Year" or "FY2017**").

Distributions	Distribution per Unit	Distribution Yield[3]	Annual Distribution Yield[3]
2017 Final Distribution[1]	**HK11.6 cents**	**3.4%**	**6.2%**
2017 Interim Distribution	HK9.5 cents	2.8%	
2016 Final Distribution	HK10.0 cents	3.1%	7.1%
2016 Interim Distribution	HK13.0 cents	3.9%	
2015 Final Distribution	HK12.6 cents	4.2%	8.8%
2015 Interim Distribution	HK14.0 cents	4.1%	
2014 Final Distribution	HK12.5 cents	3.4%	7.2%
2014 Interim Distribution	HK13.9 cents	4.4%	
2013 Final Distribution[2]	HK1.6 cents	0.5%	6.8%
2013 Special Distribution[2]	HK7.0 cents	2.2%	N/A

Notes:

1. Final distribution for the year ended 31 December 2017, the record date of which will be 18 April 2018 (the "**Record Date**"). The payment date is expected to be 27 April 2018.
2 The 2013 Final and Special Distributions covered the operating period from 5 December 2013 to 31 December 2013, and were paid on 30 September 2014.
3. Distribution yield and annualized distribution yield are calculated using the closing price of the Units at the end of each relevant financial period.

Total Distributable Income

Total distributable income ("**TDI**") is the consolidated profit after tax before transactions with the unitholders of Spring REIT (the "**Unitholders**") as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed). For details of the Adjustments, please refer to the section headed "Statement of Distributions" in the financial statements. TDI to Unitholders for the Reporting Year amounted to approximately USD33.97 million (2016: USD35.87 million).

Distribution

The board of directors (the "**Board**") of the Manager, acting for and on behalf of Spring REIT, has resolved to declare a final distribution for the period from 1 July 2017 to 31 December 2017 ("**2017 Final Distribution Period**") of HK11.6 cents per Unit ("**2017 Final Distribution**") to Unitholders whose names appear on the register of Unitholders on 18 April 2018. However, this 2017 Final Distribution may be subject to adjustment in the event of any issuance of new Units between 1 January 2018 and the Record Date. Before any such adjustment and together with the interim distribution of HK9.5 cents per Unit, total distribution for the Reporting Year amounts to a total of HK 21.1 cents per Unit (2016: HK23.0 cents per Unit), representing a payout ratio of 100%.

All distributions will be paid in Hong Kong Dollars ("**HKD**"). The HKD/United States Dollars ("**USD**") exchange rate adopted for the 2017 Final Distribution is 7.8135, which represents the average mid-price of the opening indicative counter exchange rate, as published by the Hong Kong Association of Banks, for the five (5) business days immediately preceding 31 December 2017.

The Manager confirms that the 2017 Final Distribution is composed only of consolidated profit after tax, before transactions with the Unitholders and non-cash adjustments for the 2017 Final Distribution Period.

Based on the closing price of HKD3.40 per Unit as at 29 December 2017, the Reporting Year DPU represents a distribution yield of 6.2%.

Distribution Policy

In accordance with the Trust Deed, the Manager's current policy is to distribute to Unitholders at least 90% of 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.

Closure of Register of Unitholders

The Record Date for the 2017 Final Distribution will be 18 April 2018, Wednesday. The register of Unitholders will be closed for the purpose of determining the identity and holdings of Unitholders from 17 April 2018, Tuesday to 18 April 2018, Wednesday, both days inclusive, during which period no transfer of Units will be registered. The 2017 Final Distribution is expected to be payable on 27 April 2018, Friday to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2017 Final Distribution, all completed transfer forms in respect of transfer of Units (accompanied by the relevant Unit certificates) must be lodged with Spring REIT's unit registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 pm on 16 April 2018, Monday.

Chairman's Statement

Toshihiro Toyoshima
Chairman and Non-executive Director

Chairman's Statement

Dear Unitholders,

On behalf of the Board of the Manager, I am pleased to present the financial results of Spring REIT for FY2017. These pleasing results have been achieved despite a year filled with challenges. They follow from unstinting efforts by the Manager to achieve its stated objective of providing a stable distribution to Unitholders, while at the same time enacting various long-term strategies to ensure sustainable growth and to enhance the value of the portfolio.

Performance Review

Spring REIT's performance for the Reporting Year should be viewed within a generally steady world macroeconomic environment. Global economic growth proved to be more resilient than expected, despite various geo-political tensions around the globe. Central banks have begun to contemplate tighter monetary policies as economic recoveries are at last looking more sustainable for the first time since the start of the decade.

Domestically, China's GDP growth stood at 6.9%, moderating slightly on the back of a gradually cooling property sector and a rise in corporate borrowing costs. In Beijing's central business district ("**CBD**"), which acts as a proxy for national business activity, corporate demand for premium office space has remained resilient. This is the location of Spring REIT's primary investment portfolio, namely the premium-grade China Central Place Office Towers 1 and 2 and the relevant portion of the car park (the "**CCP Property**"). The robust business activity was reflected in continued high occupancy rates at the CCP Property, averaging over 94.2% throughout the Reporting Year, along with positive rental reversions.

The Beijing office market continued to undergo "decentralization" during the year, whereby a number of cost-conscious foreign firms relocated from higher-rent locations in prime areas to smaller premises or lower-rent districts. However, pent-up demand from many domestic companies helped offset this trend, and over the year the demand for premium office space in Beijing such as our CCP Property remained steady. This has been the case despite a high volume of new construction in Beijing, and a steady stream of new properties coming onto the market. The relatively low impact of these new properties on demand for CCP Property reflects two important facts. First, high-quality office buildings in prime locations are now arriving on the market at high rental rates due to the high land costs associated with their development. Second, the proven track record and excellent management capabilities of Spring REIT for the CCP Property are proving to be a continuing drawcard for corporations looking for consistent long-term quality in office premises.

Given this background, the CCP Property has performed satisfactorily in the Reporting Year in all significant fundamentals. However, a set of external factors has had an impact on the bottom line performance, and raised a number of challenges for the Manager to address throughout the year.

As outlined in previous reports, a significant change in the Beijing real estate tax regime was introduced in 2016 that involved tax on leased portions of the CCP Property increasing substantially, from 1.2% of the property residual value to 12% of the annual rental income of the leased portion. This has significantly affected our net property income from the CCP Property for the year.

A second factor has been the decline of the Renminbi ("**RMB**") against the USD, a depreciation that was significant throughout 2016 and the first half of 2017. Latterly, the RMB has begun to recover to an extent, making considerable gains against the USD in the second half of 2017. The earlier fall specifically impacted on Spring REIT because of the fact that, while our functional currency is primarily the RMB, our reporting currency is the USD. Currency fluctuations that are outside our control thus have the potential to influence operating cash flow even when the CCP Property performs strongly.

Before addressing the ways in which Spring REIT has tackled these external issues in 2017, it is worth emphasizing that a review of the full range of metrics we have been using to assess our performance over the past three years shows that at every level these have been improving. In other words, the CCP Property is continuing to deliver a sound performance and is experiencing ongoing organic growth. If the external effects of the Beijing real estate tax and RMB depreciation are set aside, the net property income from the CCP Property for 2017 would surpass that reported for 2016. Our challenge, then, has been to build on these sound fundamentals to best manage the external effects of tax rises and exchange rate changes. I would like to outline some of the strategic steps we have undertaken to achieve these objectives.

The tax situation in Beijing is a permanent change, and so we must of necessity adjust our expectations of the income returns for the CCP Property in the long term. We will continue to work strenuously to optimize the returns from this premium investment property.

Because the CCP Property represents the core of Spring REIT's investment portfolio, the local Beijing tax change impacted our bottom line across the board. During the Reporting Year, we considered ways of reducing this impact by engaging in strategic investment outside our core investment focus of China, and thus diversifying our investment base. The goal was to locate a solid investment opportunity that would enhance our cash flow and provide greater flexibility in terms of managing the tax and exchange rate issues described above.

Such an opportunity materialized when Spring REIT was able to acquire a group of 84 separate investment properties (the "UK Portfolio across the United Kingdom ("UK")) as a single package. These properties are under long-term leases for a remaining period of 15 years, with the lessee being the nationwide vehicle service provider Kwik-Fit. All but one leases expire in 2032. This investment move brings minimal risks, while at the same time guaranteeing stable, regular cash flow over the longer term. The acquisition includes an upward-only mark-to-market rental review mechanism, which applies every five years. Already, returns from this UK investment are contributing to the bottom line and have helped deliver a stronger second half performance, reflected in the final distribution. The UK Portfolio currently makes up approximately 6.7% of the overall REIT portfolio in terms of value, reflecting the fact that the CCP Property in Beijing remains the key focus of Spring REIT.

To help counteract the effect of RMB depreciation and reduce the costs associated with servicing Spring REIT's USD term loan, an equity placement was completed in April 2017. The majority of the proceed from this placement was put towards the partial repayment of the USD term loan. Although the equity placement resulted in a slight dilution, this was a strategic move to mitigate an asset and liability mismatch in currency terms. In addition, the Manager engaged in bank negotiations that saw it improve the terms of its RCA01 Facilities Agreement, negotiating a reduction in the interest margin of 110 basis points. This valuable and timely capital management exercise is resulting in significant interest savings, calculated at approximately USD3.28 million for the Reporting Year.

Finally, another positive outcome from the Manager's perspective is that the results of the EGM held in November confirmed our investors' trust in the Spring REIT Manager and the management policy that is in place. Earlier in the year, one substantial unitholder proposed that the Spring REIT Manager be removed, and that the Spring REIT management function be internalized. It was most gratifying that over 80% of unitholders voted at the EGM to reject this proposal, thus indicating their endorsement to the Manager's strategy and performance. I would like to add here my gratitude to those unitholders who supported the Manager. It has been unfortunate that the challenges raised to the Manager have necessarily diverted energies and financial resources from Spring REIT's primary goals. Ultimately, however, this clarification of the wishes of the majority of unitholders will, I believe, help Spring REIT move forward with full confidence in the legitimacy of its management policy to add value for unitholders.

Outlook

Although the first half of 2017 was a difficult one for Spring REIT, the second half has seen improvements thanks to a series of strategic initiatives carried out by the Manager that suggest the potential for a positive 2018 ahead. The Beijing tax situation has now stabilized and is a fact of the business landscape that applies to other landlords across the board. Meanwhile, our underlying operations have continued to improve, and we are seeing steady organic growth. Our new UK Portfolio has begun immediately to contribute to the bottom line, helping vindicate our decision to diversify during the year. Further, our capital management initiatives during the Reporting Year have placed Spring REIT on a sounder footing in ways that are benefiting all unitholders.

With this sound footing, the Manager is cautiously optimistic about the prospects for the year ahead. The general outlook for China corporate activity is strong and as noted, despite the high volume of construction currently being undertaken in Beijing, demand for premium office space remains high, evidenced by the buoyant occupancy rates in the market.

A total GFA of 42,557 sqm was leased out and renewed in 2017, 46% of which was attributable to renewal while the remainder was new letting, with a respectable average rental reversion of 5.9%. We are striving to achieve positive rental reversion for new lettings and renewals, and in this regard, barring unforeseen circumstances, we expect a steady operating results for the CCP Property in 2018.

Last year, we placed importance in optimizing our capital structure to enhance the financial flexibility of Spring REIT. As mentioned above, in the Reporting Year we have taken steps to do this, specifically by renegotiating our loan arrangements and by expanding a portion of our portfolio into the UK. Going forward, the Manager expects to focus on managing interest rate risk now that major central banks have begun to tighten their reins in respect of interest rates and money supply. In the year ahead, we will continue to look for ways of streamlining our performance, which will also include exploring potential acquisitions opportunities. In such a case, the Manager's priority will remain the acquisition of solid cash flow, with China remaining the focus of Spring REIT's core investment activities.

As we move into 2018, the Manager remains wholly committed to providing unitholders with stable distributions while enhancing the overall portfolio value. This will be achieved through a combination of proactive leasing and property management strategies, an optimised capital structure, and taking advantage of acquisition opportunities as they arise. I look forward to seeing all these strategies in action in the year ahead.

To conclude, I would like to express my gratitude to the sponsor, my fellow directors, management and all our staff for all their hard work throughout a challenging year. I would also once again like to thank our unitholders for showing their support for the Manager at the EGM in November. With that support, I believe Spring REIT is well equipped to enter 2018 with new vigour in its efforts to achieve results that will further reward its loyal unitholders.

Toshihiro Toyoshima
Chairman and Non-executive Director

Spring Asset Management Limited
(as Manager of Spring REIT)
21 March 2018

Management Discussion & Analysis

Overview of Spring REIT's Properties

CCP Property

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

UK Portfolio

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

China

Office Tower 1 & Office Tower 2
China Central Place, Beijing

United Kingdom

84 Commercial Properties

Overview of China Central Place

China Central Place is a prime mixed-use complex in Beijing CBD with well-recognized brand hotels and shopping centers.

OFFICE

Premium Grade offices

- Awarded as Top 20 Office Buildings in China
- Direct underground connection to Beijing Subway

SHOPPING

SKP Beijing and other shopping areas

- SKP Beijing – one of the largest department stores in China by sales

RESIDENTIAL

Residential area

- Residential and serviced apartments with a clubhouse

HOTELS

Five-star luxury hotels

- Ritz-Carlton Hotel Beijing
- JW Marriott Hotel Beijing

CCP Property Operation Review

The Beijing CBD is home to tenants from a wide range of industries, including the finance and insurance, professional services, hi-tech and Internet industries, among others. It holds the largest amount of Grade-A office stock in Beijing, amounting to 1.82 million sqm as at the end of 2017, and accounting for 22.3% of the city's total Grade-A office space of 8.18 million sqm. In terms of leasing activities, the Beijing CBD has remained robust despite a modest decline in rents, with domestic corporations as the key driving force. Pent-up domestic demand, has offset the impact of the space freed up by foreign corporations and new supply in the area, supporting steady occupancy rates. On the back of a resilient market, the performance of the CCP Property remained stable throughout the Reporting Year.

Beijing Office Market Vacancy and Rental Rate in 2017

		Vacancy Rate	YoY change (ppts)	Average Rental Rate (RMB)	YoY change (%)
CBD	Grade A	4.9%	(0.6)	384	(2.6)
	Premium Grade A	5.0%	1.1	425	(0.5)

Source: Jones Lang LaSalle Research, December 2017

CCP Property Operation Performance

For the Six Months Ended	31-Dec-2016 RMB million	Change	30-June-2017 RMB million	Change	31-Dec-2017 RMB million
Revenues					
- Rental income	233.70	1.8%	237.81	3.0%	244.99
- Car park income	1.68	2.4%	1.72	0.6%	1.73
- Other income (note ii)	8.11	(34.8%)	5.29	47.8%	7.82
	243.49	0.5%	244.82	4.0%	254.54
Property Operating Expenses					
- Property management fee	(5.54)	(2.7%)	(5.39)	2.8%	(5.54)
- Property tax (note iii)	(29.72)	(2.7%)	(28.92)	2.8%	(29.72)
- Other taxes (note iv)	(3.72)	(6.5%)	(3.48)	(0.6%)	(3.46)
- Withholding tax (note v)	(24.23)	(0.1%)	(24.20)	3.1%	(24.94)
- Leasing Commission	(1.90)	(42.6%)	(1.09)	275.2%	(4.09)
- Others	(0.43)	(4.7%)	(0.41)	–	(0.41)
	(65.54)	(3.1%)	(63.49)	7.4%	(68.16)
Net Property Income	177.95	1.9%	181.33	2.8%	186.38

Notes:

i. While the consolidated financial statements were prepared in USD, the performance of the CCP Property has been presented in RMB, the functional currency of the CCP Property.

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

iii. Property taxes represent real estate tax and land use tax.

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

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

The CCP Property's financial performance was encouraging throughout the Reporting Year registering half on half ("**HoH**") growth in RMB terms for both the first half ("**1H**") and the second half ("**2H**") of the Reporting Year. In 1H, a modest 1.8% rebound in rental income was registered due to the resilience of the CCP Property. The recovery followed through into the 2H with a further increase of 3.0% supported by robust demand from domestic tenants. Meanwhile, net property income exhibited a similar trend (1H: 1.9% HoH, 2H: 2.8% HoH) as cost components remained consistent.

For the Year Ended 31 December	2016 RMB million	2017 RMB million	Change %
Revenues			
– Rental income	477.90	**482.80**	1.0%
– Car park income	3.77	**3.45**	(8.5%)
– Other income (note ii)	19.24	**13.10**	(31.9%)
	500.91	**499.35**	(0.3%)
Property Operating Expenses			
– Property management fee	(10.75)	**(10.93)**	1.7%
– Property tax (note iii)	(42.14)	**(58.64)**	39.2%
– Business Tax (note iv)	(9.21)	**–**	N/A
– Other taxes (note v)	(6.40)	**(6.94)**	(8.4%)
– Withholding tax (note vi)	(50.21)	**(49.14)**	(2.1%)
– Leasing Commission	(4.13)	**(5.18)**	25.4%
– Others	(0.86)	**(0.82)**	(4.7%)
	(123.70)	**(131.65)**	6.4%
Net Property Income	377.21	**367.70**	(2.5%)

i. While the consolidated financial statements were prepared in USD, the performance of the CCP Property has been presented in RMB, the functional currency of the CCP Property.

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

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

iv. Business tax formerly applicable to the Group was replaced by the VAT, with effect from 1 May 2016, for details please refer to the announcements published by Spring REIT on 3 May 2016 and 25 July 2016.

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

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

For the full year, CCP Property reported a 0.3% decrease in revenue year on year ("**YoY**"). Nonetheless, rental income has sustained a healthy growth with an increase of 1.0% YoY.

Property operating expenses are mainly comprised of tax expenses, namely withholding tax and other taxes, and property tax. Tax expenses in aggregate accounted for 87.1% of the total property operating expense. The property management fee, payable at 2.0% of total revenue, accounted for 8.3% of the total property operating expenses.

A 6.4% YoY increase in property operating expenses was recorded during the Reporting Year. This was primarily due to the 39.2% YoY increase in property tax, which is being partially offset by the phasing out of business tax in China.

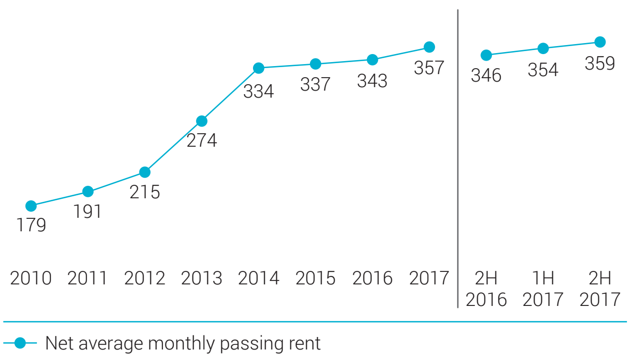
Assuming the calculation of the real estate tax is under the same basis as 2016, net property income would have shown an increase of approximately 1.6% YoY instead of a 2.5% decline as shown in the table above.

Rental Income

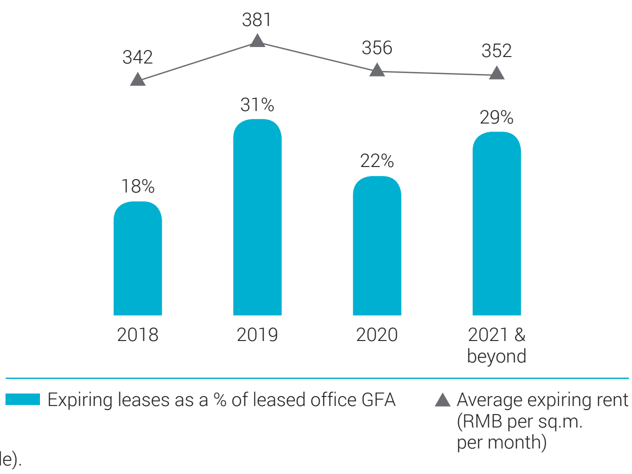
Operations at the CCP Property continued to be encouraging, comparing favourably with wider Beijing trends. The property registered an average occupancy of 94.2% in 2017 (2016: 94.3%) and a total area of 42,557 sqm was leased out and renewed during the Reporting Year, 54% of which was attributable to new lettings with the remainder being renewals. Average passing rent (net of Value - Added Tax ("**VAT**")) stood at RMB 357 per sqm, up 4.1% YoY on the back of a respectable average rental reversion of 5.9% (FY2016: 7.5%).

For the Six Months Ended	31-Dec-2016	Change	30-June-2017	Change	31-Dec-2017
Net Average Monthly Passing Rent (RMB/sqm)	346	+2.3%	**354**	**+1.4%**	**359**
Average Occupancy	93%	+1 ppts	**94%**	**+1 ppts**	**95%**

Passing Rent
(RMB per sq.m. per month)



Expiry Profile by GFA
(RMB per sq.m. per month)



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

As at 31 December 2017, the weighted average lease expiry in terms of GFA was 814 days for the CCP Property. Leases expiring on or before the year ending 31 December 2018 and 31 December 2019 accounted for 17.8% and 30.8% of the total leased GFA respectively, and the net average unit rents for the expiring leases were RMB342 per sqm and RMB381 per sqm respectively.

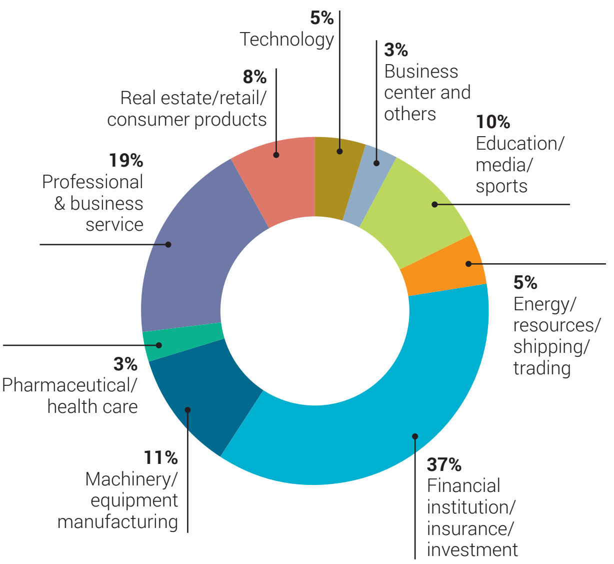
Tenancy base

Spring REIT's Property had a total of 189 tenancies as at 31 December 2017. The top five tenants accounted for 21.8% of total revenue for the Reporting Year, and occupied 23.7% of total GFA as at 31 December 2017. Details of the top five tenants in terms of GFA are set out in the table below.

Tenants	% of total leased GFA
Epson	5.8%
Delsk	4.8%
Condé Nast	4.7%
Zhong De Securities	4.2%
Deutsche Bank	4.2%
Total	23.7%

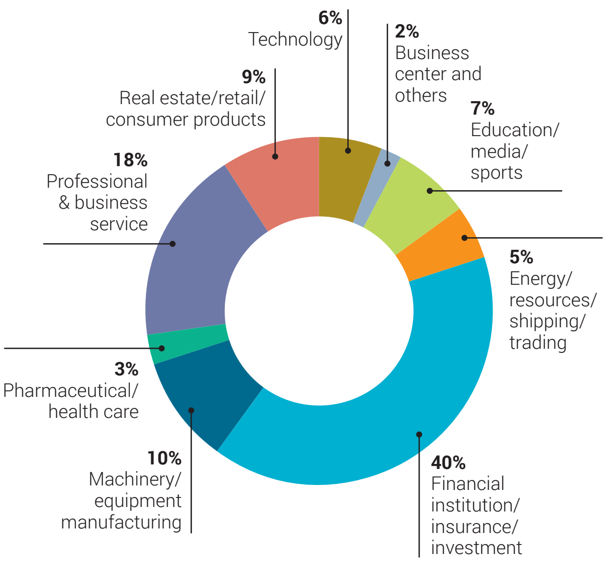
Tenants by Industry

As % of leased office GFA
(As of 31 December 2017)



Tenants by Industry

As % of monthly revenue
(As of 31 December 2017)



Top 5 Real Estate Agents and Contractors for the Reporting Year

Real estate agents and contractors	Nature of services	Value of contract/ commission paid RMB	Relevant percentage
Beijing Hua-re Real Estate Consultancy Co. Ltd.[1]	Property Management	10,931,995	67.8%
Jones Lang LaSalle (Beijing) Property Management Service Co., Ltd.	Leasing	1,427,958	8.9%
Beijing Lifeng Lianhang Real Estate Brokerage Co., Ltd.	Leasing	774,324	4.8%
Beijing Haozu Technology Development Co., Ltd.	Leasing	575,178	3.6%
Beijing Bo-re Huan Qiu Real Estate Brokerage Co., Ltd.	Leasing	411,014	2.6%
TOTAL		14,120,469	87.7%

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

UK Portfolio Operation Review

	For the period from acquisition date (14 July 2017) to 31 December 2017 British Pound Sterling ("**GBP**")
Income	
– Rental income	2,058,626
Expenditure	
– Head rents on leasehold properties	(53,135)
– Property management fees	(32,400)
	(85,535)
Net Property Income	1,973,091

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

Financial Results Highlight

(in USD' million unless otherwise specified)

For the Year Ended 31 December	2016	2017	Change
Revenue	75.43	**76.70**	1.7%
Property operating expenses	(18.59)	**(19.62)**	5.5%
Net property income	56.84	**57.08**	0.4%
Net property income margin	75.4%	**74.4%**	–1.0 ppts
Profit after taxation	91.29	**55.16**	(39.6%)
Total distributable income	35.87	**33.97**	(5.3%)

As at 31 December	2016	2017	Change
Property valuation	1,296.62	**1,488.06**	14.8%
Total assets	1,381.16	**1,586.60**	14.9%
Total borrowings	480.50	**547.48**	13.9%
Net asset value	866.68	**1,000.40**	15.4%
Gearing ratio	34.8%	**34.5%**	–0.3 ppts

Units Information	2016	2017	Change
DPU (HK cents)	23.0	**21.1**	(8.3%)
Payout ratio	93%	**100%**	+7.0 ppts
Net asset value per Unit (HK$)	5.95	**6.22**	4.5%
Number of Units outstanding	1,130,562,940	**1,257,705,732**	11.2%

Financial Performance

Spring REIT's revenue for the Reporting Year was USD76.70 million, 1.7% higher than that in 2016. The improvement was the result of our new UK Portfolio contributing to the top line along with stable rental growth from the CCP Property, which helped to counteract the nominal accounting effects of the 2016 B2V reform and the weaker RMB/USD monthly average exchange rate adopted throughout 2017. After taking into account property operating expenses, net property income amounted to USD57.08 million, representing a 0.4% increase YoY and a property income margin of 74.4% (2016: 75.4%).

Professional fees and administrative expenses escalated to USD11.76 million, with costs of approximately USD0.52 million incurred in relation to the extraordinary general meeting held on 10 November 2017. Meanwhile, a total finance income on interest-bearing borrowings of USD9.87 million (2016: a cost of USD 51.90 million) is registered as a result of a foreign exchange gain of USD29.46 million (2016: a loss of USD32.16 million) recognized when translating USD bank borrowings to RMB. Cash interest expenses amounted to USD17.11 million, compared to USD16.54 million in 2016, as USD LIBOR rate has been rising and additional debt was taken on to fund the acquisition of the UK Portfolio. Further, a translation gain of USD2.96 million was recorded as the monthly average exchange rate adopted in 2017 understated the actual RMB/USD exchange rate at which currency was converted. A USD8.08 million loss was registered from the reversal of the mark-to-market gain and cash settlement of two currency forward contracts which expired in the first half of the Reporting Year.

Taking into account the increase in fair value of the CCP Property and UK Portfolio of USD4.81 million (2016: USD100.48 million), profit after taxation for the Reporting Year was USD55.16 million (2016: USD91.29 million).

Spring REIT's total distributable income for the Reporting Year was USD33.97 million, representing a decrease of 5.3% YoY. Among other adjustments, the reported amount excludes the foreign exchange gain and the increase in fair value of the CCP Property and UK Portfolio, both of which are non-cash in nature.

Financial Position

During the year Spring REIT's principal valuer, Knight Frank Petty Limited ("**Knight Frank**" or the "**Principal Valuer**") carried out a valuation of the Spring REIT portfolio. The CCP Property was appraised at RMB9,030.00 million (equivalent to USD1,387.78 million) as at 31 December 2017, representing an appreciation of RMB25.00 million or approximately 0.3% in RMB terms (7.0% in USD terms) over the valuation as at 31 December 2016. The valuation of the CCP Property was arrived at using the income capitalization approach and cross-checked by the direct comparison approach. The increase in valuation was attributable to an increase in market rent and a stable capitalization rate of 5.8%. (30 June 2017: 5.8%; 31 December 2016: 5.8%).

The UK Portfolio was appraised at GBP74.15 million (equivalent to USD100.28 million) as at 31 December 2017, representing an appreciation of GBP0.58 million or approximately 0.8% in GBP terms (10.0% in USD terms) over the valuation as at 17 March 2017. The valuation of the UK Portfolio was arrived at using the income capitalization approach. The increase in valuation was attributable mainly to a small decrease of capitalization rates, which range from 4.45% to 9.45%, due to the improved market sentiment in the UK, and more certainty on the Brexit settlement, sparking overseas investors' interest in stable income generating UK properties.

As at 31 December 2017, Spring REIT had in place aggregate secured loan facilities of approximately USD568.85 million, comprising:

1. A fully drawn term loan facility of USD450.00 million (following a partial prepayment in May 2017) and an uncommitted facility of USD20.00 million that remained undrawn (the "**CCP Facilities**") expiring in April 2020;

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

2. A facility of GBP37.00 million (equivalent to approximately USD50.04 million) ("**UK Facility 1**") extended by Australia and New Zeland Bank ("**ANZ Bank**") put in place for the completion of the acquisition of the UK Portfolio on 14 July 2017. UK Facility 1 was expired on 31 January 2018; and

3. A loan of approximately GBP36.09 million (equivalent to approximately USD48.81 million) ("**UK Facility 2**"), extended by the Banco Santander to the property holding company which Spring REIT acquired and assumed during the acquisition of the UK Portfolio. UK Facility 2 will expire in August 2020.

On 21 April 2017, Spring REIT issued 114,884,000 new units at the price of HK$3.25 per Unit with gross proceeds amounting to approximately HK$373.37 million (equivalent to approximately USD48.00 million). The Manager applied the gross proceeds towards: (i) partial early repayment of amounts drawn down under the CCP Facilities; and (ii) the general working capital requirements of Spring REIT.

As at 31 December 2017, the gearing ratio, i.e. total borrowings to gross asset value, was 34.5%, compared with 34.8% at 31 December 2016.

Spring REIT's investment properties, rent receivables, restricted bank balances, ordinary shares of RCA01, all future trade receivables and certain assets of Hawkeye Properties 501 were pledged to secure the loan facilities where applicable. In addition, RCA01, RUK01 and Hawkeye Properties 501's restricted bank balances were charged to, or otherwise subject to the control of the security agent to the CCP Facilities or the lending banks of UK Facility 1 and UK Facility 2. Throughout the Reporting Year, Spring REIT, RCA01and RUK01 have in all material respects complied with the terms and provisions of the finance and security documents.

The unrestricted cash of Spring REIT (together with its special purpose vehicles, the "**Group**") amounted to USD21.31 million as at 31 December 2017, compared with USD28.83 million as at 31 December 2016. The Group also had total undrawn bank loan facilities of USD20.00 million. With these financial resources, Spring REIT has sufficient liquid assets to satisfy its working capital and operating requirements. The cash is generally placed as short-term deposits, mostly denominated in USD. The Group's liquidity and financing requirements are reviewed regularly.

As at 31 December 2017, the gross asset value of the Group was USD1,586.60 million representing an increase of 14.9% YoY as compared with USD1,381.16 million recorded on 31 December 2016. This was due to the addition of the UK Portfolio, higher valuation of the CCP Property and the stronger RMB/USD year end exchange rate.

Subsequent to 31 December 2017, before the end of January 2018, both UK Facility 1 and UK Facility 2 together with their accrued interests, prepayment penalties, fee and expenses of refinancing were fully repaid using GBP50.00 million (equivalent to approximately USD67.62 million) drawn down from a new facility granted to Spring REIT on 26 January 2018 (the "**New Facility**") by Sumitomo Mitsui Banking Corporation ("**SMBC**"), as well as USD18.00 million drawn down from the USD20.00 million uncommitted line of the CCP Facilities, and internal cash resources.

The New Facility was granted to Spring REIT pursuant to a bilateral facility agreement entered into between Spring REIT, through its wholly-owned special purpose vehicles Hawkeye Properties 501 and SMBC (the "**New Facility Agreement**") on 26 January 2018, for the aggregate amount of GBP50.00 million. The New Facility is a term loan which bears an interest rate of three-month GBP LIBOR plus 2.20% per annum and has a term of four years. It was subsequently drawn down on 29 January 2018 and 31 January 2018, and applied in full to the repayment of the UK Facility 1 and partial repayment of UK Facility 2.

From the USD20.00 million uncommitted line of the CCP Facilities, USD18.00 million was also drawn down on 31 January 2018 and applied to the partial repayment of UK Facility 2. Similar to the term loan in the CPP Facility, the uncommitted facility bears an interest rate of three-month USD LIBOR plus 1.65% per annum and will expire in February 2020. UK Facility 2 has subsequently been repaid in full.

Net Assets Attributable to Unitholders

As at 31 December 2017, net assets attributable to Unitholders stood at USD1,000.40 million.

The net asset value per Unit as at 31 December 2017 was HKD6.22 (30 June 2017: HKD5.87; 31 December 2016: HKD5.95). This represented a 82.9% premium to the closing price of the Units of HKD3.40 as at 29 December 2017, the last trading day in the Reporting Year.

New Units Issued

As at 31 December 2017, the total number of issued Units was 1,257,705,732. A total of 127,142,792 new Units were issued during the Reporting Year.

Date	Particulars	No. of Units
31 December 2016	Opening balance of total number of Units in issue.	1,130,562,940
27 March 2017	Issue of new Units to the Manager at the price of HKD3.299 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's fees for the 3-month period ended 31 December 2016.	+ 2,615,069
21 April 2017	Issue of new Units to China Orient Stable Value Fund Limited at the price of HKD3.25 per Unit	+ 114,884,000
28 April 2017	Issue of new Units to the Manager at the price of HKD3.257 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 31 March 2017.	+ 3,253,154
4 August 2017	Issue of new Units to the Manager at the price of HKD3.466 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 30 June 2017.	+ 3,104,388
2 November 2017	Issue of new Units to the Manager at the price of HKD3.409 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 30 September 2017.	+ 3,286,181
31 December 2017	Closing balance of total number of Units in issue.	1,257,705,732

Capital Commitments

As at 31 December 2017, the Group had no significant capital commitment.

Employees

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

Environmental, Social and Governance Report

In accordance with Appendix 27 of the Listing Rules, the Manager presents this Environmental, Social and Governance Report (the "**ESG Report**") for the Reporting Year.

This report covers Spring REIT's sustainability initiatives, policies and performance in managing the CCP Property[1].

The CCP property is managed by Beijing Hua-re Real Estate Consultancy Co., Ltd (the "**Property Manager**"). The Property Manager has engaged Beijing CCP & Savills Property Services Management Co., Ltd (the "**Building Manager**") to provide general building services.

Stakeholder Engagement and Materiality Assessment

As part of the ESG reporting process, the Manager, Property Manager, and Building Manager have identified relevant environmental, social and governance ("**ESG**") issues and assessed their materiality to Spring REIT as well as to its stakeholders. Those ESG issues considered material are listed below, and the respective disclosures have been made in this ESG report.

ESG Aspects	Material ESG Issues
A. Environmental	
A1 Emissions	• Waste Management • Carbon Emissions
A2 Use of Resources	• Use of Energy and Water
A3 The Environment and Natural Resources	• Indoor Air Quality • Construction and Renovation
B. Social	
B1 Employment	• Labor Practices
B2 Health and Safety	• Workplace Health and Safety
B3 Development and Training	• Employee Development and Training
B4 Labor Standards	• Child and Forced Labor
B5 Supply Chain Management	• Supplier Practices
B6 Product Responsibility	• Customer Services and Quality Assurance, Responsible Investment and Information Security
B7 Anti-corruption	• Anti-corruption
B8 Community Investment	• Community Programs

1 During the Reporting Year, Spring REIT acquired the UK Portfolio considering that the acquisition was completed in the latter part of the year on 14 July, and the fact that it is occupied and managed by a single tenant, the contribution from the UK Portfolio is not considered material and is therefore not included in the scope of this year's ESG report.

A. Environmental

A1 Emissions

Waste Management

The CCP Property has enacted a Reduce, Reuse and Recycle scheme in the waste management process as part of the Manager's commitment to environmental conservation and protection. Also, the Manager ensures that CCP Property is in compliance with all relevant national environmental laws and regulations, aligned with the latest regulatory changes.

The estimated amount of waste collected from the tenants of the CCP Property during the Reporting Year is set out as follows:

Types of Waste[1]	2017
Non-hazardous Waste (tons) *(includes domestic and household waste)*	2,592
Recyclable Waste (tons) *(includes plastic, paper, glass, and other recyclables)*	4,147
General Construction Waste (tons) *(includes the waste generated from interior renovation and building enhancement work)*	7,200

The following environmental protection measures have been implemented at the CCP Property:

- Recycling bins are placed in common areas to facilitate collection and categorization of recyclable waste
- Employment of qualified and licensed personnel to transport collected waste to processing plants
- Utilization of sewage filtering facilities
- Procurement of a Sewage Discharge Permit from responsible government authorities

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with environmental laws and regulations.

Carbon Emissions

The major source of carbon emissions from the CCP Property arises from the consumption of energy. Carbon emissions during the Reporting Year are set out as follows:

	2017	2016
Carbon Dioxide Equivalent Emissions (tons) [2]	8,320	11,907
Emission intensity (tons / m^2)	0.057	0.082

The reduction of CCP Property's carbon footprint as compared to 2016 is a testament to the effectiveness of various energy-saving measures that the Manager has established. Please refer to section "A2 Use of Resources" below for more details.

1 Considering the nature of the principal business, no significant air emissions nor hazardous wastes have been generated from operations during the Reporting Year.

2 Carbon emission was calculated with reference to the emission factors documented in the Greenhouse Gas Protocol, published by World Resources Institute (WRI) and World Business Council on Sustainable Development (WBCSD); 中國區域電網基准線排放因子 published by Department of Climate Change, National Development and Reform Commission of the People's Republic of China (中國國家發展和改革委員會應對氣候變化司); and the Environmental, Social and Governance Reporting Guide, published by Hong Kong Exchanges and Clearing Limited. Scope 1 and scope 2 carbon emissions were reported.

A2 Use of Resources

The Manager continually seeks to enhance operational efficiency and optimize the use of resources in CCP Property operations. The Manager works together with the Building Manager to reduce electricity and water consumption through various measures including communication campaigns and investments in resources conservation equipment. The Building Manager monitors water and energy consumption on a regular basis, and if any abnormal pattern is identified, investigations and remedial action are undertaken in a timely manner.

Use of Energy

Energy consumption at the CCP Building mainly arises from lighting, air-conditioning, lifts and escalators in common areas. The energy consumption at the CCP Property during the Reporting Year is set out as follows:

	2017	2016
Purchased Electricity (kWh)[1]	10,950,124	11,794,276
Electricity Intensity (kWh / m^2)	75.32	81.13

The following measures are in place to optimize energy efficiency:

- The Techcon-EEC Energy-saving Expert Control System (the "Techcon-EEC System") was deployed to offer advanced solutions in energy management, energy efficiency control, and consumption diagnostics for the operation of the central air conditioning system. It manages all air conditioning hardware and software, and analyzes the consumption patterns in order to provide practical solutions for optimizing energy efficiency. The system is estimated to reduce air conditioning electricity consumption by 15%.
- The replacement of the traditional lighting equipment with LED lights has been ongoing since 2015 with a view to improve energy efficiency of the lighting fixtures. LED lights are currently installed in lift lobbies, washrooms, passageways, the underground car park, and outdoor floodlights. The replacement work is estimated to achieve an annual energy saving of 550,000 kWh while maintaining the original light intensity.
- An advanced lift management system was installed to increase operating efficiency and conserve energy.

Use of Water

The amount of water consumed by tenants and for administrative purposes during the Reporting Year was as follows:

	2017	2016
Purchased Water (tons)	192,552	167,968
Water Intensity (tons / m^2)	1.32	1.16

The increase in water consumption was due to the implementation of the Techcon-EEC System in July and August described above as water inside chillers were required to be emptied and refilled regularly during the implementation.

Various water-saving measures have been established at the CCP Property, including:

- Use of sensor taps in public washrooms
- Use of reclaimed water for landscape irrigation
- Routine assessment of water leakage
- Signage in public areas encouraging water conservation

[1] Excluding tenants' consumptions in leased units which were not directly controlled by the Property Manager and Building Manager.

A3 The Environment and Natural Resources

In addition to the aforementioned environmental concerns, other material issues identified and addressed during the Reporting Year are as follows:

Indoor Air Quality

The Manager understands Beijing's air quality has long been a cause of concern for tenants and visitors at the CCP Property. To provide them with a comfortable and healthy environment, air purification systems have been installed incorporating electrostatic filters and activated charcoal layers. This has resulted in a significant reduction in the PM2.5 level, enabling the air quality at the CCP Property to achieve the Grade 1 national standard of 75μg/m^3.

In addition, an advanced parking system has been installed to provide drivers with useful information such as the shortest route to reach an empty parking space, which could reduce carbon emissions generated by vehicles.

Renovation

The Renovation Management Office ("**RMO**"), set up by the Building Manager, is responsible to control the noise, odor and waste generated from renovation activities in both tenant premises and common area at the CCP Property. Written guidelines have been published and enforced.

The guidelines include the following requirements:

- Materials used should meet our environmental standards, i.e., be non-hazardous, odorless and harmless
- Renovations should only be performed during non-office hours and public holidays
- Flammable materials should not be stored in the office area
- Renovation waste should be packed properly and disposed in designated areas
- Inspection should be carried out by RMO to assess the impact on public safety

B. Social

B1 Employment

As an investment trust, Spring REIT does not have any employees. Nevertheless, in relation to employment practices, the Manager has established a set of comprehensive policies for its own staff which covers the following areas:

- Provision of competitive remuneration and welfare packages to attract and retain talent
- Adherence to standardized procedures of recruitment, dismissal and promotion to ensure fairness
- Regular performance review mechanism to provide feedback to employees and offer career advancement opportunities
- Provision of adequate rest hours for employees

The Manager is also committed to promoting equal opportunity. Development, training and prospects are offered to staff regardless of race, sex, disability, pregnancy, etc.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with employment laws and regulations.

B2 Health and Safety

In order to maintain a healthy and safe workplace, the Property Manager and Building Manager are required to identify and prevent any safety hazards at the CCP Property. In performing building maintenance work, only qualified personnel with relevant certificates and licenses should be assigned to handle machinery and equipment, and appropriate protective equipment should be provided.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with health and safety laws and regulations.

B3 Development and Training

The Manager is dedicated to provide employees with continual development opportunities for their professional and personal endeavors. The Property Manager and the Building Manager are encouraged to organize safety and technical training sessions to operational staff working at the CCP Property to better equip them with appropriate knowledge and skills. Contractors are also required to offer sufficient training to their workers as deemed appropriate, ensuring compliance with the relevant laws and regulations.

B4 Labor Standards

Child labor and forced labor are strictly prohibited in our operations and supply chain. Employment should be offered solely based on the principles of fairness, openness and willingness. The Property Manager and the Building Manager are requested to implement appropriate detective and preventive measures to minimize related risks. These measures include signing employment contracts that stipulate the terms and conditions of employment to protect the interests of both parties.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with labor standard laws and regulations.

B5 Supply Chain Management

Spring REIT encourages our suppliers to adopt its values on environmental and social responsibility by integrating ESG best practices into their operations and maintaining fair labor standards.

The Building Manager, certified with the ISO14000 Environmental Management accreditation, has in place an environmental management system and has also demonstrated the capability to manage potential environmental issues in the future.

B6 Product Responsibility

Customer Services and Quality Assurance

The Property Manager has engaged an experienced property management agent as the Building Manager which has attained certifications including ISO9001, Quality Management System and the First Grade Qualification of Realty Management Enterprise (一級資質物業管理企業) awarded by Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部). A Tenant's Handbook (用戶手冊) has been distributed to provide tenants with a comprehensive guideline of the services offered by the Building Manager and a Customer Service Department has been set up inside the CCP Property, to provide dedicated support to tenants in a timely manner.

To better assess the performance of the Building Manager, tenant satisfaction surveys are conducted on a semi-annual basis to gather the feedback of tenants regarding the quality of our customer service. In the survey conducted in August 2017, the average tenant satisfaction rate exceeded 95%, with a response rate of 90%.

Responsible Investment

In order to create long-term sustainable value, ESG considerations are incorporated into every investment decision at Spring REIT, and subsequently processes and controls have been implemented to assess the ESG impact of each investment decision.

Information Security

The Property Manager has put in place a system to ensure an adequate level of information security. The system complies with all relevant local regulations, and there are procedures to ensure that the confidentiality of information such as specific data of its tenants are well protected. All sensitive information is restricted to designated employees on a "need-to-know" basis through the use of physical and system safeguards. Withholding periods of confidential information are clearly set out in accordance with the relevant laws or contracts.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with product responsibility laws and regulations.

B7 Anti-corruption

In order to eliminate all forms of bribery and corruption, all members of the Manager are strictly prohibited from soliciting, accepting or offering any bribe when conducting business affairs. They must decline advantages and/or benefits that affect their objectivity, or likely lead to any perception or allegation of impropriety. The Chief Compliance Officer is to continuously provide guidance and support on anti-corruption related matters. Potential conflicts of interest encountered by the management must also be immediately reported to the Chief Compliance Officer.

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with anti-corruption laws and regulations.

B8 Community Investment

During the Reporting Year, donations were made to the Hong Kong Polytechnic University and the Lions Club of Victoria Hong Kong in support of student development programs and elderly visitation events respectively.

Tenants of the CCP Property are encouraged to participate in various community events arranged by the Building Manager and other organizations, including but not limited to the below, during the Reporting Year:

- Environmental Exchange Program – The program was designed to enhance tenants' awareness about waste management including reduction and recycling. Tenants were invited to bring recyclable items to the collection booth in exchange for environmental souvenirs.
- No Smoking Campaign – Participants were encouraged to create anti-smoking slogans and share them on social media platforms. Participants were also invited to test their vital signs in order that they may more clearly understand the adverse health effects of smoking.

Board of Directors and Senior Management

Board of Directors and Senior Management

Directors

Toshihiro Toyoshima

Chairman and Non-executive Director

Mr. Toshihiro Toyoshima, aged 55, was appointed as the Chairman of the Board and a non-executive Director of the Manager on 29 January 2013. Mr. Toyoshima has been the chief executive officer of Mercuria since October 2008, and has been sitting on its board from its establishment in October 2005. Prior to joining Mercuria, he worked in Development Bank of Japan from April 1985 to October 2008. Between July 2001 and September 2004, Mr. Toyoshima also worked at the World Bank as a senior private sector specialist, in charge of the private sector policies in four African countries.

Mr. Toyoshima graduated from the University of Tokyo with a Bachelor's degree in Law in 1985 and from the Massachusetts Institute of Technology with Master's degrees in Real Estate Development and City Planning in 1992.

Hideya Ishino

Non-executive Director

Mr. Ishino, aged 54, was appointed as a non-executive Director of the Manager on 10 April 2013. He has been working for Mercuria since June 2008 and has served as the chief operating officer of Mercuria since March 2010. Before joining Mercuria, Mr. Ishino co-founded Sports Vanguard Co., Ltd., a company which provides sports-related internet community services and trading platform, in March 2004. Mr. Ishino had also previously worked in Salomon Brothers (Tokyo) from April 1986 to March 2000.

Mr. Ishino graduated from the University of Tokyo with a Bachelor's degree in Liberal Arts in 1986.

Nobumasa Saeki
Executive Director

Mr. Saeki, aged 48, was appointed as an Executive Director of the Manager on 10 April 2013 and is one of the Responsible Officers of the Manager. Mr. Saeki is principally responsible for supervising property management for Spring REIT, including: (i) formulating leasing strategy and authorizing all the lease terms to maximize the rental income of the Property; (ii) setting budgets and monitoring of maintenance activities related to the Property; (iii) overseeing day-to-day cash operations of the Property, together with local team members and the Property Manager; and (iv) procuring valuations of the Property and reviewing and analyzing appraisal reports. He was a senior vice president of Mercuria from September 2008 until January 2012 at which time he became a managing director of Mercuria. Prior to that, he was the group head of overseas investment group of Re-Plus Inc., a company listed on the Tokyo Stock Exchange, from July 2007 to September 2008. He was also a vice president of The Tokyo Star Bank, Limited from August 2004 to July 2007, an assistant vice president of GMAC Commercial Mortgage Japan K.K. from July 2002 to August 2004 and an associate director of UBS Warburg Securities Japan Ltd. from March 2000 to July 2002.

Mr. Saeki obtained a Bachelor's degree in Economics from the University of Tokyo in 1993.

Leung Kwok Hoe, Kevin
Executive Director

Mr. Leung, aged 47, was appointed as a managing Director of the Manager in January 2017 and is one of the Responsible Officers of the Manager. Mr. Leung has over 23 years of experience in finance and treasury, investment and fund management fields.

Before joining the Manager, he was the General Manager, Investment and Investor Relations, and a responsible officer of Henderson Sunlight Asset Management Limited that manages Sunlight REIT (HKEX code: 0435). Prior to that, he acted as the Investment Manager and a responsible officer of The Link Management Limited (now known as Link Asset Management Limited), the manager of The Link Real Estate Investment Trust (HKEX code: 0823, now known as Link Real Estate Investment Trust).

Mr. Leung holds a Master of Applied Science in Biopharmaceutical from The University of New South Wales in Australia, a Bachelor of Economics degree and a Bachelor of Laws degree, both from The University of Sydney in Australia. He is a Chartered Financial Analyst.

Simon Murray

Independent Non-executive Director

Mr. Murray, aged 78, was appointed an Independent Non-executive Director of the Manager on 20 November 2013. He was the founder and chairman of GEMS (General Enterprise Management Services Limited), a private equity group, in 1998 and has changed his role from non-executive chairman to chairman from May 2017. He is also an independent non-executive director of: (i) Orient Overseas (International) Limited (Stock Code: 316) since July 1992; (ii) Wing Tai Properties Limited (Stock Code: 369) since March 1994; (iii) IRC Limited (Stock Code: 1029) since March 2016; a non-executive director of (iv) Greenheart Group Limited (Stock Code: 94) since August 2010; (v) China LNG Group Limited (Stock Code: 0931) since April 2015 (after having been re-designated from the role of independent non-executive Director which was appointed in October 2014).

Mr. Murray was an executive director of Hutchison Whampoa Ltd for 10 years. He was also the executive chairman, Asia Pacific of the Deutsche Bank Group between 1994 and 1998. Previously he acted as the vice chairman & Independent Non-executive Director of Essar Energy plc (a company listed on the London Stock Exchange) from 2010 to 2014; the non-executive chairman of Glencore International plc (a company dually listed on the London Stock Exchange and the Hong Kong Stock Exchange (Stock Code: 805) from 2011 to 2013; the chairman & Independent Non-executive Director of Gulf Keystone Petroleum Ltd. (a company listed on London Stock Exchange) between 2013 and 2015; the non-executive director of Vodafone Group Plc between 2007 and 2010; the independent director of Sino-Forest Corporation (a company listed on the Toronto Stock Exchange) between 1999 and 2013; the non-executive director of CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited) (Stock Code: 1113) between 2015 and 2017, and the non-executive director of Compagnie Financiére Richemont SA (a company listed on Swiss Exchange) from Oct 2003 to Sep 2017.

Mr. Murray holds an honorary degree of Doctor of Laws from Bath University.

Qiu Liping

Independent Non-executive Director

Mr. Qiu, aged 53, was appointed as an Independent Non-executive Director of the Manager on 20 November 2013. Mr. Qiu is a co-founder of Milestone Capital, a China-focused private equity investment company. Since February 2002, he has been the general partner of Milestone China Opportunities Fund I and Fund II, L.P., both being partnerships that invest primarily in high-growth Chinese companies. Mr. Qiu has been a director of Qinhuangdao Boostsolar Photovoltaic Equipment Co., Ltd. (which has been quoted on the National Equities Exchange and Quotations since 18 August 2014).Mr. Qiu ceased to act as a director of Trina Solar Ltd. on 13 March 2017, a company listed on New York Stock Exchange (NYSE: TSL) and Trina Solar Ltd. was delisted from NYSE on 14 March 2017.

Mr. Qiu received his Bachelor's degree and Master's degree in Engineering from the National University of Defense Technology of China.

Lam Yiu Kin

Independent Non-executive Director

Mr. Lam, aged 63, was appointed as an independent non-executive Director of the Manager on 12 January 2015. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants in England & Wales (ICAEW), Chartered Accountants Australia and New Zealand (CA ANZ), and the Hong Kong Institute of Certified Public Accountants (HKICPA) and an honorary fellow of The Hong Kong Polytechnic University. Mr. Lam has extensive experience in accounting, auditing and business consulting.

Mr. Lam currently serves as an Independent non-executive Director of (i) Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (Stock Code: 1349) since October 2013; (ii) Vital Mobile Holdings Limited (Stock Code: 6133) since September 2014; (iii) Global Digital Creations Holdings Limited (Stock Code: 8271) since July 2015; (iv) Shougang Concord Century Holdings Limited (Stock Code: 0103) since August 2015; (v) COSCO Shipping Ports Ltd. (formerly known as COSCO Pacific Limited) (Stock Code: 1199) since August 2015; (vi) Nine Dragons Paper (Holdings) Limited (Stock Code: 2689) since March 2016; (vii) WWPKG Holdings Company Limited (Stock Code: 8069) since January 2017; (viii) CITIC Telecom International Holdings Limited (Stock Code: 1883) since June 2017, and (ix) Bestway Global Holding Inc. (Stock Code: 3358) since October 2017. Mr. Lam ceased to act as a director of Mason Financial Holdings Limited, a company listed on the Stock Exchange (Stock Code: 273) with effect from 24 May 2017.

Mr. Lam was previously a member of the Listing Committee and the Financial Reporting Advisory Panel of the Stock Exchange of Hong Kong Limited from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, and a partner of PricewaterhouseCoopers Hong Kong from 1993 to 2013.

He is presently a member of the Finance Committee of the Hong Kong Management Association. Mr. Lam graduated from The Hong Kong Polytechnic University with a higher diploma in 1975.

Chung Wai Fai
Director

Mr. Chung, aged 36, is a Director, one of the Responsible Officers and Head of Investment and Investor Relations of the Manager. He is responsible for identifying and evaluating potential acquisitions or investments and for investor relations activities. Mr. Chung has over 14 years of experience in asset management and investment research in the Asia ex-Japan region. Prior to joining the Manager, Mr. Chung was a senior fund manager and responsible officer of Imperial Capital Limited, where he was involved in launching an absolute-return Asia ex-Japan equity fund and assumed responsibilities in product development and strategy formulation. Previously, Mr. Chung was a fund manager of iVenture Investment Management Limited and was actively involved in investment idea generation, equity research, macroeconomic analysis, and day-to-day portfolio management of its absolute-return Asia ex-Japan equity fund. Mr. Chung started his career at PricewaterhouseCoopers, performing statutory audit works for companies in Hong Kong and mainland China.

Mr. Chung obtained a Bachelor's degree in Business Administration (Finance) from Hong Kong University of Science and Technology in 2003.

Alice Yu
Chief Compliance Officer

Ms. Yu, aged 53, was appointed the Chief Compliance Officer of the Manager in April 2013 and is acting as a Responsible Officer since November 2017. Prior to joining the Manager, Ms. Yu acted as a responsible officer in various assignments including: Ohra Capital Partners Limited from 2010 to 2013; FB Investment Management Limited from 2007 to 2009; Qi Yuan Asset Management (H.K.) Limited from 2002 to 2007. She was the investment manager of Hang Seng Investment Management Limited from 1997 to 1999. From 1994 to 1997, she was a portfolio manager of Daiwa International Capital Management (HK) Limited.

Ms. Yu obtained a Bachelor's degree in Arts from the University of Hong Kong in November 1987. She finished the ICA International Diploma in Compliance with merit in 2012 and has been a Fellow Member of International Compliance Association (FICA) since 2018. She undertook a corporate governance compliance training program and was awarded a certificate in directorship from the Hong Kong Baptist University in 2007.

Other positions held by each of the above Directors and senior staff in the Manager are set out in the Corporate Governance Report under the section "Organizational and Reporting Structure of the Manager".

Corporate Governance

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

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

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

Authorization Structure

Spring REIT is a collective investment scheme constituted as a unit trust and authorized by the Securities and Futures Commission (the "**SFC**") under section 104 of the SFO and regulated by the SFC pursuant to the applicable provisions of the SFO, the REIT Code and the Listing Rules. The Manager has been authorized by the SFC under section 116 of the SFO to conduct the regulated activities of asset management. As at the date of this report, Mr. Leung Kwok Hoe, Kevin (Executive Director of the Manager), Mr. Nobumasa Saeki (Executive Director of the Manager), Mr. Chung Wai Fai (Director of the Manager) and Ms. Alice Yu (Chief Compliance Officer of the Manager) are the responsible officers of the Manager (the "**RO**") pursuant to the requirements under section 125 of the SFO and Paragraph 5.4 of the REIT Code. The ROs have completed the Continuous Professional Training as required by the SFO for the Reporting Year. Mr. Leung Kwok Hoe, Kevin, Executive Director of the Manager, was approved by the SFC as an approved person of the Manager pursuant to sections 104(2) and 105(2) of the SFO.

During the Reporting Year, Mr. Lau Jin Tin, Don retired from being Executive Director of the Manager and ceased to be an RO and an approved person of the Manager with effect from 31 May 2017.

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

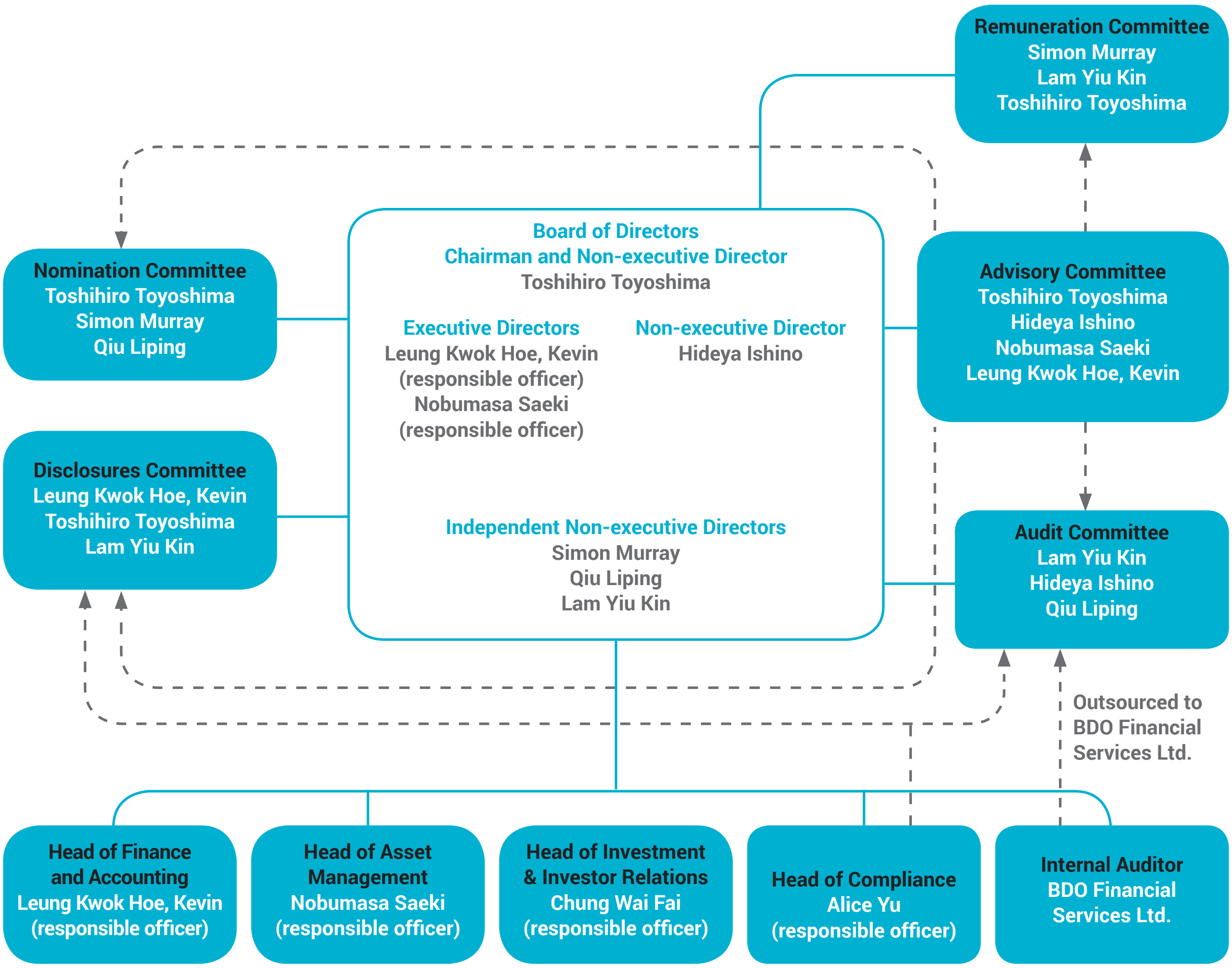
Roles of the Trustee and the Manager

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

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

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

Organizational and Reporting Structure of the Manager



Dotted lines represent ad hoc reporting on a case by case basis.

The Board and delegations

The Board principally oversees the day-to-day management and corporate governance of the Manager. The Board and management functions are largely separated; subject to certain matters specially reserved to the Board itself, the day-to-day management duties are delegated to the management team of the Manager. Meanwhile, various Board committees have been established with clear terms of reference, each of which is to assist the Board in supervising specific issues or functions of the Manager.

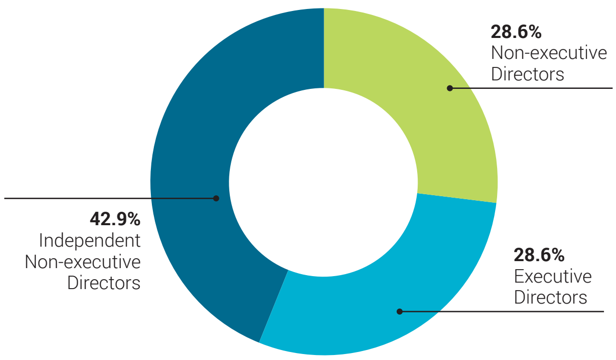
The Board

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

Non-executive Directors
Toshihiro Toyoshima *(Chairman)*
Hideya Ishino

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

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



(As at 31 Dec 2017)

Biographical details of the Directors are set out in the section headed "The Board" above and published on Spring REIT's website at www.springreit.com.

Board Responsibilities

The Board is responsible for ensuring that the Manager discharges its duties under the Trust Deed, which include but are not limited to:

(i) managing Spring REIT in accordance with the Trust Deed in the sole interest of the Unitholders;

(ii) ensuring sufficient oversight of the daily operations and financial conditions of Spring REIT when managing Spring REIT;

(iii) ensuring compliance with the licensing and authorization conditions of the Manager and Spring REIT and with any applicable laws, rules, codes and/or guidelines issued by government departments, regulatory bodies, exchanges or any other organizations regarding the activities of Spring REIT or its administration; and

(iv) reviewing and monitoring the training and continuous professional development of Directors, executive officers and senior management.

During the Reporting Year, the Board has considered and reviewed, among other things:

(i) the 2016 final results and 2017 interim results of Spring REIT, as well as 2016 final distribution and 2017 interim distribution of Spring REIT.

(ii) the subscription to and issue of the 114,884,000 subscription Units, which completion took place on 21 April 2017.

(iii) the acquisition (the "**Acquisition**") of 84 separate commercial properties in the United Kingdom, pursuant to the terms of the share purchase agreement (the "**Share Purchase Agreement**") dated 17 March 2017, and which completion took place on 14 July 2017.

(iv) the succession arrangement relating to an Executive Director of the Manager.

(v) the issue regarding allegation from a Unitholder and other related matters in order to safeguard the interests of Spring REIT.

(vi) the partial repayment of facility and shareholder loan.

The Board's function is largely separated from, and independent of, the executive management function. The Board leads and guides the Manager's corporate strategy and direction. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, the Board delegates certain management and supervisory functions to relevant committees of the Board. For more details, please see the section headed "Key Reserved Matters to the Board" below.

Board Composition

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of seven Directors and a maximum of nine Directors. Pursuant to the corporate governance policy set out in Schedule 5 of the Compliance Manual, Independent Non-executive Directors must be individuals who fulfil the independence criteria set out in the Compliance Manual that are no less exacting than those set out in Rule 3.13 of the Listing Rules for assessing the independence of an independent non-executive director. During the Reporting Year, the Manager has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the "Criteria for Independence of Independent Non-executive Directors" as set out in the Compliance Manual.

The composition of the Board is determined mainly in accordance with the following principles:

(i) the Chairman of the Board should be a Non-executive Director;

(ii) the Board should have a balance of skill and experience appropriate for the requirements of Spring REIT's business and should ensure that changes to its composition can be managed without undue disruption;

(iii) the Board should have a balance composition of Executive Directors, Non-executive Directors and Independent Non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement;

(iv) the Board should include Non-executive Directors of sufficient caliber and number for their views to carry weight; and

(v) at least one-third, and a minimum of three members, of the Board should be Independent Non-executive Directors and at least one Independent Non-executive Director must have appropriate professional qualifications or accounting or related financial management expertise.

The Board composition is being reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience and that the Directors being appointed have the relevant expertise and experience in discharging their duties.

There is no relationship (including financial, business, family or other material/relevant relationships) between Board members, in particular, between the Chairman and the Executive Directors.

Board Meetings

The Board meets on a regular basis and generally no less than four times in each financial year at approximately quarterly intervals. According to the Compliance Manual, Directors are given written notices of Board meetings at least fourteen days in advance of the regular meetings, with suitable arrangements in place to allow Directors to include new items in the agenda. Agenda and accompanying board papers are circulated at least three days before the scheduled date of a Board meeting. Board consents are given by votes at Board meetings and written resolutions are signed by all Directors from time to time. The Board process is further facilitated by telephone conferences in cases where urgent discussions and decisions are required before the next regular Board meeting or where certain Director(s) is/are out of town.

No Board meeting, or any adjourned Board meeting, will be quorate unless a simple majority of Directors for the time being are present at the time when the relevant business is transacted. Pursuant to the articles of association of the Manager, a Director who, whether directly or indirectly, has an interest in a contract or proposed transaction, arrangement or contract with the Manager, which is of significance to the Manager's business, must declare the nature and extent of his interest either at the earliest Board meeting or by giving a general notice to the Directors before the question of entering into the transaction, arrangement or contract is taken into consideration on behalf of the Manager.

According to the Compliance Manual, a Director who is prohibited from voting on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest (unless otherwise allowed by the articles of association of the Manager) or by reason of a conflict of interests is not counted as having voting authority and for the purpose of establishing the necessary quorum for the meeting.

Matters to be considered by the Board are to be adopted on the basis of a simple majority of votes.

During the Reporting Year, four regular meetings of the Board were held and 46 separate written resolutions were passed by all members of the Board. The attendance of individual Directors at such Board meetings during the Reporting Year was as follows:

Members of the Board	Number of meetings attended/ Number of meetings held during term of office within the Reporting year	Attendance rate
Chairman and Non-executive Director		
Mr. Toshihiro Toyoshima	4/4	100%
Executive Directors		
Mr. Leung Kwok Hoe, Kevin (appointed on 10 March 2017)	4/4	100%
Mr. Nobumasa Saeki	4/4	100%
Mr. Lau Jin Tin, Don (retired on 31 May 2017)	2/2	100%
Non-executive Director		
Mr. Hideya Ishino	4/4	100%
Independent Non-executive Directors		
Mr. Simon Murray	4/4	100%
Mr. Qiu Liping	4/4	100%
Mr. Lam Yiu Kin	4/4	100%

In addition to the four regular Board meetings mentioned above, certain conference calls were arranged during the year to discuss matters in relation to the management of Spring REIT. All Board members attended those conference calls.

Director's Training

Each newly appointed Director would receive a package of orientation materials on the business and operations of Spring REIT and the legal framework under which Spring REIT is governed. The package includes but is not limited to the REIT Code, Trust Deed and Compliance Manual and recent publications of Spring REIT. Senior executives of the Manager will also provide the Directors with the necessary information in the form of special reports. Also, additional information will always be provided to the Directors upon request.

To keep the Directors abreast of their responsibilities and infuse them with new knowledge relevant to the Group and Spring REIT's business and operating environment, the Manager arranges and provides continuous professional development training and relevant reading materials to Directors to ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which Spring REIT conduct its business and to refresh their skills and knowledge on the roles, functions and duties of a Director. In addition, the attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts towards continuous professional development training.

Based on the training records provided to the Manager by the Directors, the current Directors have participated in the following training during the Reporting Year:

Members of the Board	Types of Training
Chairman and Non-executive Director	
Mr. Toshihiro Toyoshima	A,B
Executive Directors	
Mr. Leung Kwok Hoe, Kevin	A,B
Mr. Nobumasa Saeki	A,B
Non-executive Director	
Mr. Hideya Ishino	A,B
Independent Non-executive Directors	
Mr. Simon Murray	A,B
Mr. Qiu Liping	A,B
Mr. Lam Yiu Kin	A,B

A: Attending corporate events and/or Board visits and/or executive briefings relevant to Spring REIT's business.

B: Reading or attending briefings and/or seminars and/or conferences relevant to regulatory and governance updates.

Directors' Service Contracts

There is no service contract, which is not terminable by the Manager within one year without payment of compensation (other than statutory compensation) in respect of those Directors who are due to retire and offer for re-election at the forthcoming annual general meeting of the Manager.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed under the "Connected Party Transactions" section on pages 64 to 69 of this report and in Note 23 to the consolidated financial statements of Spring REIT, no transactions, arrangements or contracts of significance in relation to Spring REIT's business and in which a Director or any entity connected with a Director is or was materially interested, whether directly or indirectly, subsisted during or at the end of the Reporting Year or at any time during the Reporting Year.

Key Reserved Matters to the Board

To maintain appropriate checks and balances on management actions, certain matters which have a critical bearing on Spring REIT are specifically reserved for consideration by the full Board. These mainly include:

(i) approval of interim, final and special (if any) distributions, interim and annual reports and financial statements and circulars to Unitholders;

(ii) recommendation to Unitholders on any change of the provisions of the Trust Deed;

(iii) approval of acquisition and/or disposition of properties;

(iv) appointment or removal of the Executive Director and any other Directors as well as the company secretary;

(v) issue of new Units of Spring REIT;

(vi) approval of any matter which would have a material effect on Spring REIT's financial position, liabilities, future strategy or reputation; and

(vii) delegation of powers and authority to various Board committees.

Insurance

During the Reporting Year, appropriate Directors' and officers' liabilities insurance and professional indemnity insurance have been arranged in respect of any legal action against the Directors and officers of the Manager and the provision of professional services by the Manager to Spring REIT.

Chairman and Executive Directors of the Manager

The positions of Chairman (Mr. Toshihiro Toyoshima, who is a Non-executive Director) and Executive Directors (Mr. Leung Kwok Hoe, Kevin (appointed on 10 March 2017), Mr. Nobumasa Saeki and Mr. Lau Jin Tin, Don (retired on 31 May 2017)) are held by separate persons in order to maintain an effective segregation of duties. The Chairman is mainly responsible for the overall leadership of the Board and for ensuring that the Board functions effectively and acts in the best interests of the Unitholders. He leads Board discussions and deliberations and is also responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintains effective communications with Unitholders. Each of the Executive Directors is responsible for the day-to-day operations and management of the Manager and Spring REIT and supervises the Manager's management team to ensure that Spring REIT is operated in accordance with the stated strategy, policies and regulations. Each of the Executive Directors executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of Spring REIT's business via management reports. The respective responsibilities of the Chairman and the Executive Directors are clearly established and set out in the Compliance Manual of the Manager.

Appointment, Re-election and Removal of Directors

The appointment, re-election and removal of Directors (including ROs) is a matter for the Board and the shareholders of the Manager to determine in accordance with the Compliance Manual, the articles of association of the Manager and the applicable laws. As the Manager is licensed by the SFC under Part V of the SFO, the appointment and removal of any of the Executive Directors and the Non-executive Directors (including the Independent Non-executive Directors) and the removal of a RO must be notified to the SFC and the appointment of an RO requires the prior approval of the SFC.

All the Independent Non-executive Directors were appointed on 20 November 2013 (except Mr. Lam Yiu Kin who was appointed on 12 January 2015) for an initial term of three years and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, unless and until terminated by not less than three months' notice in writing served by either party.

According to the articles of association of the Manager, all Directors for the time being shall retire from office at the annual general meeting of the Manager every year, and shall be eligible for re-election.

Pursuant to the Compliance Manual, if any Independent Non-executive Director has served on the Board for nine years, his or her re-election and further appointment should be subject to a separate resolution to be approved by Unitholders of Spring REIT. The papers distributed to the Unitholders in respect of that resolution should include the reasons why the Board believes that he or she is still independent and should be re-elected. Where the Manager believes an Independent Non-executive Director who has served for over nine years should be re-elected, the Manager will seek Unitholders' approval for the further appointment as soon as possible and as a matter of best practice generally no later than the annual general meeting immediately following the ninth anniversary of the Independent Non-executive Director's appointment.

Disclosure on Independent Non-executive Director Remuneration Arrangement

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

Independent Non-executive Director	Remuneration for the Reporting Year(i) (HK$)	Election for Percentage of fee to be paid in the form of Units during the Reporting Year	Units paid as Remuneration during the Reporting Year(ii)
Mr. Simon Murray	360,000	100%	104,000
Mr. Qiu Liping	360,000	100%	104,000
Mr. Lam Yiu Kin	360,000	100%	104,000

Notes:

(i) Each Independent Non-executive Director's remuneration remained unchanged during the Reporting Year. This fee was determined after arm's length negotiation between each Independent Non-executive Director and the Manager, with reference to market conditions, experience and qualifications of each Independent Non-executive Director.

(ii) For each Independent Non-executive Director's current beneficial interests in Units of Spring REIT and the change (if any) in their respective beneficial interests in Units of Spring REIT during the Reporting Year, please see the section headed "Disclosure of Interests" below.

Board Committees

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and then to submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are currently as follows:

Audit Committee

The members of the Audit Committee of the Manager are appointed by the Board from among the Non-executive Directors only. Majority of the members of the Audit Committee shall be Independent Non-executive Directors and at least one Independent Non-executive Director has appropriate professional qualification or accounting or related financial management expertise. As at the date of this report, the Audit Committee is chaired by an Independent Non-executive Director, namely Mr. Lam Yiu Kin. The other members of the Audit Committee are Mr. Hideya Ishino (a Non-executive Director) and Mr. Qiu Liping (an Independent Non-executive Director).

The Audit Committee is responsible for establishing and maintaining an adequate internal control structure, effective financial reporting and risk management systems and ensuring the quality and integrity of financial statements. The Audit Committee is also responsible for the nomination of independent external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee also ensures the existence and working of effective systems of internal control and risk management, in respect of both the Manager and Spring REIT.

The responsibilities of the Audit Committee also include:

(i) reviewing transactions of Units of Spring REIT by the Manager and the Directors on a half-yearly basis;

(ii) reviewing all financial statements and all external audit reports and developing and implementing a policy on the engagement of external auditors to provide non-audit services;

(iii) ensuring the internal audit functions are adequately resourced and guiding the management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified;

(iv) assisting the Board in monitoring the overall risk management profile of the entities and setting guidelines and policies for risk assessment and risk management;

(v) periodically reviewing and monitoring all connected party transactions and related party transactions;

(vi) reviewing the Manager and Spring REIT's compliance with legal and regulatory requirements on a regular basis; and

(vii) reviewing and approving the annual internal audit plan and reviewing the internal audit reports and activities.

During the Reporting Year, four physical meetings of the Audit Committee were held and 2 separate written resolutions were passed by all members of the Audit Committee. The attendance of individual Directors at such Audit Committee meetings is as follows:

Members of the Audit Committee	Number of meetings attended/ Number of meetings held during term of office within the Reporting year	Attendance rate
Mr. Lam Yiu Kin *(Chairman)*	4/4	100%
Mr. Hideya Ishino	4/4	100%
Mr. Qiu Liping	4/4	100%

The following is a summary of the major work performed by the Audit Committee during the Reporting Year:

(i) reviewed the audited financial statements, the final results announcement and annual report of Spring REIT for the year ended 31 December 2016;

(ii) reviewed the unaudited financial statements, the interim results announcement and interim report of Spring REIT for the six months period ended 30 June 2017;

(iii) reviewed the internal control system of Spring REIT, with reference to the internal control report of Spring REIT prepared by the internal auditor, and the effectiveness of Sping REIT's internal audit function;

(iv) considered and recommended to the Board on the re-appointment of external auditor of Spring REIT and approved the terms of engagement;

(v) reviewed the legal and regulatory compliance matters for the year ended 31 December 2016 and for the six months period ended 30 June 2017 which included, among others, the connected party transactions of Spring REIT;

(vi) reviewed the risk update and risk management system; and

(vii) reviewed and approved the 2017 and 2018 annual budget of the Group prepared by the Manager.

Promotional Expenses

Pursuant to the waiver granted by the SFC on 21 November 2013 from strict compliance with the requirements under Paragraph 9.13(b) of the REIT Code, certain expenses relating to marketing, promotion, advertising, roadshows, press conferences, luncheons, presentations, and other public relations-related fees (collectively "**Promotional Expenses**") are allowed to be paid out of the deposited property (as defined in the Trust Deed) of Spring REIT.

During the Reporting Year, the Promotional Expenses incurred amounted to USD0.11 million. Pursuant to the conditions of the above-mentioned waiver and having reviewed the supporting evidences as it may reasonably deem necessary, the Audit Committee has confirmed that such Promotional Expenses were incurred (i) in accordance with the internal control procedures of the Manager; and (ii) the nature of these Promotional Expenses was solely for the purposes as set out in the relevant clauses of the Trust Deed.

Disclosures Committee

The members of the Disclosures Committee of the Manager are appointed by the Board from among the Directors. Mr. Lau Jin Tin, Don resigned as the chairman of the Disclosures Committee on 10 March 2017 and remained as a member on the same date. He retired from his membership of the Disclosures Committee on 31 May 2017. Mr. Leung Kwok Hoe, Kevin was appointed as the chairman of the Disclosures Committee and a member of the Disclosures Committee on 10 March 2017. Currently, the Disclosures Committee consists of three Directors, one of whom should at all times be an Independent Non-executive Director. The functions of the Disclosures Committee include reviewing matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the Manager to ensure the information disclosed is accurate, complete and not misleading. As at the date of this report, the members of the Disclosures Committee are Mr. Leung Kwok Hoe, Kevin (an Executive Director), Mr. Toshihiro Toyoshima (a Non-executive Director) and Mr. Lam Yiu Kin (an Independent Non-executive Director). Mr. Leung Kwok Hoe, Kevin has been appointed as the chairman of the Disclosures Committee.

The Disclosures Committee's responsibilities mainly include:

(i) reviewing and making recommendations to the Board on matters of corporate disclosure issues and announcements regarding (without limitation) financial reporting, connected party transactions, and potential areas of conflict of interests;

(ii) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Spring REIT to the public and applicable regulatory agencies;

(iii) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Spring REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies;

(iv) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies;

(v) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to Unitholders;

(vi) reviewing correspondence containing financial information disseminated to Unitholders; and

(vii) selecting, appointing, directing and terminating, where appropriate, outside experts (such as legal advisors or accountants) as the Disclosures Committee deems necessary in the performance of its duties.

During the Reporting Year, two physical meetings of the Disclosures Committee were held and 31 written resolutions were passed by all members of the Disclosures Committee. The attendance of current individual Directors at such Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Number of meetings attended/ Number of meetings held during term of office within the Reporting year	Attendance rate
Mr. Leung Kwok Hoe, Kevin *(Chairman)* (appointed on 10 March 2017)	2/2	100%
Mr. Toshihiro Toyoshima	2/2	100%
Mr. Lam Yiu Kin	2/2	100%
Mr. Lau Jin Tin, Don (retired on 31 May 2017)	1/1	100%

The following is a summary of the major work performed by the Disclosures Committee during the Reporting Year:

(i) reviewed and recommended to the Board on the disclosure of the announcement of date of Board meeting, final results announcement and 2016 final distribution, annual report for the year ended 31 December 2016, draft announcements relating to the payment of Manager's fees in cash and in Units;

(ii) reviewed and recommended to the Board on the disclosure of the announcement of date of Board meeting, interim results announcement and 2017 interim distribution, interim report for the six months period ended 30 June 2017;

(iii) reviewed and recommended to the Board on the notices convening the annual general meeting and the extraordinary general meetings, the announcements of poll results of extraordinary general meetings and relevant proxy forms to Unitholders;

(iv) reviewed and recommended to the Board on the draft announcements in relation to unaudited operating statistics for the three months periods ended 31 December 2016, 31 March 2017, 30 June 2017 and 30 September 2017;

(v) reviewed and recommended to the Board on the draft announcement in relation to the 2018 election of Manager's fees;

(vi) reviewed and recommended to the Board on the draft announcements and circular to Unitholders in relation to (1) the acquisition of 84 separate commercial properties in the United Kingdom; and (2) the continuing connected party transaction in relation to the lease; and update on the leases;

(vii) reviewed and recommended to the Board on the draft announcement in relation to succession arrangement for an Executive Director of the Manager and change of membership of Board committees of the Manager;

(viii) reviewed and recommended to the Board on the draft announcement in relation to continuing connected party transaction in relation to the PAG Lease, further details of which are set out in on page 65.

(ix) reviewed and recommended to the Board on the draft announcements in relation to issuance of 114,884,000 subscription Units at an issue price of HKD3.25 per subscription Unit and conditional approval for listing, as well as its completion;

(x) reviewed and recommended to the Board on the draft announcement in relation to retirement of an Executive Director, responsible officer and members of Board committees of the Manager;

(xi) reviewed and recommended to the Board on the draft announcements in relation to Unitholder request to convene extraordinary general meeting of Unitholders and update; as well as allegations by BT Cayman Ltd. and Spirit Cayman Ltd., being investment vehicles held by PAG Holdings Limited;

(xii) reviewed and recommended to the Board on the draft announcement and circular to Unitholders in relation to (1) removal of the Manager; (2) internalization of REIT Manager and (3) notice of extraordinary general meeting and closure of register of Unitholders; and

(xiii) reviewed and recommended to the Board on the draft announcement in relation to (1) expiration of existing waiver in respect of certain relevant continuing connected party transactions and (2) subsisting continuing connected party transactions.

Remuneration Committee

The members of the Remuneration Committee of the Manager are appointed by the Board from among the Directors. A majority of the members of the Remuneration Committee shall at all times be Independent Non-executive Directors. The chairman of the Remuneration Committee shall at all times be an Independent Non-executive Director. As at the date of this report, the members of the Remuneration Committee are Mr. Simon Murray, Mr. Lam Yiu Kin (each of whom is an Independent Non-executive Director) and Mr. Toshihiro Toyoshima (a Non-executive Director). Mr. Simon Murray has been appointed as the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for reviewing the terms and conditions of employment of Directors and all senior staff of the Manager (other than the members of Remuneration Committee, whose remuneration is determined by the Board) and recommending an appropriate manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. The Remuneration Committee also ensures that no Director is involved in deciding his own remuneration.

During the Reporting Year, one physical meeting of the Remuneration Committee was held and one separate written resolution was passed by all members of the Remuneration Committee. The attendance of individual Directors at such Remuneration Committee meeting is as follows:

Members of the Remuneration Committee	Number of meetings attended/ Number of meeting held during term of office within the Reporting year	Attendance rate
Mr. Simon Murray *(Chairman)*	1/1	100%
Mr. Toshihiro Toyoshima	1/1	100%
Mr. Lam Yiu Kin	1/1	100%

During the Reporting Year, the Remuneration Committee reviewed the existing terms and conditions of employment of the Directors and senior staff, terms of services contracts of the Executive Directors, remuneration packages of individual Executive Directors and senior staff, remuneration of Non-executive Directors and Independent Non-executive Directors, manpower deployment plan, and remuneration and retirement policies and made recommendations to the Board, where necessary. In addition to the physical meeting mentioned above, a conference call was arranged to discuss the remuneration package of a senior management staff.

Nomination Committee

The members of the Nomination Committee of the Manager are appointed by the Board from among the Directors. A majority of the members of the Nomination Committee shall at all times be Independent Non-executive Directors. The chairman of the Nomination Committee shall at all times be an Independent Non-executive Director or the Chairman of the Board. As at the date of this report, the members of the Nomination Committee are Mr. Toshihiro Toyoshima (a Non-executive Director), Mr. Simon Murray and Mr. Qiu Liping (each of whom is an Independent Non-executive Director). Mr. Toshihiro Toyoshima has been appointed as the chairman of the Nomination Committee.

The Nomination Committee is responsible for reviewing the structure, size and composition (including expertise and experience) of the Board and its committees on an ongoing basis and for nominating persons for appointment and the re-appointment or removal of Directors, and providing recommendations thereon.

During the Reporting Year, one physical meeting of the Nomination Committee was held and one separate written resolution was passed by all members of the Nomination Committee. The attendance of individual Directors of such Nomination Committee meeting is as follows:

Members of the Nomination Committee	Number of meetings attended/ Number of meeting held during the term of office within the Reporting year	Attendance rate
Mr. Toshihiro Toyoshima *(Chairman)*	1/1	100%
Mr. Simon Murray	1/1	100%
Mr. Qiu Liping	1/1	100%

During the Reporting Year, the Nomination Committee reviewed the structure, size and composition of the Board.

On 10 March 2017, Mr, Leung Kwok Hoe, Kevin was appointed as Executive Director of the Manager. In considering the appointment of Director, the Nomination Committee assessed the candidate on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duties and responsibilities effectively, etc., and made recommendation to the Board for approval.

Advisory Committee

The members of the Advisory Committee of the Manager are appointed by the Board from among the Directors. Mr. Leung Kwok Hoe, Kevin was appointed as member of the Advisory Committee on 10 March 2017 and Mr. Lau Jin Tin, Don retired from his membership of the Advisory Committee on 31 May 2017. As at the date of this report, the members of the Advisory Committee are Mr. Leung Kwok Hoe, Kevin, Mr. Nobumasa Saeki (each of whom is an Executive Director), Mr. Toshihiro Toyoshima and Mr. Hideya Ishino (each of whom is a Non-executive Director). Mr. Toshihiro Toyoshima has been appointed as the chairman of the Advisory Committee. The functions of the Advisory Committee include comprehensively reviewing the management services provided by the Manager to Spring REIT, the financial performance of the Manager and Spring REIT, investor relations with respect to Spring REIT and potential acquisition opportunities, as well as supervising the performance of service providers to the Manager and Spring REIT (including the performance of the property manager and the building manager). The Advisory Committee presents information to the Board from time to time between Board meetings as advisable and ensures the smooth co-ordination between the various committees established by the Board. Where appropriate, the Advisory Committee can recommend to the Chairman that a Board meeting shall be convened to discuss any affairs of Spring REIT. Meetings of the Advisory Committee are being held monthly (or more frequently if required) to review management issues of Spring REIT and to make recommendations to the Board. During the Reporting Year, twelve meetings were held by the Advisory Committee.

Company Secretary

The Manager has engaged Fair Wind Secretarial Services Limited, an external secretarial services provider, as the company secretary of the Manager (the "**Company Secretary**"). The primary contact person with the Company Secretary of the Manager is Ms. Alice Yu, the Chief Compliance Officer of the Manager. The Company Secretary comprises a team of qualified company secretarial professionals who provide a full range of company secretarial support to the Manager and its Directors. Senior management of the Manager maintains regular contact with the Company Secretary to ensure the latter has knowledge of the affairs of Spring REIT. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable law, rules and regulations are followed.

Internal Auditor

The internal audit function of the Manager has been outsourced to BDO Financial Services Limited, an independent third party, and has been carried out in accordance with the instructions of the Manager. The internal auditor (the "**Internal Auditor**") has been engaged to perform an independent assessment of Spring REIT and the Manager's internal control systems.

The Internal Auditor reports directly to the Audit Committee on audit matters, and to the Board on administrative matters.

The functions of Internal Auditor include:

(i) reviewing the accuracy and completeness of records of all operations and transactions of Spring REIT and ensuring that the Manager's internal control system functions properly;

(ii) identifying contingency events and escalating them to the appropriate level within the Manager; and

(iii) reviewing and making recommendations to the Board or the Audit Committee (as the case may be) to ensure effective segregation of duties and operation functions of the Manager and effectiveness and accuracy of reporting of any irregularity and infringement of the Manager's operational and compliance procedures.

During the Reporting Year, the Internal Auditor has conducted a risk-based review of the policies and procedures described in the Compliance Manual to ensure they have been operated as expected. Based on the results of the internal audit review for the Reporting Year and the assessment of the Audit Committee thereon, the Board considers that the internal control system is effective and adequate. No significant irregularity or deficiency in internal controls that may affect Unitholder's investment and Spring REIT's assets was identified.

A separate discussion on Risk Management and Internal Control Systems is set out on page 61 of this annual report.

External Auditor

The Group's external auditor is PricewaterhouseCoopers ("**PwC**"). The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report on page 99 of this annual report. PwC has confirmed to the Audit Committee that they are independent with respect to acting as an external auditor to Spring REIT. PwC has been re-appointed for performing the audit for the financial year ending 31 December 2018.

During the Reporting Year, the fees paid/payable to PwC relating to audit and other non-audit services are set out as follows:

Services rendered	Fees paid/ payable USD'000
— Audit services	
PwC	202
— Other non-audit services	
PwC	349

Risk Management

The Board meets quarterly or more often if necessary to review the financial performance of Spring REIT and the Manager against a previously approved budget. The Board also reviews any risks associated with the management and performance of Spring REIT from time to time, and examines liability management and acts upon any advices or comments from external auditor, where appropriate. In assessing any business risk, the Board considers the economic, environment and risks related to the property market. In respect of risk management, mitigating strategies are formulated by the management team to combat with identified risks and are overseen by the Board on an on-going basis. It reviews management reports periodically and conducts feasibility studies on development projects prior to considering and approving any major transactions.

The Manager has put in place procedures to ensure well defined and accessible channels to report on suspected fraud, corruption, dishonest practices and for carrying out independent investigation of any reported case and for appropriate follow-up actions to be taken. The aim of the whistle-blowing policy is to encourage the reporting of such matters in good faith with confidence that persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

During the Reporting Year, the Board has reviewed the key risks identified through the Audit Committee and is generally satisfied with the effectiveness of the Group's risk management system.

A separate discussion on Risk Management and Internal Control Systems is set out on page 61 of this annual report.

Conflicts of Interest and Business Competitions with Mercuria

Mercuria may exercise influence over the affairs of Spring REIT through its control over the Manager and RCA Fund 01, L.P. ("**RCA Fund**"). As at 31 December 2017, issued shares in the Manager were owned by Mercuria as to 90.2% and some of the Non-executive Directors of the Manager were and still are also directors and/or senior executives of Mercuria. Besides, RCA Fund, which is managed by Mercuria pursuant to a management agreement between Mercuria and RCA Fund (acting through its general partner, RCAC), held 27.59% interest in the Units of Spring REIT as at 31 December 2017. Mercuria can therefore exercise influence on RCA Fund and its exercise of rights as a Unitholder in respect of the affairs of Spring REIT (in particular, in relation to matters that are subject to voting by the Unitholders, on which RCA Fund is not required to abstain from voting), including in relation to the approval of significant corporate transactions, such as acquisitions and disposals. In addition, Mercuria has interest in the Units of Spring REIT directly or through various subsidiaries; including, in particular, the Manager which has received and will continue to receive Units of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

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

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

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

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

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

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

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

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

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

Conflicts of Interest and Business Competitions with the Property Manager

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

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

Reporting and Transparency

Spring REIT prepares its financial statements in accordance with International Financial Reporting Standards with financial year ending on 31 December of each year and financial half-year ending on 30 June of each year. In accordance with the REIT Code, the annual reports and semi-annual reports for Spring REIT are published and sent to Unitholders and filed with the SFC no later than four months following each financial year-end and no later than two months following each financial half-year end respectively. In addition, Spring REIT also voluntarily publishes announcements for unaudited operating statistics, such as occupancy levels and passing rents of the Property on a quarterly basis.

As required by the REIT Code, the Manager is required to keep Unitholders informed of any material information and developments with respect to Spring REIT in a timely and transparent manner in order to keep Unitholders appraised of the position of Spring REIT. The Manager furnishes Unitholders with notices of meeting of Unitholders, and circulars in respect of transactions that require Unitholders' approval, and issues announcements relating to Spring REIT, or information that is material in relation to Spring REIT (such as connected party transactions, transactions that exceed a stated percentage threshold, a material change in Spring REIT's financial forecasts, an issue of new Units or a valuation of real estate held by Spring REIT). These documents are also made available to the public on the designated website of Hong Kong Exchanges and Clearing Limited and the website of Spring REIT.

Directors' Responsibility for Financial Statements

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of Spring REIT that give a true and fair view in accordance with International Financial Reporting Standards, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C to the REIT Code.

Issues of Further Units

To minimize the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code, the Trust Deed and any other applicable laws and regulations. Such provisions require that further issues of Units be first offered on a pro rata basis to existing Unitholders, except that Units may be issued or agreed (conditionally or unconditionally) to be issued, (whether directly or pursuant to any Convertible Instruments (as defined in the Trust Deed)) otherwise than on a pro rata basis to all existing Unitholders and without the approval of Unitholders if the aggregate number of new Units issued during any financial year does not increase the total number of Units in issue at the end of the previous financial year by more than 20% subject to conditions as more specifically set out in the Trust Deed.

In circumstances where pre-emption rights apply, only to the extent that the Units offered are not taken up by such holders may they be allotted to or issued to other persons or otherwise than pro rata to their existing holdings.

Any issue, grant or offer of Units or Convertible Instruments to a connected person of Spring REIT will require specific prior approval of Unitholders by way of an ordinary resolution in respect of which the connected person shall be prohibited from voting or being counted in the quorum for the meeting of the Unitholders, unless such issue, grant or offer is made under certain circumstances (where, for the avoidance of doubt, no Unitholders' approval will be required) including:

(i) the connected person of Spring REIT receives a pro rata entitlement to Units and/or Convertible Instruments in his/her/its capacity as a Unitholder; or

(ii) Units are issued to a connected person of Spring REIT under clauses 11.1.1 and 11.1.2 of the Trust Deed in settlement of the Manager's fees; or

(iii) Units are issued to a connected person of Spring REIT pursuant to distribution reinvestment arrangements in accordance with clause 20.9 of the Trust Deed.

Where the issuance of Units would give rise to a conflict of interest on the part of the Manager or its connected persons, the Manager and its connected persons shall abstain from voting in relation to any such issuance of Units.

New Issue of Units

Except for an aggregate of 12,258,792 new Units issued to the Manager as payment of part of the Manager's fees and 114,884,000 new Units issued at the subscription price of HKD3.25 per Unit under the subscription agreement dated 13 April 2017 entered into between the Manager and China Orient Stable Value Fund Limited (further details of which were disclosed in the announcement of Spring REIT dated 13 April 2017), there were no other new Units issued during the Reporting Year. The subscription price per Unit is at par with the closing price of the Units as quoted on the Stock Exchange on the date of the subscription agreement.

As disclosed in the announcement dated 13 April 2017, the net proceeds of the subscription of the above 114,884,000 new Units, which amounted to approximately HKD372.99 million, would be applied towards: (i) partial early repayment of amounts drawn down under Spring REIT's five-year secured term loan of USD480 million; and (ii) the balance as general working capital requirements of Spring REIT.

Compliance with the Dealings Code

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

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

Management Persons who are in possession of, aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any unpublished inside information must refrain from dealing in the Units as soon as they become in possession of, aware of or privy to such information, until proper disclosure of the information in accordance with the REIT Code and any applicable provisions of the Listing Rules has been made. Management Persons who are privy to relevant negotiations or agreements or any inside information should caution those Management Persons who are not so privy that there may be unpublished inside information and that they must not deal in Spring REIT's securities until proper disclosure of information has been made.

Management Persons must not deal in any securities of Spring REIT at any time when they are in possession of unpublished price-sensitive information in relation to those securities, or where clearance to deal is not otherwise conferred upon them in the manner as provided in the Dealings Code. In addition, Management Persons must not deal in the securities of Spring REIT on any day on which Spring REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the annual results; and (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarter or half-year period up to the publication date of the relevant results, unless the circumstances are exceptional. In any event, in the case of dealings by a Management Person, the Management Person must comply with the procedures set out in the Dealings Code.

Under the Trust Deed and by virtue of Part XV of the SFO, Unitholders will be deemed to have a notifiable interest if their holdings of Units reach or exceed the notifiable percentage level (as defined in the SFO for the purposes of Part XV of the SFO), i.e. 5.0% of the Units then in issue, and are required to notify the Stock Exchange and the Manager of their holdings in Spring REIT. The Manager keeps a register for these purposes and records in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register is available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the Manager.

Communications with Unitholders

The Manager considers that mutual and effective communications with Unitholders and the investment community about corporate strategy, business development and prospects is the key priority for Spring REIT. The Manager also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Unitholders and investors to make informed decisions.

The convening of annual general meetings of Unitholders by the Manager is one of the communication channels between the Board and the Unitholders. It provides an opportunity for Unitholders to obtain a better understanding of and, if necessary, to enquire the Board about Spring REIT's operating performance.

During the Reporting Year, an annual general meeting together with an extraordinary general meeting of Spring REIT were held on 25 May 2017, and an extraordinary general meeting was held on 10 November 2017, providing a forum for communications between the Board and the Unitholders. The attendance of individual Directors at the annual general meeting and extraordinary general meetings are as follows:

Members of the Board	Annual General Meeting	Extraordinary General Meeting
Chairman and Non-executive Director		
Mr. Toshihiro Toyoshima	1/1	2/2
Executive Directors		
Mr. Leung Kwok Hoe, Kevin (appointed on 10 March 2017)	1/1	2/2
Mr. Nobumasa Saeki	1/1	2/2
Mr. Lau Jin Tin, Don (retired on 31 May 2017)	1/1	1/1
Non-executive Director		
Mr. Hideya Ishino	1/1	2/2
Independent Non-executive Directors		
Mr. Simon Murray	0/1	1/2
Mr. Qiu Liping	1/1	2/2
Mr. Lam Yiu Kin	1/1	2/2

Investors and Unitholders may at any time direct their enquiries about Spring REIT to the Board by writing to the Manager's office in Hong Kong at Room 2801, 28th Floor, Man Yee Building, 68 Des Voeux Road Central, Hong Kong or by email to ir@springreit.com.

Convening of a Unitholders' Meeting and Putting Forward of Proposals at Unitholders' Meeting

The Trustee or the Manager may at any time convene a meeting of Unitholders. Pursuant to the Trust Deed, not less than two Unitholders registered as together holding not less than 10% of the outstanding Units in issue for the time being are entitled to request the Manager in writing to convene a meeting of Unitholders. In addition, Unitholders may send their enquiries to the Board or may put forward proposals at general meeting, in both cases, to the investor relations team of the Manager by email or to the registered office of the Manager by post. Please refer to "Corporate Information" on page 140 for the contact details.

Notice of Unitholders' Meetings

In accordance with the requirement under the Trust Deed, a notice of at least 21 days or 20 clear business days (whichever is the longer) shall be given to Unitholders for an annual general meeting or for any meeting at which a special resolution is proposed for consideration, and a notice of at least 14 days or 10 clear business days (whichever is the longer) shall be given to Unitholders for all other general meetings of Unitholders. All notices so served to Unitholders are exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given.

Matters to be Decided by Unitholders by way of Special Resolution

A meeting of Unitholders when convened may, by way of a special resolution and in accordance with the Trust Deed, among others, consider and approve the following matters:

(i) change in the Manager's investment policies and objectives of Spring REIT;

(ii) disposal of any of Spring REIT's investment (which is in the nature of real estate or shares in any special purpose vehicle holding interests in real estate) prior to the expiry of two years from the time of Spring REIT's holding of such investment;

(iii) any increase in the rate above the permitted limit or change in structure of the Manager's fees (other than any additional fee as allowed under the Trust Deed);

(iv) any increase in the rate above the permitted limit or change in structure of the Trustee's fees (other than any additional fee as allowed under the Trust Deed);

(v) any modification, variation, alteration or addition to the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed (save for issues that are required to comply with applicable regulatory requirements);

(vi) removal of Spring REIT's external auditor and appointment of new external auditor;

(vii) removal of the Trustee and appointment of a new Trustee;

(viii) termination of Spring REIT; and

(ix) merger of Spring REIT in compliance with applicable provisions of the Code on Takeovers and Mergers.

Quorum

Two or more Unitholders present in person or by proxy registered as holding together not less than 10% of the Units then in issue and outstanding will form a quorum for the transactions of all business, except for the purpose of passing a special resolution. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units then in issue and outstanding.

Voting

For a meeting at which a Unitholder has a material interest in the business to be conducted and such interest is different from those of other Unitholders (as determined by the Manager (where the Unitholder(s) concerned is (are) not connected person(s) of the Manager) or the Trustee (where the Unitholder(s) concerned is (are) connected person(s) of the Manager) in its absolute discretion), where the business to be conducted includes but is not limited to an issue of new Units which will constitute an increase in the holdings of a Unitholder in excess of his/her/its pro rata portion, such Unitholder shall be prohibited from voting with regard to his/her/its Units at such meeting or being counted in the quorum for such meeting.

Poll Vote

At any meeting, a resolution put to the meeting shall be decided on a poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, and the result of the poll shall be deemed to be the resolution of the meeting. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she/it holds in the capacity of a Unitholder, provided that such Units are fully paid up. Votes cast by a Unitholder in contravention of the REIT Code or Listing Rules shall not be counted.

Investor Relations

The Manager is committed to providing an open and effective communication platform to ensure that Unitholders and the investment community at large are informed of the ongoing developments of Spring REIT. The Manager reinforces this platform by utilizing a variety of interactive means to engage and maintain dialogues with investors and analysts. The Manager believes feedback and comments from the investment community are crucial for shaping the future direction of Spring REIT.

To the extent possible under the current regulatory framework, communications with investors are conducted through:

(i) direct communications including physical meetings conducted with the senior executives of the Manager, both locally and overseas;

(ii) guided property tours organized by the Manager and the property management team;

(iii) provision of regular communication materials; and

(iv) announcements and press releases posted on Spring REIT's website, including disclosures made pursuant to regulatory requirements or on a voluntary basis.

Other than annual and interim results announcements, the Manager also voluntarily releases the unaudited operational statistics of Spring REIT on a quarterly basis.

Constitutional Documents

During the Reporting Year, there was no change in the constitutional documents of Spring REIT and the Manager, namely the Trust Deed, Compliance Manual and the Manager's articles of association.

Review of Annual Report

The consolidated annual results of Spring REIT for the Reporting Year have been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their respective terms of reference. The consolidated annual results of Spring REIT for the Reporting Year have also been audited by the external auditor of Spring REIT in accordance with International Auditing Standards.

Changes in Information of Directors of the Manager

During the Reporting Year and up to the date of this annual report, the Manager received notification regarding the following changes in Directors' information:

Director	Changes in Information
Mr. Nobumasa Saeki Executive Director	— Appointed as a director of RUK01 Limited, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in United Kingdom, with effect from 9 June 2017 — Appointed as a director of Hawkeye Properties 501 Limited, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in United Kingdom, with effect from 14 July 2017
Mr. Leung Kwok Hoe, Kevin Executive Director	— Appointed as an Executive Director of Spring Asset Management Limited, the Manager of Spring REIT, with effect from 10 March 2017 — Appointed as a director of RCA01, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in Beijing, with effect from 13 March 2017 — Appointed as a director of RUK01 Limited, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in United Kingdom, with effect from 9 June 2017 — Appointed as a director of Hawkeye Properties 501 Limited, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in United Kingdom, with effect from 14 July 2017
Mr. Qiu Liping Independent Non-executive Director	— Ceased to act as a director of Trina Solar Ltd. on 13 March 2017, a company listed on New York Stock Exchange (NYSE: TSL) and Trina Solar Ltd. was delisted from NYSE on 14 March 2017.

Director	Changes in Information
Mr. Lam Yiu Kin Independent Non-executive Director	— Ceased to act as a director of Mason Financial Holdings Limited, a company listed on the Stock Exchange (Stock Code: 273), with effect from 24 May 2017 — Appointed as a director of CITIC Telecom International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1883), with effect from 1 June 2017 — Appointed as an independent non-executive director of Bestway Global Holding Inc, on 18 October 2017, a company listed on the Stock Exchange (Stock Code: 3358) on 16 November 2017
Mr. Simon Murray Independent Non-executive Director	— Ceased to act as a director of CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited), a company listed on the Stock Exchange (Stock Code: 1113), with effect from 11 May 2017 — Changed his title from non-executive chairman to chairman of General Enterprise Management Services Limited with effect from 1 May 2017 — Ceased to act as a non-executive director of Compagnie Financière Richemont SA, a company listed on Swiss Exchange (Stock Code: VTX:CFR), with effect from 13 September 2017

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

Purchase, Sale or Redemption of Units

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

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 31 December 2017.

Investments in Property Development and Relevant Investments

As at 31 December 2017, Spring REIT did not enter into any (i) Investments in Property Development and Related Activities (as defined in Paragraph 2.16A of the REIT Code); or (ii) Relevant Investments (as defined in Paragraph 7.2B of the REIT Code).

Foreign Account Tax Compliance Act ("FATCA")

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

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

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

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

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

Risk Management and Internal Control

Spring REIT is exposed to various risks in its course of business and the markets in which it operates. The management recognizes that risk management should be of concern to everyone within Spring REIT and is highly aware of the importance of risk management in managing Spring REIT, and thus it is committed to constructing and maintaining a sound risk management framework to ensure business viability and sustainability. To manage and monitor different risk factors which Spring REIT may be exposed to, the Board is responsible for establishing and overseeing Spring REIT's risk management and internal control systems on an ongoing basis, and ensuring the review of the effectiveness of the risk management and internal control systems is properly conducted. The main features of such systems, which will operate continuously, are described in this Corporate Governance Report.

The Group has performed the annual review on its risk management framework and processes as well as relevant measures implemented for enhancing its framework and processes subsequent to last review in 2016.

Spring REIT has developed a risk management system, which is defined and supported by its risk management policy (the "**RM Policy**"). The responsibility for maintaining an effective system of internal control and risk management is also included in the terms of reference of the Audit Committee.

A "Top-Down" approach is adopted for the Group's risk management system, which involves strong oversight by the Board, the Audit Committee, the Risk Management Taskforce ("**RMTF**") and senior management throughout the risk management processes. The system helps to identify risks and clarify major risks that may hinder the Group from achieving its objectives. It also supports decision-making at the Board and senior management levels and enhances communications within Spring REIT's management team.

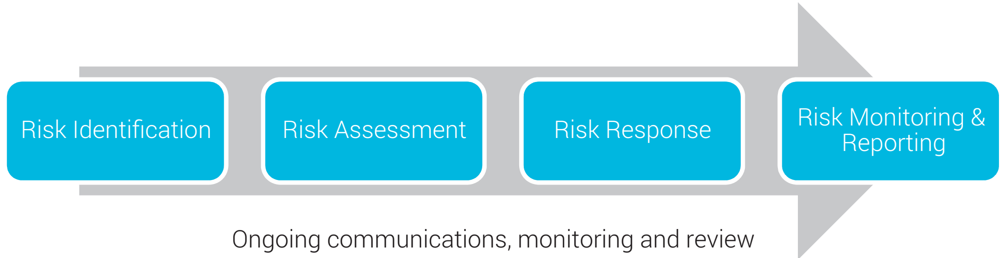
Spring REIT has an Internal Audit function in place to provide an independent assessment of its risk management and internal control systems and operational functions, and review of their effectiveness. Such result has been incorporated into the Group's internal audit plan to ensure that mitigating actions for identified risks during the risk assessment process have been properly executed and that the internal audit plan responses to changes in the REIT's business, operations, programs, systems and controls. The internal audit plan has been approved by the Audit Committee.

Risk Governance Structure

Spring REIT's risk governance structure under its risk management system is shown below. Each party is established with distinct and comprehensive role and responsibility.

Risk Assessment Methodology

The Group's methodology for its risk assessment comprises four core stages (namely, Risk Identification, Risk Assessment, Risk Responses, and Risk Monitoring and Reporting). These processes are performed at least once a year to adapt to changes in the REIT's business environment.



It mainly involves:

a) Risk Identification

Functional Heads identify risks in the operations they are responsible for as well as risks that they believe to be relevant to the Group as a whole. All the identified risks are consolidated into a risk inventory.

b) Risk Assessment

Risks are evaluated by the management using predefined risk assessment criteria. Risk scoring and prioritization process are performed.

c) Risk Response

Risk Owners are assigned for each selected risk. Risk Owners also formulate risk mitigation plans for the significant risks identified relating to their areas of responsibility.

When determining appropriate risk mitigation plans, four types of risk response can be adopted in general:

- Acceptance
- Reduction
- Sharing
- Avoidance

d) Risk Monitoring and Reporting

Risk Owners are responsible for monitoring the implementation and effectiveness of the risk mitigation plans which they are responsible for. The Risk Owners provide periodic updates to the RMTF regarding the progress of the implementation of the risk mitigation plans and on the performance of these plans.

Review on the Effectiveness of Risk Management and Internal Control Systems

The Board conducts an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls. The Internal Audit function is responsible for performing independent reviews of the risk management system and to report the results to the Audit Committee and the RMTF.

The Internal Audit function verifies the efficient performance of the annual risk assessment exercise and also reviews the effectiveness of the risk mitigation planning process and action plan development.

Our Responsibility

The Board has the overall responsibility to ensure that effective and sound risk management and internal control systems are maintained, while the management is responsible to design and implement an internal control system to manage risks. The Board is also responsible for reviewing the effectiveness of the REIT's risk management and internal control systems.

The risk management and internal control systems can provide reasonable but not absolute assurance against material misstatement or loss, and are designed to manage rather than eliminate the risk of failure in the process of attaining business objectives. Based on the results of the annual review, the Board is satisfied and confident with the effectiveness of the risk management and internal control systems currently put in place for Spring REIT.

Communications of Risk Events

Where risk events arise, our communications, both within the Group and to external parties, are an integral part of the risk management system. To enable the Group to make appropriate decisions and responses to mitigate or address any risk events, relevant information on the incident needs to be communicated by and to the right functions and individuals, completely and accurately, and in a timely manner.

With respect to procedures and internal controls for handling and dissemination of inside information, Spring REIT:

- has developed written policies and procedures in relation to the handling of inside information under Hong Kong regulatory requirements, including but not limited to maintenance of confidentiality and prohibition of insider dealing by the management;
- is aware of its obligation under the SFO and the Listing Rules;
- conducts its affairs with close reference to the "Guidelines on Disclosure of Inside Information" issued by the SFC;
- has set out rules and procedures in dealing with enquiries from regulatory bodies, trading halt and additional disclosures to correct a false market.

Connected Party Transactions

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

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

(a) the Manager of Spring REIT;

(b) the Principal Valuer of Spring REIT;

(c) the Trustee of Spring REIT;

(d) a significant holder;

Notes:

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

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

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

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

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

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

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

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

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

Based on the best knowledge of the Manager, set out below is the information in respect of connected party transactions during the Reporting Year involving Spring REIT and/or RCA01 and/or RUK01 Limited (on one side) and connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT (on the other side), which are governed by Chapter 8 of the REIT Code.

Connected Party Transactions — Income

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income for the Reporting Year RMB	Rental Deposit received as at 31 Dec 2017 RMB
MIBJ Consulting (Beijing) Co., Ltd.	Associated company of the Manager and associate of a director of the Manager[1]	Leasing	966,944	289,426
PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司)	Subsidiary of a significant holder of Spring REIT[2]	Leasing	2,922,909	717,368
ITOCHU (China) Holding Co., Ltd.	Associated company of the Manager[3]	Leasing	2,723,427[3, 4]	N/A[3, 4]

Notes:

1 MIBJ Consulting (Beijing) Co., Ltd. is wholly-owned by Mercuria, which in turn holds 90.2% shareholding in the Manager. Both Mr. Toshihiro Toyoshima, the Chairman and Non-executive Director of the Manager, and Mr. Hideya Ishino, a Non-executive Director of the Manager, are also directors of MIBJ Consulting (Beijing) Co., Ltd.

2 PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) is a non-wholly owned subsidiary of PAG Holdings Limited, a significant holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(g) of the REIT Code. Please refer to further information in the section headed "PAG Lease" below.

3 Reference is made to the announcements dated 17 March 2017 and 17 May 2017 and the circular dated 21 March 2017 of the Manager. Prior to 2 May 2017, ITOCHU Corporation held more than 20% of the total issued share capital of Mercuria, which in turn holds 90.2% of the Manager. From 2 May 2017, ITOCHU Corporation no longer held more than 20% of the total issued share capital Mercuria, and therefore ceased to be an associated company of the Manager and connected person of Spring REIT. As such, the lease transactions with ITOCHU (China) Holding Co., Ltd. no longer constituted connected party transactions of Spring REIT from 2 May 2017.

4 The income stated comprises lease payment by ITOCHU (China) Holding Co., Ltd. between 1 January 2017 and 1 May 2017 pursuant to the abovementioned lease transactions.

PAG Lease

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

Connected Party Transactions — Expenses

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Expenses for the Reporting Year RMB
Beijing Hua-re Real Estate Consultancy Co., Ltd.	Associated company of the Manager[1]	Property management	10,931,995

Note:

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

Connected Party Transactions with Trustee Connected Persons

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income/(Expense) for the Reporting Year RMB
Leasing Transactions			
Deutsche Bank AG and its associated companies	Trustee Connected Persons	Leasing	48,357,433[1]
Ordinary Banking and Financial Services			
Deutsche Bank AG	Trustee Connected Person	Interest income received/ receivable on bank deposits	3,229,619
Deutsche Bank AG	Trustee Connected Person	Loan interest	(4,758,090)[2]
Deutsche Bank AG	Trustee Connected Person	Prepayment Premium	(75,440)
Deutsche Bank AG	Trustee Connected Person	Cost for unwinding of currency forward contract	(14,958,431)[3]
Deutsche Bank AG	Trustee Connected Person	Bank charges	21,940

Note:

1. As at 31 December 2017, a rental deposit of RMB7,051,988 was held by the Group from Trustee Connected Persons. A rental deposit by way of bank guarantee provided by Deutsche Bank (China) Co., Ltd. was held by RCA01 (a special purpose vehicle wholly owned and controlled by Spring REIT) as at 31 December 2017.
2. On 30 April 2015, RCA01 concluded the USD500.00 million term loan and revolving facilities with a syndicate of banks. Deutsche Bank AG, London Branch was appointed as one of the mandated lead arrangers, underwriters and bookrunners and acted as one of the lenders for the financing. The outstanding principal balance of these facilities was USD450.00 million as at 31 December 2017, following a partial prepayment of these facilities in the principal amount of USD 30.00 million in May 2017 (in relation to which prepayment premium of USD 0.15 million was paid to lenders). On 20 June 2017, Deutsche Bank AG transferred the entirety of its portion in these facilities. As at 31 December 2017, Deutsche Bank AG was no longer a lender in the term loan facilities.
3. A currency forward with notional amount of USD120 million was unwound on 16 March 2017 at a consideration of USD2.17 million which was paid to Deutsche Bank AG.

Connected Party Transactions with Trustee Connected Persons — Leasing Under which the Annual Rent (Per Lease) Exceeds HK$1 million

The following table sets forth the information on leasing transactions with Trustee Connected Persons with annual rent (per lease) that exceeds HK$1 million during the Reporting Year.

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Rental income for the Reporting Year RMB
Deutsche Bank (China) Company Ltd.	Trustee Connected Person	Lease for the whole of 27th and 28th floors of Tower 1, China Central Place and signage income	26,922,654
Zhong De Securities	Trustee Connected Person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	21,434,779

Confirmation by the Manager and Trustee of Corporate Finance Transaction with Trustee Connected Persons

Both the Manager and the Trustee confirm that there was no corporate finance transaction or other connected party transaction (save and except for those disclosed hereinabove) between Spring REIT and any Trustee Connected Persons during the Reporting Year.

Waivers from Strict Compliance

Waivers from strict compliance with the disclosure and approval requirements of Unitholders under Chapter 8 of the REIT Code in respect of certain connected party transactions entered into by Spring REIT and/or RCA01 and/or RUK01 Limited with their connected persons (the "**Waivers**") have been granted by the SFC. The Waivers have been granted subject to the relevant waiver terms and conditions including, inter alia, the requirements that the transactions should be entered into on normal commercial terms in the ordinary and usual course of business of Spring REIT, and are to be reviewed by the external auditor of Spring REIT, the Independent Non-executive Directors of the Manager and/or the audit committee of the Manager, and (in respect of certain types of transactions) the transaction amounts shall be within the specified annual caps and shall be disclosed in Spring REIT's semi-annual and annual reports as required under Paragraph 8.14 of the REIT Code (the "**Waiver Conditions**").

During the Reporting Year, Spring REIT has complied with the requisite Waiver Conditions, where applicable.

An extension of the waiver from strict compliance with the disclosure and approval requirements under Chapter 8 of the REIT Code in respect of certain new and certain existing continuing connected party transactions and new annual caps for certain leasing transactions and property management arrangements between the Group and Manager Connected Persons Group was granted by the SFC on 20 May 2015 (the "**2015 Waiver Extension**"), subject to annual limitation as to the capped value of such transactions, review to be conducted by the external auditor for each relevant financial period, annual review to be conducted by the Independent Non-executive Directors and other terms and conditions.

Subsequent Event

The 2015 Waiver Extension expired on 31 December 2017 (the "**Expiry Date**"). As disclosed in the announcement of the Manager dated 22 December 2017 (the "**2017 Announcement**"), the Board of the Manager decided not to seek an extension of the 2015 Extended Waiver upon its expiry in view that only two relevant continuing connected party transactions will subsist beyond the Expiry Date. The Manager will comply with all disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of any relevant continuing connected party transaction which either: (a) subsists after the Expiry Date; or (b) is entered into by Spring REIT after the Expiry Date.

Confirmation by the Independent Non-executive Directors

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

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

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

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

Report from the Auditor in Relation to Certain Connected Party Transactions

The continuing connected party transactions conducted during the Reporting Year have been reviewed by the external auditor in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The external auditor has issued an unqualified letter containing its findings and conclusions in respect of the connected party transactions including lease transactions, property management transactions and transactions involving ordinary banking and financial services in accordance with the Waivers and the 2015 Waiver Extension from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code granted by the SFC. A copy of such report would be issued and provided to the SFC.

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

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

During the Reporting Year, the aggregate amount of fees payable by Spring REIT and/or RCA01 and/or RUK01 Limited to the Manager was USD8.16 million. The Manager's fee paid in the form of Units amounted to HKD41.19 million and the Manager's fee paid in the form of cash amounted to HKD21.84 million. On 6 December 2016, the Manager had elected for the base fee to be paid in the form of Units entirely and variable fee to be paid in the form of cash entirely for the Reporting Year.

During the Reporting Year, the fee payable to the Trustee under the Trust Deed was USD0.24 million.

During the Reporting Year, approximately USD0.24 million in aggregate was paid for services rendered to Spring REIT by Knight Frank (the Principal Valuer). This included approximately USD0.02 million which was the valuation fee incurred for services rendered by Knight Frank in its capacity as the principal valuer of Spring REIT, the rest relate to a fee of USD0.22 million paid for valuation services rendered in relation to the acquisition of 84 commercial properties in the United Kingdom (the "**Target Properties**") by Spring REIT (as detailed in the announcement of Spring REIT dated 17 March 2017), where Knight Frank was engaged as an independent property valuer and the principal valuer of Spring REIT to appraise the value of the Target Properties.

Disclosure of Interests

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

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

As at 31 December 2017, each of the following was the Manager, a director, senior executive or officer of the Manager and thus each of them was a connected person of Spring REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units in Spring REIT as follows:

		As at 31 December 2017		As at 31 December 2016		
Name	Capacity/ Nature of Interest	**Number of Units Interested in (Long Position)**	**Approximate % of interest[5]**	Number of Units Interested in (Long Position)	Approximate % of interest[5]	Change in % of interest
The Manager						
Spring Asset Management Limited[1]	Beneficial owner/ Beneficial interest	**23,296,732**	**1.85%**	17,045,940	1.51%	+0.34%
Directors						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	**700,000**	**0.06%**	700,000	0.06%	0.00%
Nobumasa Saeki	Beneficial owner/ Personal interest	**400,000**	**0.03%**	400,000	0.04%	-0.01%
Hideya Ishino	Beneficial owner/ Personal interest	**49,000**	**0.00%**	49,000	0.00%	0.00%
Simon Murray[2]	Beneficial owner/ Personal interest	**344,000**	**0.03%**	240,000	0.02%	+0.01%
Qiu Liping[3]	Beneficial owner/ Personal interest	**344,000**	**0.03%**	240,000	0.02%	+0.01%
Lam Yiu Kin[4]	Beneficial owner/ Personal interest	**317,000**	**0.03%**	213,000	0.02%	+0.01%
Senior Executive						
Alice Yu	Beneficial owner/ Personal interest	**170,000**	**0.01%**	170,000	0.02%	-0.01%
Former Executive Director						
Lau Jin Tin, Don[6]	Beneficial owner/ Personal interest	**200,000** (as at 31 May 2017[6])	**0.02%** (as at 31 May 2017[6])	200,000	0.02%	0.00%

Notes:

1. During the Reporting Year, an aggregate of 12,258,792 new Units were issued to the Manager as payment of part of the Manager's fee. The Manager beneficially owned 23,296,732 Units as at 31 December 2017 (2016: 17,045,940 Units).
2. Mr. Simon Murray received these Units in lieu of cash pursuant to the arrangement for remuneration of Independent Non-executive Director paid out of the Manager's own assets, under which each of the Independent Non-executive Directors of the Manager may elect the percentage of his remuneration to be made in the form of Units to be transferred from the Manager (the "**INED Remuneration Arrangement**"), as detailed in the announcement made by the Manager on 24 October 2014. During the fourth quarter of 2014, all the Independent Non-executive Directors elected to receive 100% of their remuneration in Units. As at 31 December 2017, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by this Independent Non-executive Director.
3. Mr. Qiu Liping received these Units in lieu of cash pursuant to the INED Remuneration Arrangement. As at 31 December 2017, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by this Independent Non-executive Director.
4. Mr. Lam Yiu Kin received these Units in lieu of cash pursuant to the INED Remuneration Arrangement. As at 31 December 2017, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by this Independent Non-executive Director.
5. The percentages expressed herein are based on the total number of issued Units of 1,257,705,732 as at 31 December 2017 and 1,130,562,940 as at 31 December 2016 respectively.
6. Mr. Lau Jin Tin, Don retired as an Executive Director on 31 May 2017. His interest in Units stated under "As at 31 December 2017" above represents his interest as at 31 May 2017 (the date of his retirement).

Save as disclosed above, none of the Manager, the Directors, senior executives or officers of the Manager had beneficial interests (or were deemed to be interested) in any Units and underlying Units or held any short position in the Units as at 31 December 2017 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO or to the Manager only pursuant to the dealing policy set out in the Compliance Manual (as the case may be).

Interests Held by Significant Unitholders

As at 31 December 2017, based on the information available to the Manager, each of the following persons was considered as a "significant holder" and hence a "connected person" of Spring REIT within the meaning and for the purpose of the REIT Code. Their interests or short positions in the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

		As at 31 December 2017		As at 31 December 2016		
Name	Capacity/ Nature of interest	**Number of Units Interested in (Long Position)**	**Approximate % of Issued Units[1]**	Number of Units Interested in (Long Position)	Approximate % of Issued Units[1]	Change in % of interest
RCAC[2]	Interest of controlled corporation/ corporate interests	**345,204,000**	**27.45%**	345,204,000	30.53%	-3.08%
PAG Holdings Limited[3]	Interest of controlled corporation/ corporate interests	**164,375,000**	**13.07%**	79,210,000	7.01%	+6.06%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,257,705,732 as at 31 December 2017 and 1,130,562,940 as at 31 December 2016 respectively.
2. These 345,204,000 Units are beneficially owned by RCA Fund. Based on the information available to the Manager, RCAC is a general partner of RCA Fund. RCAC has exclusive rights to the management, control and operation of RCA Fund and is thus deemed to be interested in the Units held by RCA Fund.
3. These 164,375,000 Units comprise the interests of (i) 64,010,000 Units directly held by BT Cayman Limited; and (ii) 100,365,000 Units directly held by Spirit Cayman Limited. Based on disclosure of interests notification made by PAG Holdings Limited, as at 7 November 2017, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 164,375,000 Units in which PAG Holdings Limited was interested.
4. Based on disclosure of interests notifications: as at 7 November 2017:
   (a) each of PARE (Cayman) Limited (as controlling person of SCREP V Management (Cayman), LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP V Management (Cayman), LLC), SCREP V Management (Cayman), LLC (being general partner of Secured Capital Real Estate Partners V, L.P. and SCREP V Feeder B, L.P.), SCREP V Feeder B, L.P. (being limited partner of Secured Capital Real Estate Partners V, L.P.) and Secured Capital Real Estate Partners V, L.P. (as controlling person of BT Cayman Limited as to 100%) was deemed to be interested in 64,010,000 Units, being the same parcel of Units directly held by BT Cayman Limited as referred to in (i) above;
   (b) each of PARE (Cayman) Limited (being controlling person of SCREP VI Management, LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP VI Management, LLC), SCREP VI Management, LLC (being general partner of SCREP VI, L.P. and SCREP VI Feeder A, L.P.), SCREP VI Feeder A, L.P. (being limited partner of SCREP VI, L.P.), SCREP VI, L.P. (being controlling person of SCREP VI Holdings L.P as to 100%) and SCREP VI Holdings L.P. (being controlling person of Spirit Cayman Limited as to 100%) was deemed to be interested in 100,365,000 Units, being the same parcel of Units directly held by Spirit Cayman Limited as referred to in (ii) above;
   (c) PAG Investment Advisors Pte. Ltd. was interested in 164,375,000 Units, comprising 64,010,000 Units which it was deemed to be interested in as manager of SCREP V Management (Cayman), LLC and 100,365,000 Units which it was deemed to be interested in as manager of SCREP VI Management, LLC;
   (d) PARE (Cayman) Limited was interested in 164,375,000 Units, comprising 64,010,000 Units which it was deemed to be interested in through its controlled corporation SCREP V Management (Cayman), LLC and 100,365,000 Units which it was deemed to be interested in through its controlled corporation SCREP VI Management, LLC;
   (e) PAG Real Estate Limited was interested in 164,375,000 Units through its 100% controlled corporations PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd; and
   (f) PAG Holdings Limited was interested in 164,375,000 Units through its 100% controlled corporation PAG Real Estate Limited.

   The interests of each of the above were also disclosed in the above-mentioned disclosure of interests notification made by PAG Holdings Limited.

   In addition, according to the subsequent disclosure of interests notifications, Spirit Cayman Limited acquired 50,000 Units on 9 November 2017 crossing one percentage level from 7.99% to 8.00% and was interested in a total of 100,634,000 Units. Accordingly, each of SCREP VI Management, LLC, SCREP VI Feeder A, L.P., SCREP VI, L.P. and SCREP VI Holdings L.P. was interested in 100,634,000 Units, being the same parcel of Units held by Spirit Cayman Limited. Such increase in number of Units was not included in the above-mentioned disclosure of interest notification made by PAG Holdings Limited.

   Please also refer to the interest of persons interested in 5% or more but below 10% of Units disclosed in the section "Interests Held by Substantial Unitholders under the SFO" below, which include the same parcels of 64,010,000 Units and 100,634,000 Units.

Save as disclosed above and based on the information available to the Manager, no other significant unitholders had beneficial interests (or were deemed to be interested) in any Units or underlying Units or held any short position in the Units as at 31 December 2017 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

Interests Held by Substantial Unitholders under the SFO

As at 31 December 2017, the interests and short position in the Units held by persons, other than the Manager, Directors or senior executives and officers of the Manager or significant unitholders of Spring REIT, who were interested in 5% or more but below 10% of the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

		As at 31 December 2017		As at 31 December 2016		
Name	Capacity/ Nature of interest	**Number of Units Interested in (Long Position)**	**Approximate % of Issued Units[1]**	Number of Units Interested in (Long Position)	Approximate % of Issued Units[1]	Change in % of interest
Zeng Yuyu[2]	Interest of controlled corporation/ corporate interests	**114,884,000**	**9.13%**	0	0.00%	+9.13%
BT Cayman Limited[3]	Beneficial owner/ Beneficial interest	**64,010,000**	**5.09%**	64,010,000	5.66%	-0.57%
Spirit Cayman Limited[4]	Beneficial owner/ Beneficial interest	**100,634,000**	**8.00%**	15,200,000	1.34%	+6.66%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,257,705,732 as at 31 December 2017 and 1,130,562,940 as at 31 December 2016 respectively.
2. These 114,884,000 Units are beneficially owned by China Orient Stable Value Fund Limited, which is wholly owned by Long Hills Capital Ltd. The latter is wholly owned by Long Hills Holdings International Ltd., which in turn is wholly owned by Zeng Yuyu. Accordingly, China Orient Stable Value Fund Limited and Long Hills Capital Ltd. are deemed to be interested in 100,634,000 Units. The interests of China Orient Stable Value Fund Limited, Long Hills Capital Ltd and Long Hills Holdings International Ltd are also disclosed in the notice of disclosure of interests of Zeng Yuyu dated 25 April 2017.
3. These 64,010,000 Units were beneficially owned by BT Cayman Limited. Please refer to Note 3 in the section "Interests Held by Significant Unitholders" above.
4. These 100,634,000 Units were beneficially owned by Spirit Cayman Limited. Please refer to Note 3 in the section "Interests Held by Significant Unitholders" above.

Save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other substantial unitholders under the SFO who had beneficial interests (or were deemed to be interested) in 5% or more but below 10% of the Units or underlying Units or held any short position in the Units as at 31 December 2017 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

Interests Held by Other Connected Persons of Spring REIT

As at 31 December 2017, save as disclosed above and the information available to the Manager, the Manager is not aware of any other connected persons of Spring REIT, including the Trustee and the Principal Valuer, who have interests (or deemed interests) in the Units or underlying Units were required to be notified to the Manager and the Stock Exchange pursuant to the REIT Code or pursuant to the Trust Deed.

Valuation Report

The Directors
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
28/F, Man Yee Building
68 Des Voeux Road, Central, Hong Kong

DB Trustees (Hong Kong) Limited
(as trustee of Spring Real Estate Investment Trust)
52/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

Australia and New Zealand Banking Group Limited, Singapore Branch
(as Facility Agent of the syndicated loan to RCA01)
10 Collyer Quay, #22-0 Ocean Financial Centre

7 March 2018

Dear Sirs

Valuation of Office Towers 1 & 2 and a total of approximately 600 Underground Car Parking Spaces of China Central Place located at Nos 79 & 81 Jianguo Road, Chaoyang District, Beijing, The People's Republic of China (the "Property")

In accordance with your instructions for us to value the captioned property interest held by RCA01 ("**RCA01**") and exhibited to us by Spring Asset Management Limited (the "**Company**") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2017 for your accounting and financing purpose.

Basis of Valuation

Our valuation is our opinion of the market value of the Property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Valuation Methodology

In our course of valuation, we have adopted Income Capitalization Approach and cross-checked by Direct Comparison Approach.

Income Capitalization Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor. The adopted office market rent and the adopted office capitalization rate in the Income Capitalization Approach is RMB454 per square meter per month, inclusive of value-added tax (or RMB409 per square meter per month, exclusive of value-added tax) and 5.8% respectively. The capitalization rate applied to the rental income generated for the remaining land use rights term of the property expiring on 28 October 2053.

Direct Comparison Approach is the most common valuation approach for valuing property by reference to comparable market transactions or listings of similar property. The rationale of this approach is to directly relate the market comparable transactions with the property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the property and the comparable transactions. As there were limited en-bloc/bulk transactions available in the market, we have also made reference to strata-titled properties in the vicinity. Such market evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Capitalization Approach.

Title Documents and Encumbrances

We have been provided with the copies of extracts of sample of title documents relating to the Property. However, we have not examined the original documents to ascertain any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company regarding the titles and other legal matters relating to the Property.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, tenancies, completion dates of the buildings, identification of the Property, particulars of occupancy, site areas and floor areas. Dimensions, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

Inspection and Measurement

We have inspected the exterior, and where possible, the interior of the Property and the inspection was conducted by Ocean Ruan, our Senior Manager, in January 2018. However, no structural survey has been made and we are therefore unable to report that the Property is free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services. For the purpose of this valuation, we have assumed that the Property has been maintained in satisfactory condition. Moreover, we have not been able to carry out on-site measurements to verify the site areas and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Identity of Property to be valued

We exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Rules and Regulations

We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of any rules and regulations, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report are based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Currency

Unless otherwise stated, all money amounts stated are in Renminbi.

Remarks

Our valuation complies with Chapter 6.8 of the Code of Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission (the "**SFC**"), the Practice Note on Overseas Investment by SFC – Authorized Real Estate Investment Trusts (forming part of the REIT Code) and the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors and the RICS Valuation – Global Standards 2017 published by The Royal Institution of Chartered Surveyors.

We hereby confirm that we have neither present nor prospective interests in Spring REIT, the property and/or the Company. Pursuant to Paragraph 6.5 of the REIT Code, we confirm that we are independent to Spring REIT, the Company, DB Trustees (Hong Kong) Limited and each of the significant holders of Spring REIT.

Our executive summary and valuation report are attached.

Yours faithfully

Vincent K F Pang
MHKIS MRICS RICS
Registered Valuer
Director, China Valuation
For and on behalf of Knight Frank Petty Limited

Clement W M Leung
MFin MCIREA MHKIS MRICS RPS (GP)
RICS Registered Valuer
Executive Director, Head of China Valuation
For and on behalf of Knight Frank Petty Limited

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Executive Summary

Property	Office Towers 1 & 2 and a total of approximately 600 Underground Car Parking Spaces of China Central Place located at Nos 79 & 81 Jianguo Road, Chaoyang District, Beijing, The PRC
Description	China Central Place is a mixed use commercial complex comprising a shopping mall, 3 blocks of office towers, 2 blocks of 5-star hotel, various residential buildings, car parking spaces and other ancillary facilities. The Property comprises the 25-storey Office Tower 1 (Level 4 to Level 28), the 29-storey Office Tower 2 (Level 4 to Level 32) and a total of about 600 underground car parking spaces of China Central Place. The Property is also provided with two signage located at the east side and the west side of the roof of Office Tower 1.
Site Area	13,692.99 sq m (Note 1)
Registered Owner	RCA01 (第一瑞中資產管理有限公司)
Gross Floor Area	According to the information provided by the Company, the details of approximate gross floor area of the Property are listed as follows:

Portion	Approximately Gross Floor Area (sq m)
Office Tower 1	56,068.32
Office Tower 2	64,176.87
Car Park	25,127.35
Total:	**145,372.54**

State-owned Land Use Certificate	Jing Chao Guo Yong (2010 Chu) Di No. 00118 Hao (京朝國用(2010出)第00118號)
Real Estate Ownership Certificate	X Jing Fang Quan Zheng Chao She Wai Zi Di No. 521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593 Hao (X京房權證朝涉外字第521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593號)
Date of Valuation	31 December 2017
Valuation Methodology	Income Capitalization Approach and Direct Comparison Approach (for counter checking)
Market Value in Existing State	RMB9,030,000,000

Valuation Certificate

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017
Office Towers 1 & 2 and a total of approximately 600 Car Parking Spaces of China Central Place Nos 79 & 81 Jianguo Road Chaoyang District Beijing The PRC	China Central Place is a mixed use commercial complex comprising a shopping mall, 3 blocks of office towers, 2 blocks of 5-star hotel, various residential towers, car parking spaces and other ancillary facilities. It is completed in 2006. The Property comprises the 25-storey Office Tower 1 (Level 4 to Level 28), the 29-storey Office Tower 2 (Level 4 to Level 32) and a total of about 600 underground car parking spaces of China Central Place with a total gross floor area of approximately 145,372.54 sq m. The underground car parking spaces are on the basement of China Central Place. The Property is also provided with two signage located at the east side and the west side of the roof of Office Tower 1. Level 16 of Office Tower 1 and Level 20 of Office Tower 2 are used as refuge floor. The approximate gross floor area of the Property is listed as follows: **Portion** / **Approximately Gross Floor Area** (sq m) Office Tower 1: 56,068.32 Office Tower 2: 64,176.87 Car Park: 25,127.35 **Total: 145,372.54** The Property is held under land use rights term expiring on 28 October 2053 for office and car park uses.	Portion of the office area of the Property with a total gross floor area of approximately 115,289.53 sq m has been leased under various tenancies with the majority that expires within 3 years, yielding a total monthly rental of approximately RMB43,400,000, exclusive of management fee and value-added tax. The remaining portion of the Office Towers 1 and 2 is currently vacant. The average monthly income generated from the car parking spaces from January 2017 to December 2017 was approximately RMB285,000. The two signage have been leased under a tenancy expiring in April 2021, yielding a total monthly rental of approximately RMB375,000, exclusive of value-added tax.	RMB9,030,000,000 (RENMINBI NINE BILLION AND THIRTY MILLION ONLY)

Notes:

1. Pursuant to State-owned Land Use Rights Certificate No. Jing Chao Guo Yong (2010 Chu) Di No. 00118 Hao (國有土地使用證京朝國用(2010出)第00118號) dated 21 May 2010, the land use rights of the Property with a site area of 13,692.99 sq m have been granted to RCA01 for a land use term expiring on 28 October 2053 for office and car park uses.
2. Pursuant to 56 Real Estate Ownership Certificates Nos. X Jing Fang Quan Zheng Chao She Wai Zi Di No. 521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593 Hao (X京房權證朝涉外字第521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593號), the building ownership of the Property with a total gross floor area of 145,372.54 sq m is vested in RCA01.
3. The Property is subject to a mortgage.
4. In accordance with standard terms and conditions of the tenancy agreements, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the Property.
5. Our analysis of the existing tenancy profile according to the tenancy information provided by the Company is set out below:

Occupancy Profile

Type	Approximate Gross Floor Area (sq m)	% of total
Leased	115,289.53	95.9
Vacant	4,955.66	4.1
Total:	**120,245.19**	**100.0**

Tenancy Expiry Profile

Year	Approximate Leased Gross Floor Area (sq m)	% of total	No. of Tenancies	% of total
2018 and before	23,450.15	20.3	43	22.7
2019	34,942.92	30.3	68	36.0
2020 and beyond	56,896.46	49.4	78	41.3
Total:	**115,289.53**	**100.0**	**189**	**100.0**

Tenancy Duration Profile

Year	Approximate Leased Gross Floor Area (sq m)	% of total	No. of Tenancies	% of total
Less than 3 years	41,800.84	36.3	74	39.1
3-6 years	70,311.39	61.0	112	59.3
6-9 years	3,031.54	2.6	2	1.1
More than 9 years	145.76	0.1	1	0.5
Total:	**115,289.53**	**100.0**	**189**	**100.0**

6. We have prepared our valuation based on the following assumptions:
   (i) the property has a proper legal title;
   (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
   (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
   (iv) the property can be freely disposed of to local or overseas purchasers.

Market Overview

Beijing, as the capital of PRC, is one of the most developed cities in China. As at Q4 of 2017, the GDP of Beijing was recorded RMB2.80trillion, representing an increase of 6.7 percent. The fixed asset investment grew at 5.7 percent y-o-y, reaching RMB894.8 billion by the end of Q4 of 2017. At the end of December 2017, the total accumulated retail sales of consumer goods of Beijing was RMB1,157.5 billion. At the end of 2017, the total population of Beijing is approximately 21.7 million.

Beijing Office Market

Supply and Demand

In Q3 2017, new supply lifted the overall vacancy rate in Beijing's Grade-A office. Hengyi Tower in Asian-Olympic Area was officially launched in Q3, offering 75,000 sqm of space to the market. Four office projects namely AVIC Capital Plaza (80,000 sqm) and Ronsin Technology Centre (130,000 sqm) in Wangjing, China Overseas International Center (48,700 sqm) in Asian-Olympic Area and United Shanxi Merchants Tower (35,600 sqm) in Lize FBD are scheduled for completion in Q4 2017.

In Q4 2017, the average sales price of Grade-A office properties increased by 0.76% Q-o-Q to RMB50,080 per sq m. Three en-bloc office transactions were concluded in Q3, including two office buildings acquired by Sino-Ocean Group from a real estate portfolio of Bank of China for an undisclosed consideration, an office tower acquired by Beijing Dongyi Tianzheng Investment from Beijing Electronics Holding Co Ltd for RMB336.6 million and the sale of Hopson Development Holdings' Dongfangwenhua Art Centre to Golden Harmony Investments for RMB1.839 billion. Primary strata-titled office sales have remained steady so far.

Market Trend

In Q3, domestic corporations remained the dominant driving force in the leasing market, while demand from multinational companies remained stable. Tenants from the finance, internet, high-tech, law, professional services and automobile sectors was involved in several major new lease and relocation transactions.

In the quarter, lifted by the quality new supply, Asian-Olympic Area witnessed a sharp increase in vacancy rate, up 3.3 percentage points to 19.1%. The average rent there also rose by 1.2% Q-o-Q to RMB349 per sqm per month. The Wangjing submarket continued to see robust performance in Q3, underpinned by increasing demand and strong absorption. With reduced inventory, the vacancy rate dropped dramatically by 6.5 percentage points Q-o-Q to 8.0%. Meanwhile, the rent in Wangjing recorded a stable growth of 1.5% Q-o-Q to RMB275 per sqm per month. Financial Street retained the priciest submarket in Q3, where the rents reached RMB549 per sqm per month. CBD submarket, on the contrary, witnessed a slight drop in rent, down 0.3% Q-o-Q to RMB395 per sqm per month. The traditional submarkets, such as Lufthansa, East Second Ring Road and Zhongguancun experienced slight decreases in vacancies, while the rents there hovered at RMB346, RMB344 and RMB335 per sqm per month respectively.

Ample Grade-A office supply from core area of CBD and Lize FBD is expected to be launched since 2018 and the average vacancy rate in the capital city is estimated to rise mildly in the short to medium term. As a result, landlords will face greater competition in the future. Some landlords are expected to adjust their leasing strategy and become more flexible in negotiations to retain current tenants or attract potential tenants. As numerous projects, mainly in the core area of CBD and Lize FBD are scheduled to come online from 2018 onwards, the average vacancy rate in Beijing Grade-A office market is estimated to rise moderately and rental growth will be constrained because of the large volume of supply.

The Directors
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
28/F, Man Yee Building
68 Des Voeux Road, Central, Hong Kong

DB Trustees (Hong Kong) Limited
(as trustee of Spring Real Estate Investment Trust)
52/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

7 March 2018

Dear Sirs

Valuation of 84 properties located in the United Kingdom (the "Properties")

In accordance with your instructions for us to value the captioned property interests (the "**Properties**") held by Hawkeye Properties 501 and exhibited to us by Spring Asset Management Limited (the "**Manager**") in the United Kingdom (the "**UK**"), we confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2017 (the "**Date of Valuation**").

Basis of Valuation

Our valuation is our opinion of the market value of each of the properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Valuation Methodology

In the course of valuation, we have adopted Income Capitalization Approach.

Income Capitalization Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or net cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor. The market rents and the capitalization rates adopted in the valuation of the Properties are listed in the valuation report.

Title Documents and Encumbrances

We have not been provided with any Land Registry entries/Title documents/Report of Title of the Properties. We have relied on the information given by the Manager and its legal advisers, Baker McKenzie and Brodies, regarding the title and other legal matters relating to the Properties. We understand that 61 of the Properties are held freehold (known as 'heritable interest' in Scotland), with the remaining 23 held long leasehold. In the absence of any indication to the contrary, we have provided our assessments on the assumption that the freeholds/heritable interests are held by the existing owner based upon good and marketable Title and that there are no covenants or restrictions that have the potential to impact upon the value of the properties. With respect to the long leasehold assets, we have not been provided with copy leases but have provided our assessments based on summary information (including rents, rent review pattern and unexpired lease term). We have again assumed that there are no onerous lease covenants that have the potential to impact upon value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Source of Information

We have been provided with a sample tenancy agreement and we have assumed that each tenancy agreement of the Properties is drawn on the same terms, save for demise and rent.

We have relied to a considerable extent on the information given by the Manager and the reports on the title to the Properties from the legal advisers of the Manager. We have no reason to doubt the truth and accuracy of the information provided to us by the Manager and/or the legal advisers of the Manager which is material to the valuation. We have accepted advice given by the Manager on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion dates of buildings, particulars of occupancy, tenancy details, floor areas and all other relevant matters. Unless otherwise stated, dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the floor areas of the Properties and we have assumed that the floor areas shown on the documents handed to us are correct. We were also advised by the Manager that no material facts have been omitted from the information provided.

The Properties are identified on the Ordnance Survey plans and the site areas are taken from Promap and are set out in the Property Schedule attached to the valuation report. We have been provided with floor areas, understood to be on a Gross Internal Area (GIA) basis, from measured surveys undertaken by Plowman Craven.

Inspection and Measurement

As agreed, we have not undertaken updated inspections as part of this advice, and have therefore assumed (unless otherwise stated) that the subject properties and their localities remain unchanged since our earlier inspections. We have inspected the exterior, and where possible, the interior of the Properties between 20 December 2016 and 19 January 2017 by Richard Syers (MRICS), Adam Chapman (MRICS), Alastair Coates (MRICS), Tom Poynton (MRICS) and Tom Rigg (MRICS). During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are not free of rot, infestation or any other structural defects. Our valuation is based on the assumption that these aspects are satisfactory. Unless otherwise stated, we have not been able to carry out on-site measurement to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of the document handed to us are correct. No tests were carried out on any of the services.

Remarks

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the property.

This report is confidential to the client for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the client in respect of the purpose, but the client shall not disclose the report to any other person.

Neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that the valuation reports are for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

In preparing our valuation report, we have complied with the Chapter 6.8 of the Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong, the International Valuation Standards issued by International Valuation Standards Council and RICS Professional Standards UK January 2014 (revised April 2015). We confirm that we are independent of the Manager, the trustee and any of the significant shareholders of the scheme within the meaning of Chapter 6.8 of the REIT Code.

As advised by the Manager, the owner of the Properties is required to pay UK income tax on its net rental income at the rate of 20% and is required to account for UK VAT on rent received in respect of the Properties in relation to which an option to tax has been exercised. Apart from the taxes mentioned, there is no other significant overseas taxes may be charged in respect of the Properties.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Properties are unaffected. W here contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Currency

Unless otherwise stated, the currency adopted in this report is in British Pounds.

Our executive summary and valuation report are attached.

Yours faithfully

For and on behalf of
Knight Frank Petty Limited

Clement W M Leung
MFin MCIREA MHKIS MRICS RPS (GP)
RICS Registered Valuer
Executive Director, Head of China Valuation

Note: Clement W M Leung, MFin, MCIREA, MHKIS, MRICS, RPS (GP), has been a qualified valuer with Knight Frank Petty Limited since 1999 and has 25 years' experience in valuation of properties in Hong Kong, Macau, and Asia Pacific Region and has 22 years' experience in valuation of properties in the PRC.

Executive Summary

Property	The subject portfolio comprises 84 properties leased to Kwik-Fit (GB) Limited. The properties are situated across the UK, within England, Scotland and Wales.
Site Areas	The properties are identified on the Ordnance Survey plans and the site areas are taken from Promap and are set out in the Property Schedule.
Floor Areas	We have been provided with floor areas, understood to be on a Gross Internal Area (GIA) basis, from measured surveys undertaken by Plowman Craven. Individual floor areas are detailed within the Property Schedule.
Date of Valuation	31 December 2017
Valuation Methodology	Income Capitalization Approach
Market Value in Existing State	£74,150,000

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 12 January 2018
84 properties located in the United Kingdom	The Properties comprises 84 properties leased to Kwik-Fit (GB) Limited ("Kwik-Fit"). The 84 properties are situated across the UK, within England, Scotland and Wales with detailed addresses listed in the Property Schedule attached herewith. The Properties has a total gross internal area (GIA) of approximately 504,008 sq ft and a total site area of approximately 108,200 sq m. Details of the Properties are listed in the Property Schedule attached herewith. We understand that 61 of the Properties are held freehold (known as 'heritable interest' in Scotland), with the remaining 23 held, partly or wholly, long leasehold.	We noted from our site that 78 of the Properties are trading as Kwik-Fit servicing centres; the remainder are trading under different brands either due to subsidiary trading names or following partial or complete underletting.	£74,150,000 SEVENTY FOUR MILLION ONE HUNDRED AND FIFTY THOUSAND BRITISH POUNDS (Please refer to Property Schedule for details)

Notes:

1. According to the information provided by the Client, the 84 properties are leased to Kwik-Fit (GB) Limited. Except the property in Islington, all the other properties are leased for terms expiring on 19 March 2032. For the property in Islington, the lease expires on 26 September 2024. The current aggregate annual rent of the 84 properties is £4,513,053.
2. The rents of the leases are to be reviewed on an upwards-only basis every 5 years to the "Market Rent" which is defined within the lease subject to typical assumptions and disregards. The review clause makes provision for referral to an independent surveyor, acting as an Expert, in the event of dispute.
3. The tenant covenants to keep the premises in good and substantial repair and condition. The tenant is entitled to sublet the whole or part only of the properties with the prior written consent of the landlord.

Occupancy Profile

Type	Approximate Gross Internal Area (sq ft)	% of total
Leased	505,381	100.0
Vacant	0	0
Total:	**505,381**	**100.0**

Tenancy Expiry Profile

Year	Approximate Leased Gross Internal Area (sq ft)	% of total	No. of Tenancies	% of total
2024	4,327	0.9	1	1.2
2032	501,054	99.1	83	98.8
Total:	**505,381**	**100.0**	**84**	**100.0**

Tenancy Duration Profile

Year	Approximate Leased Gross Floor Area (sq ft)	% of total	No. of Tenancies	% of total
Less than 18 years	4,327	0.9	1	1.2
About 25 years	501,054	99.1	83	98.8
Total:	**505,381**	**100.0**	**84**	**100.0**

Market Overview

UK Economic Overview

Growth

	Date	Quarterly Change (%)	Annual Change (%)
GDP	Q3 2017	0.4	1.5
Services Sector Output	Q3 2017	0.4	1.5
Manufacturing Output	Q3 2017	1.0	2.7
Retail Sales Volumes	Oct 2017	0.9	-0.3

Level/Rates

	Date	Current Rate	Last Month	Last Year
CPI Inflation %	Oct 2017	3.0	2.6	0.9
Unemployment Rate %	Aug 2017	4.3	4.3	4.8
10 Year Gilt Yields %	Oct 2017	1.33	1.28	1.24
GBP/EUR	Oct 2017	1.14	1.12	1.11
GBP/USD	Oct 2017	1.33	1.32	1.22

Source: Macrobond/ONS/Bank of England

The latest data shows that the economy grew by 0.4% in the third quarter of 2017 bringing the y-o-y change to 1.5%. The quarterly rate of growth was similar to the last two quarters (0.3%).

Services increased at a rate of 0.4%, the same rate as the previous quarter and remains the largest contributor to GDP growth.

Manufacturing returned to growth (1.0%) in the third quarter of the year after a weak second quarter, where output fell by -0.3%.

On a quarterly basis, retail sales volumes were up by 0.9% in October 2017 but were down 0.3% from volumes in the same period last year. This is the first annual fall since 2013 but this was mainly due to strong sales in October last year.

CPI inflation remained unchanged in October 2017 from 3.0% seen in September, the highest rate seen since 2012. The Bank of England forecasted CPI inflation to peak at around 3% in Q4 2017 before falling to 2.4% in 2018 in their November Inflation Report.

At the end of October, both IPD equivalent yield for All Property and the 10 Year Gilt Yield moved in by 3bps, keeping the arbitrage constant. At the beginning of November, the 10-year Gilt rate fell by 9bps despite the recent increase in the base rate.

Retail Warehouse

Retail Warehouses reported a monthly total return of 0.7% in October 2017, reduced from 1.0% seen in September. The reduction in returns was due to a slowdown in capital growth (from 0.5% to 0.2%). Assets in London achieved the highest monthly total return (0.9%). The annual total return to October 2017 was 8.5% and 7.0% over the year to date.

Monthly capital growth slowed from 0.5% in September to 0.2% in October 2017. Capital growth was mostly driven by yield impact (0.2%). Despite the rate of growth being more than halved this month in London (from 1.4% to 0.4%), values in the capital saw the strongest increase out of the locations. Since last year, Retail Warehouse values have increased by 2.1%.

The income return on a monthly basis stood at 0.5% in October 2017 and 6.3% over the last 12 months. The income return was lowest in London at 0.4%. Overall, the monthly income return has remained stable since February 2010.

After three consecutive months in which rental values increased at a monthly rate of 0.1% until September, values fell marginally since the previous month. The growth seen in values in the South East (0.2%) and North & Scotland (0.1%) was offset by the fall in values seen in the rest of the locations. Since the beginning of the year, rental values have increased by 1.0% overall.

The equivalent yield stood at 6.1% for the fourth consecutive month where the highest yield was seen in North and Scotland (6.7%) and the lowest in London (5.2%).

Investment volumes for Retail Warehouses in 2017 so far were about £1,918million, -7% below volumes in the same period in 2016 (£2,061 million). 26% of investment was from overseas investors and 37% were UK institutions.

Industrial

Industrial's monthly total return for October 2017 was reported at 1.5%, a fall from 1.9% in September. Monthly returns were reported highest in Industrials in the Inner South East and Eastern (+2.3%). Over the last 12 months, total returns were 19.5%.

A slowdown in capital growth was seen across most locations, causing capital growth for the sector to slow from 1.4% in September to 1.1% in October 2017. Capital growth was mainly driven by yield impact (+0.7%). Inner South East and Eastern Industrial assets saw the highest growth out of the locations (+1.9%).

Rental values increased by 0.4% since last month following two consecutive months of 0.6% growth in August and September. A slowdown in rental value growth was seen across most locations apart from Industrials in the Rest of UK, which saw an improvement (0.2% to 0.6%).

Income return was reported at 0.4% for the third consecutive month with higher returns seen in the Rest of UK (0.5%). The 12-month income return stood at 5.8%.

The equivalent yield remained at 6.0% in October for the second consecutive month, having previously stood at 6.1% beforehand.

Investment volumes totalled about £6,778 million in 2017 so far, a 39% increase from the same period last year (£4,873 million). 31% of investment was from cross border investors.

Property Description

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
1	ALLOA, Clackmannan Road	FK10 1RR	8,879	Freehold	1,200	56,573	20 03 2007	19 03 2032	6.20%	912,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with painted render with cladding to external elevations under a double pitched roof. The accommodation includes a reception, workshop with six service bays, MOT office, tyre store (within a separate bay adjacent to the workshop), stores, staffroom, wash room and customer and staff WC's. Externally a concrete surfaced car park fronts the property and has capacity for approximately seven vehicles.								
2	ALTRINCHAM, 1-3 Church Street	WA14 4DB	8,529	Freehold	1,500	80,635	20 03 2007	19 03 2032	5.70%	1,415,000
	Brief description:	The property comprises a detached brick built unit of steel-portal framed construction. Ground floor accommodation includes a welcoming reception area, a 3-bay workshop, staffroom and toilets. Externally there are 14 car parking spaces. The site enjoys good prominence.								
3	AYR, 38 Fort Street	KA7 1DE	10,369	Freehold	900	36,517	20 03 2007	19 03 2032	6.20%	589,000
	Brief description:	The property comprises a terraced single storey steel framed commercial unit of varying construction techniques under a double pitched roof. The layout of the building is T-shaped to fit into the surrounding built environment. The premises trade as Tyre City. The accommodation includes a number of interconnecting units which provide parking accommodation (9 parking spaces), reception, workshop with six service bays, tyre store (within the workshop), office, store, staffroom and staff WC's.								
4	AYR, 22/26 Maybole Road	KA7 2PZ	3,970	Freehold	1,600	43,705	20 03 2007	19 03 2032	5.70%	767,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal frame construction with brick and block infill walls with profile cladding above under a double pitched roof. The accommodation includes a reception, workshop with three bays (five service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a relatively large tarmacadam surfaced car park is to the front and south of the property with capacity for approximately 20 vehicles. A telecoms mast is situated to the southern edge of the site.								
5	BISHOP AUCKLAND, Cockton Hill Road	DL14 6JN	4,962	Leasehold	800	25,881	27 07 2007	19 03 2032	–	Nil
	Brief description:	The property comprises a compact and well-presented modern detached two-storey steel portal frame unit, with brick and block elevations beneath a dual pitched tiled roof. The accommodation is mostly to ground floor level and includes a small reception, a five-bay workshop, tyre store, with further tyre storage, staffroom and staff WCs to the first floor. Externally there is a small car park with capacity for approximately ten vehicles.								
6	BLYTH, Cowpen Road	NE24 5TT	5,707	Freehold	2,100	59,756	20 03 2007	19 03 2032	5.80%	1,030,000
	Brief description:	The property comprises a modern detached steel portal frame unit with part brick and block and part profiled panelled elevations beneath a pitched profiled metal panelled roof. The accommodation is situated at ground floor level and includes a six bay workshop, tyre store, paint store, staffroom and customer/staff WCs. All areas are in relatively good cosmetic condition. Externally there is a generous car park with capacity for approximately 18 vehicles.								
7	BRIDGWATER, 48-54 St John's Street	TA6 5HY	8,603	Freehold	1,200	63,886	20 03 2007	19 03 2032	5.95%	1,074,000
	Brief description:	This is a detached and refurbished property, comprising ground and first floor elements. The construction comprises traditional brick and steel portal frame, beneath a pitched roof structure. Ground floor includes 8 workshop bays, tyre stores, customer and staff WCs and a staffroom. There is a further tyre store at first floor level. Externally there is a car park with capacity for 10 vehicles.								
8	BRIDLINGTON, 32-36 St Johns Street	YO16 7JS	15,514	Freehold	2,700	115,927	20 03 2007	19 03 2032	6.10%	1,900,000
	Brief description:	The property comprises two adjoining single storey units, both of brick and block construction with multi-pitch steel-framed, corrugated sheet roofing with intermittent translucent panels. The Kwik Fit accommodation is situated at ground floor level and includes reception area, a six bay workshop, tyre store, staffroom and customer/staff WCs. The rear unit is formerly occupied as a gym and is currently vacant.								
9	BURNLEY, Caldervale Road	BB12 0EJ	3,489	Leasehold	1,200	32,460	20 03 2007	19 03 2032	6.10%	532,000
	Brief description:	The unit comprises a detached brick built unit of steel-portal framed construction beneath a pitched roof. Ground floor accommodation includes a welcoming reception area, 6-bay workshop, staffroom and toilets. Externally there is a good amount of parking provision with approximately 23 spaces. The site enjoys very good prominence.								
10	CARMARTHEN, Pensarn Road	SA31 2BS	4,895	Freehold	1,000	52,413	20 03 2007	19 03 2032	6.20%	845,000
	Brief description:	The property comprises a detached purpose built unit of steel portal frame construction, with a distinctive arched roof. The accommodation is entirely at ground floor level, comprising a reception area, 5 bay workshop, tyre stores, staffroom and staff/customer WCs. Externally there is a spacious car park with capacity for approximately 12 vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
11	CASTLEFORD, 92 Bridge Street	WF10 4LA	3,595	Freehold	600	25,040	20 03 2007	19 03 2032	5.80%	432,000
	Brief description:	The property comprises a single storey unit of block construction under a part pitched and part flat roof. The accommodation is situated at ground floor level and includes two workshops with a total of five bays, tyre store, staffroom and customer/staff WCs. Externally there is a small car park with capacity for five cars and two marked disabled spaces.								
12	CHAPEL ALLERTON, 232 Harrogate Road	LS7 4QD	12,358	Freehold	1,900	102,016	20 03 2007	19 03 2032	5.45%	1,872,000
	Brief description:	The property comprises two adjoining units of similar brick and block construction beneath largely pitched steel framed profiled metal panelled roof, with part flat roof to the smaller unit. The accommodation is situated at ground floor level and includes seven bays, inspection pit, tyre storage, staffroom and customer/staff WCs. Externally there are two parking areas with capacity for approximately 12 vehicles.								
13	CHELMSFORD, 103 New London Road	CM2 0PP	24,218	Freehold	2,400	197,077	20 03 2007	19 03 2032	5.20%	3,790,000
	Brief description:	The property comprises an extended, refurbished and very impressive Kwik-Fit Plus facility. The unit is formed of a double width commercial building, having been extended to the north to provide a high quality operation and one of the best examples in the Kwik-Fit UK network. There are 13 service bays in addition to internal parking bays as well as a small external car park.								
14	CLEVEDON, 119-120 Kenn Road	BS21 6JE	2,562	Freehold	1,200	30,104	20 03 2007	19 03 2032	6.20%	486,000
	Brief description:	The property comprises a detached two storey unit of traditional brick construction, trading as Kwik-Fit. Ground floor accommodation includes a reception area along with 3 bay workshop, tyre stores, staff/customer WCs and staffroom. Ancillary offices and stores are situated on the first floor, although we were unable to inspect this area. The external area is spacious with car parking for approximately 17 vehicles.								
15	COATBRIDGE, 320 Main Street	ML5 3RX	4,085	Freehold	1,300	36,733	20 03 2007	19 03 2032	5.70%	644,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with infill blockwork walls under a pitched and hipped tiled roof. The accommodation includes a reception, workshop with three bays (five service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronting the property has capacity for approximately 15 vehicles.								
16	CONGLETON, 46A West Road	CW12 4EU	4,275	Freehold	700	34,270	20 03 2007	19 03 2032	5.70%	601,000
	Brief description:	The unit comprises a brick built unit of concrete-framed construction beneath a pitched roof. Ground floor accommodation includes a dated reception area, workshop, staffroom and toilets. Externally there is limited parking provision. The site enjoys very good prominence.								
17	CROYDON, 3 Mitcham Road	CR0 3RU	4,393	Freehold	1,300	81,656	20 03 2007	19 03 2032	4.70%	1,737,000
	Brief description:	The property comprises a detached purpose built Kwik Fit of steel portal frame construction with brick elevations and a pitched roof. Internally in addition to the five bay workshop (including MOT) there is a reception area, tyre store and ancillary accommodation. Externally, there are 12 parking spaces arranged at the front of the property with the nine spaces along the side.								
18	DONCASTER, Wheatley Hall Road	DN2 4LP	2,988	Leasehold	900	26,878	27 07 2007	19 03 2032	6.95%	279,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick and block infill walls under a corrugated flat roof. The accommodation includes a reception, workshop with six bays (six service bays), office, tyre store (within the workshop), staffroom and customer and staff WC's. Externally a predominantly tarmacadam surfaced car park fronts and is to the west of the property and has capacity for approximately 15 vehicles.								
19	DUMFRIES, 40 Laurieknowe Road	DG2 7DA	2,168	Freehold	400	16,799	20 03 2007	19 03 2032	6.45%	260,000
	Brief description:	The property comprises a semi-detached single storey steel framed commercial unit with brick/block/natural stone infill walls under a double pitched roof. The accommodation includes a reception (within single storey side offshoot), workshop with three service bays, tyre stores (within the workshop and mezzanine level), store, staffroom and customer WC. Externally a small concrete surfaced car park fronts the property with capacity for approximately five vehicles.								
20	EDINBURGH, 69b Saughton Road North	EH12 7JB	3,410	Freehold	1,100	40,050	20 03 2007	19 03 2032	5.60%	715,000
	Brief description:	The property is single storey with brick elevations beneath a pitched roof encompassing a large roof light. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there is average parking provision with approximately 13 spaces.								
21	EDINBURGH, 19 Corstorphine Road	EH12 6DD	7,590	Freehold	900	81,149	20 03 2007	19 03 2032	5.45%	1,489,000
	Brief description:	The property is part single storey and part two storey with brick elevations beneath a flat roof. The accommodation is well presented and includes reception area, 7-bay workshop, staffroom and toilets. At first floor is office accommodation and a boardroom. Externally there is average parking provision with approximately 10 spaces.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
22	EDINBURGH, 81/91 Dundee Street	EH11 1AW	4,466	Leasehold	1,600	51,762	20 03 2007	19 03 2032	5.95%	855,000
	Brief description:	The property is predominantly single storey (small office at first floor) and of steel frame construction beneath a pitched roof. The accommodation includes office, workshops, staffroom and toilets.								
23	EDINBURGH, 107/109 Dundee Street	EH11 1AW	9,628	Leasehold	800	111,638	6 06 2007	19 03 2032	5.80%	1,739,000
	Brief description:	The property comprises an impressive facility. It is single storey and the accommodation includes office, two workshops, staffroom and toilets. There is good externally parking provision.								
24	ELLESMERE PORT, 116 Whitby Road	CH65 0AB	4,490	Freehold	900	38,974	20 03 2007	19 03 2032	5.60%	696,000
	Brief description:	The property comprises a detached, single storey unit of brick and steel frame construction under a pitched roof. Externally, there are 10 parking spaces, and internally the accommodation comprises a five bay workshop (including MOT), reception incorporating WC and staff facilities.								
25	ELTHAM, 727 Sidcup Road	SE9 3SA	4,723	Leasehold	600	41,807	20 03 2007	19 03 2032	6.95%	501,000
	Brief description:	The property comprises a concrete framed building with brick elevations and a pitched roof arranged over ground and basement levels. At ground floor level is a customer reception and five bay workshop. The basement is a tyre and parts storage area. Externally, there are six parking spaces arranged to the front of the building. At the rear of the property (accessed via a fire escape from the basement or externally over land occupied by Ford) is a small fenced area which is not being utilised and has been used for the storage of old cars and equipment.								
26	FORFAR, Queenswell Road	DD8 3JA	2,875	Freehold	1,090	26,878	20 03 2007	19 03 2032	5.95%	452,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick and block infill walls with cladding under a double pitched roof. The accommodation includes a reception, workshop with four bays (five service bays), MOT office, tyre store (within the workshop), store, staffroom and customer WC's. Externally a tarmacadam surfaced car park fronts and is to the east of the property and has capacity for approximately 20 vehicles.								
27	GLASGOW, 381 Pollokshaws Road	G41 1QZ	4,999	Freehold	2,100	50,428	20 03 2007	19 03 2032	5.45%	925,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick infill walls with cladding above under a slightly pitched roof. The accommodation includes a reception, workshop with five bays (eight service bays), tyre store (within the workshop), workshop office, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park has capacity for approximately 12 vehicles. The property appears to have been recently refurbished to a Kwik Fit Premier standard.								
28	GLENROTHES, Fullerton Road	KY7 5QR	4,500	Freehold	200	52,167	20 03 2007	19 03 2032	5.70%	915,000
	Brief description:	The property is single storey with brick elevations beneath a pitched roof. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there is a large parking area with approximately 17 car parking spaces.								
29	GOOLE, 142 Boothferry Road	DN14 6AG	4,082	Freehold	1,200	38,033	20 03 2007	19 03 2032	5.95%	639,000
	Brief description:	The property comprises a detached single storey steel portal framed commercial unit with brick infill walls under a double pitched roof. The accommodation includes a reception, workshop with three bays (four service bays), tyre store (within the workshop), staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts and is to the south of the property and has capacity for approximately 15 vehicles.								
30	GREAT YARMOUTH, 90 North Quay	NR30 1JT	5,314	Freehold	700	58,464	20 03 2007	19 03 2032	6.45%	906,000
	Brief description:	The property comprises a detached mainly single storey unit with a small first floor which has brick and glazed elevations. Internally, there is a reception area, four bay workshop and tyre store. The first floor comprises a timber floor tyre storage area.								
31	HELENSBURGH, 3 Charlotte Street	G84 7PH	2,950	Freehold	300	34,807	20 03 2007	19 03 2032	6.70%	520,000
	Brief description:	The property comprises a semi-detached single storey steel framed commercial unit with part painted/part unpainted rendered elevations under a double pitched roof. The accommodation includes a reception, workshop with two bays one of which was not in use (four service bays), staffroom and customer WC's. Tyre stores are provided within the workshop and on a mezzanine level. No parking is demised to the property albeit on-street parking is available in the vicinity.								
32	HORNCHURCH, Ardleigh Green Road	RM11 2ST	3,641	Freehold	800	46,371	20 03 2007	19 03 2032	4.95%	937,000
	Brief description:	The property comprises a detached single storey unit of brick and steel portal frame construction together with a multi-pitched roof structure. The accommodation is situated entirely at ground floor level and includes a 4 bay workshop, reception, tyre stores, staffroom and customer/staff WCs. There is a small car park with room for 7 vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
33	HUDDERSFIELD, Lockwood Road	HD1 3QU	5,206	Freehold	600	34,942	20 03 2007	20 03 2032	5.80%	602,000
	Brief description:	The property comprises a detached part two storey part single storey steel framed commercial unit with brick and block infill walls under a flat roof. The accommodation includes a reception, workshop with six bays (six service bays), MOT office, staffroom and customer and staff WC's to ground floor level. A tyre store is to the first floor. Externally a tarmacadam surfaced car park is to the rear (east) of the property and has capacity for approximately five vehicles.								
34	HYDE, 26-28 Manchester Road	SK14 2BD	5,134	Freehold	700	39,995	20 03 2007	19 03 2032	5.95%	672,000
	Brief description:	The unit comprises a two storey end terrace brick built unit with flat roof. Ground floor accommodation includes a dated reception area, 6-bay workshop, staffroom and toilets. At first floor is a tyre store.								
35	ISLINGTON, 379 Camden Road	N7 0SH	4,327	Leasehold	800	69,884	20 03 2007	26 09 2024	–	349,000
	Brief description:	The property comprises a five bay workshop which is set back from the road, the elevations are brick and the roof is supported by a steel truss. There is a reception area and staff welfare accommodation. The car park has a capacity of nine vehicles.								
36	KEIGHLEY, Worthway	BD21 5ET	3,576	Leasehold	800	33,598	20 03 2007	19 03 2032	6.95%	483,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick and block infill walls with cladding above to part under a pitched roof. The accommodation includes a reception, workshop with four bays (five service bays), MOT office, office, tyre store (within the workshop), staffroom and customer and staff WC's. Externally a concrete surfaced car park fronts the property and has capacity for approximately 11 vehicles.								
37	KEYNSHAM, Ashton Way	BS31 2UF	3,214	Freehold	800	33,619	20 03 2007	19 03 2032	5.80%	580,000
	Brief description:	The property comprises a detached purpose-built unit of steel portal frame construction, with block elevations beneath a pitched roof. The accommodation is at ground floor level and includes a reception area, 4 bay workshop, tyre store, staffroom and customer/staff WCs. Externally there is a small car park with capacity for 7 vehicles.								
38	KIDDERMINSTER, 20 Churchfields	DY10 2JL	3,849	Leasehold	900	28,982	20 03 2007	19 03 2032	7.20%	347,000
	Brief description:	The property comprises a detached steel portal frame unit with brick elevations beneath a pitched roof. The accommodation is situated principally at ground floor level and includes a 6 bay workshop, tyre store, staffroom and customer/staff WCs. A small first floor staff room and WC are excluded from the measured survey referred to below. Externally there is a small car park with capacity for approximately 8 vehicles.								
39	KILMARNOCK, 32/36 Low Glencairn Street	KA1 4DD	3,622	Freehold	900	55,101	20 03 2007	19 03 2032	5.80%	950,000
	Brief description:	The property comprises a detached single storey commercial unit of steel frame construction with brick and block infill walls with profile cladding above under a double pitched roof. The accommodation includes a reception, workshop with three bays (six service bays), tyre store (within the workshop), MOT office, workshop office, store, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park to the front of the property has capacity for approximately 11 vehicles.								
40	KIRKCALDY, 182 The Esplanade	KY1 2AQ	5,818	Freehold	1,000	46,903	20 03 2007	19 03 2032	5.95%	788,000
	Brief description:	The unit is single storey with brick elevations beneath a flat roof. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there is limited parking as the site is relatively compact.								
41	LEVEN, The Promenade	KY8 4PJ	4,850	Freehold	700	34,942	20 03 2007	19 03 2032	6.20%	564,000
	Brief description:	The unit is single storey and of concrete frame construction beneath a pitched roof. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there are approximately 5 car parking spaces.								
42	LINCOLN, 148-150 Newark Road	LN5 8QJ	4,819	Freehold	700	38,839	20 03 2007	19 03 2032	5.80%	670,000
	Brief description:	The property comprises a brick constructed unit with brick and profile clad elevations with a parapet wall obscuring the roof. Internally, the property comprises a reception, tyre store and ancillary areas, and incorporates four workshop bays and an MOT bay. A small area of the building (extending to perhaps 100 sq ft) was inaccessible at the time of our inspection. Externally, there are nine parking bays.								
43	LIVERPOOL, 232 Aigburth Road	L17 0BJ	4,095	Freehold	600	45,457	20 03 2007	19 03 2032	5.95%	764,000
	Brief description:	The property comprises a double bay unit of brick and block construction beneath a largely pitched, steel framed, profiled metal panelled trussed roof. Internally, the accommodation is arranged at ground floor level comprising a customer reception, three workshop bays and an MOT bay. The floor is solid concrete with an exposed ceiling to the workshops and a tiled floor with a suspended ceiling in the reception area. Externally the parking bays are tarmacadam surfaced and provide five parking bays and circulation space.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
44	LLANDUDNO, Conway Road	LL30 1DE	11,137	Leasehold	1,700	86,946	20 03 2007	19 03 2032	5.95%	1,457,000
	Brief description:	The property comprises a single storey, purpose built fast fit centre, having a steel truss supported pitched roof. The building is branded as "Kwik Fit Plus" and benefits from 22 car parking spaces. Internally, the property provides a reception, tyre storage area, staffroom, welfare facilities and a large workshop accommodating ten bays (including MOT).								
45	LOUGHBOROUGH, 24-29 The Rushes	LE11 5BG	6,177	Freehold	2,300	75,353	20 03 2007	19 03 2032	5.60%	1,346,000
	Brief description:	The property is a purpose built building having steel portal frame construction and brick and profile clad elevations. Internally there is a reception, tyre store and five workshop bays plus MOT. Externally, there are 40 parking spaces. The site is shared with a third party occupier, by way of a sub-lease from Kwik Fit.								
46	MIDDLESBROUGH, 3 Lansdowne Road	TS4 2LW	5,255	Freehold	1,300	79,022	20 03 2007	19 03 2032	5.70%	1,386,000
	Brief description:	The property comprises a detached L–shaped unit of brick and block construction beneath a steel-framed pitched roof with skylights to its apex. The accommodation is mainly at ground floor level and includes a 4 bay workshop, two MOT bays, staffroom and customer WCs, with mezzanine tyre storage and ancillary staff rooms. It is in generally good cosmetic order with the latest branding and fit-out. Externally there is parking for approximately 13 vehicles.								
47	MONTROSE, 24 George Street	DD10 8EW	2,726	Freehold	670	24,728	20 03 2007	19 03 2032	6.20%	399,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick infill walls under a roof that was not visible from ground floor level. The accommodation includes a reception, workshop with two bays (two service bays), tyre store (within the workshop and an adjoining bay), store, staffroom and customer WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately ten vehicles.								
48	MOTHERWELL, 99a Airbles Road	ML1 2TJ	6,220	Freehold	600	55,645	20 03 2007	19 03 2032	5.80%	959,000
	Brief description:	The property comprises a semi-detached single storey steel framed commercial unit with painted brick external elevations with cladding above under a part flat/part pitched roof. The accommodation includes a reception, workshop with three bays (six service bays), tyre store (within the workshop), MOT office, workshop office, staffroom and customer and staff WC's. Externally a sloping tarmacadam surfaced car park to the west of the property has capacity for approximately 11 vehicles.								
49	NORTHWICH, Leicester Street	CW9 5LQ	7,825	Freehold	700	63,164	20 03 2007	19 03 2032	6.10%	1,035,000
	Brief description:	The building is of brick and steel frame construction which is part single storey and part double storey, beneath a pitched roof. Ground floor accommodation includes a reception area, three separate workshops, staffroom and toilets. At first floor is ancillary accommodation. The site has good parking provision and has two access points.								
50	OBAN, Market Street	PA34 4HR	5,134	Freehold	370	38,488	20 03 2007	19 03 2032	6.95%	554,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with painted rendered and brick infill walls under a double pitched roof. The accommodation includes a reception, workshop with single bay (four service bays), store, staffroom and customer WC's. A tyre store is provided on a mezzanine level. Externally no parking is provided albeit on street parking and a large free car park is available in the vicinity.								
51	OLDHAM, Huddersfield Road	OL1 3HR	4,411	Freehold	1,300	41,661	20 03 2007	19 03 2032	5.95%	700,000
	Brief description:	The property comprises a detached single storey steel portal framed commercial unit with brick and block infill walls with cladding above under a double pitched roof. The accommodation includes a reception, workshop with three bays (five service bays), MOT office, tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately 12 vehicles.								
52	OLDHAM, Middleton Road/Lansdowne Road	OL9 9EG	4,819	Leasehold	1,300	35,614	20 03 2007	19 03 2032	7.70%	417,000
	Brief description:	The property comprises a detached part two storey part single storey commercial unit with brick and rendered infill walls under a flat roof. The accommodation includes a reception, workshop with six bays (five service bays), MOT office, store, staffroom and customer and staff WC's. A tyre store is to the first floor. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately 11 vehicles.								
53	OTLEY, Bondgate	LS21 3AB	6,247	Leasehold	1,000	44,052	20 03 2007	19 03 2032	6.00%	716,000
	Brief description:	The property comprises a relatively dated detached single-storey steel frame unit with brick/block elevations, partially clad with local stone to lower elevations and profiled metal sheet to upper parts, beneath a pitched corrugated cement sheet roof. The accommodation is situated at ground floor level and includes small reception area, a four vehicle workshop, rolling road, tyre store, staffroom and customer/staff WCs. Externally there is a small car park with capacity for approximately ten vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
54	PLYMOUTH, 125-129 Alexandra Road	PL4 7EG	9,725	Freehold	2,500	77,947	20 03 2007	19 03 2032	5.70%	1,367,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a pitched roof. The business trades as Kwik-Fit Plus, and the accommodation includes a 7 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a good sized car park with capacity for 17 vehicles.								
55	PONTYPRIDD, Sardis Road	CF37 1BA	4,718	Freehold	1,400	42,898	20 03 2007	19 03 2032	6.20%	692,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a flat roof. The accommodation includes a 5 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a good sized car park with capacity for approximately 15 vehicles.								
56	PORTSMOUTH, 94 East Surrey Street	PO1 1JY	5,927	Freehold	900	63,164	20 03 2007	19 03 2032	5.80%	1,089,000
	Brief description:	The property comprises a detached two storey unit with brick elevations and a parapet wall obscuring the roof. Internally, there is a reception, ancillary areas and a six bay workshop. At first floor level is a large tyre and parts store. Externally, there are eight parking spaces.								
57	PRESTON, Market Street	PR1 2HP	14,643	Leasehold	2,000	86,946	20 03 2007	19 03 2032	8.45%	801,000
	Brief description:	The property comprises a part one and part two storey unit formed of interconnecting buildings on a sloping site. The section operated by Kwik Fit is single storey and incorporates a reception, staff facilities, WC's and a rear tyre store in addition to the five bay workshop which also includes and MOT bay. To the left hand side of the Kwik Fit operation is a two storey building of traditional construction. Externally, there are 11 parking bays at the front of the site, with a roughly surfaced area at the rear on the upper portion of the site utilised for staff parking.								
58	RADCLIFFE, Bury Road	M26 2UG	3,074	Leasehold	900	26,663	20 03 2007	19 03 2032	6.20%	430,000
	Brief description:	The property is single-storey and of concrete frame and brick construction beneath a flat roof. The accommodation includes a reception area, workshop, staffroom and toilets. There is limited parking provision.								
59	RUTHERGLEN, 273 Main Street	G73 1EE	4,952	Freehold	800	42,468	20 03 2007	19 03 2032	5.45%	779,000
	Brief description:	The property comprises a detached two storey steel framed commercial unit with brick elevations under a flat roof. The accommodation includes a reception, workshop with three bays (five service bays), MOT office, store, staffroom and customer WC. To the first floor a tyre store, store, meeting room and staff WC are provided. Externally a tarmacadam surfaced car park fronting the property has capacity for approximately 11 vehicles. The property appears to have been recently refurbished to a Kwik Fit Premier standard.								
60	SHEFFIELD, 726 City Road	S2 1GJ	4,391	Leasehold	1,200	48,445	20 03 2007	19 03 2032	8.00%	564,000
	Brief description:	The property comprises a detached single storey steel portal framed commercial unit with brick and block infill walls with cladding above to part under a double pitched roof. The accommodation includes a reception, workshop with three bays (six service bays), MOT office, tyre store (within the workshop), staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately 10 vehicles.								
61	SHEFFIELD, Townhead Street	S1 1YG	7,479	Leasehold	9,230	57,188	20 03 2007	19 03 2032	6.20%	922,000
	Brief description:	The property comprises a semi-detached commercial unit of steel framed construction with brick and block infill walls under a part pitched part flat roof. The accommodation includes a reception, workshop with two bays (six service bays), MOT office, tyre store (within the workshop), store, staffroom and customer and staff WC's. A first floor above the reception provides storage accommodation. Externally a small concrete surfaced car park fronts the property and has capacity for approximately eight vehicles.								
62	SHIPLEY, 58 Briggate	BD17 7BT	4,834	Freehold	1,000	42,059	20 03 2007	19 03 2032	5.95%	707,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick and block infill walls with cladding above to part under a part flat and part pitched roof. The accommodation includes a reception, workshop with five bays (five service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately six vehicles. An additional tyre store is to the rear (north-eastern corner of the site) and is separately accessed to the main building.								
63	SKEGNESS, 50 Roman Bank	PE25 2SP	7,343	Freehold	1,100	59,132	20 03 2007	19 03 2032	6.30%	939,000
	Brief description:	The property comprises two split level light industrial buildings; to the front is a single bay workshop having a steel truss supported roof and comprising five workshop bays and an offset reception area. To the rear (accessed via stairs from the workshop or via a vehicle ramp to the side of the workshop) is a tyre storage area incorporating a small office mezzanine and an MOT bay.								
64	SOUTH CROYDON, 453 Brighton Road	CR2 6EW	6,544	Freehold	1,800	124,027	20 03 2007	19 03 2032	4.45%	2,787,000
	Brief description:	The property comprises a purpose built single storey steel framed building with a pitched roof and arranged in an "L" shape. Internally, there is a reception area, tyre store, ancillary accommodation and an 11 bay workshop. Externally, there is the capacity to park up to 19 vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
65	SOUTHPORT, 8 Ash Street	PR8 6JH	3,875	Freehold	500	26,084	20 03 2007	19 03 2032	5.70%	458,000
	Brief description:	The property comprises a single storey unit having brick elevations and a steel truss supported pitched roof. The internal accommodation comprises a customer reception, tyre store, mezzanine storage and a three-bay workshop.								
66	STIRLING, 11 Burghmuir Road	FK8 2DY	4,980	Freehold	1,000	57,964	20 03 2007	19 03 2032	5.70%	1,017,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with painted rendered external elevations with profile cladding above under a double pitched roof. The accommodation includes a reception, workshop with four bays (six service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a car park fronts the property and has capacity for approximately 75 vehicles.								
67	STONEHAVEN, 110 Barclay Street	AB39 2AP	5,998	Freehold	640	46,371	20 03 2007	19 03 2032	6.10%	760,000
	Brief description:	The property comprises a semi-detached single storey steel framed commercial unit with painted rendered and block infill walls under a roof that was not visible from ground floor level. The accommodation includes a reception, workshop with single bay with an additional bay that was not in use (four service bays), MOT office, tyre store (within the workshop), stores, staffroom and customer and staff WC's. Externally a very small concrete surfaced car park fronts the property and has capacity for approximately two vehicles. On street parking is available in the vicinity.								
68	SUNDERLAND, Monk Street	SR6 0BD	7,938	Freehold	1,000	56,225	20 03 2007	19 03 2032	5.70%	986,000
	Brief description:	The property comprises a detached part two- and part single-storey brick/block unit with brick elevations respectively beneath a part flat asphalt covered roof and part steel-framed pitched corrugated cement sheet roof to the workshop unit. The accommodation is mostly situated at ground floor level and includes a six bay workshop, customer waiting room and WCs.								
69	THORNBURY, 14 Mead Court	BS35 3UW	3,579	Leasehold	700	29,352	6 06 2007	19 03 2032	6.20%	473,000
	Brief description:	The property comprises a detached, refurbished two storey commercial unit of steel portal framed construction, utilising a mono pitched roof. The accommodation includes a 4 bay workshop, tyre stores, staffroom and customer/staff WCs, together with first floor stores. Externally there is a car park with capacity for approximately 10 vehicles.								
70	TOTTENHAM, 32 Monument Way	N17 9NX	5,451	Freehold	1,800	107,245	20 03 2007	19 03 2032	4.60%	2,331,000
	Brief description:	The property comprises a purpose built single storey building having a steel frame and a pitched roof. Internally, there is a reception area, tyre store, staff welfare facilities and an eight bay workshop. Parking is extensive, having 22 spaces arranged to the front and side of the site.								
71	TRURO, Treaswalls Road	TR1 3PY	9,626	Freehold	4,100	83,468	20 03 2007	19 03 2032	6.70%	1,246,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a pitched roof. The accommodation includes a 5 bay workshop, tyre stores, staffroom and customer/staff WCs. The Brandon Tool Hire unit comprises a trade counter, with reception area and stores. Externally there is a good sized car park with capacity for 18 vehicles, as well as yard space to the rear.								
72	WARRINGTON, Priestley Street/Garibaldi Street	WA5 1TE	5,721	Leasehold	500	44,748	20 03 2007	19 03 2032	7.45%	504,000
	Brief description:	Single storey unit of concrete frame construction beneath a flat roof. The accommodation includes a welcoming reception area, well presented workshop, staffroom and toilets. Externally there are approximately 12 car parking spaces. The site enjoys good prominence. The unit has access from the rear.								
73	WIGAN, Wallgate	WN5 0XG	10,236	Leasehold	4,900	87,355	20 03 2007	19 03 2032	5.80%	1,506,000
	Brief description:	The property comprises a single storey steel portal framed building with brick elevations which has been split to accommodate Kwik Fit (front section) and a third party occupier (rear section), the latter occupies on a sub-lease from Kwik Fit. We did not inspect the rear portion of the building (which was locked at the time of our inspection). The front section comprises customer reception, tyre store and a seven bay workshop. Externally, there is a large parking area capable of accommodating approximately 26 vehicles at the front, with a large service yard extending behind the rear section of the building.								
74	WORCESTER, 1 Carden Street, City Walls	WR1 2AX	8,535	Leasehold	1,400	82,961	6 06 2007	19 03 2032	7.20%	1,057,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a pitched roof. The accommodation, which was refurbished in late 2016, includes an 8 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a good sized car park with capacity for 10 vehicles.								
75	YOKER, 2369-2375 Dumbarton Road	G14 0NT	8,548	Freehold	1,000	63,760	20 03 2007	19 03 2032	6.10%	1,045,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with painted brick and pebbledash external elevations under a double pitched roof. The accommodation includes a reception, two workshop bays (six service bays), MOT office, tyre store (within the workshop), store, staffroom and customer WC's. Externally a concrete surfaced car park fronts the property and has capacity for approximately six vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
76	GLOUCESTER, Unit 3 Northbrook Road	GL4 3DP	16,814	Freehold	4,100	68,397	20 03 2007	19 03 2032	6.10%	1,121,000
	Brief description:	The property comprises a converted industrial premises occupying part ground and part first floor accommodation. The construction utilises traditional brick elevations together with a steel frame, beneath pitched roof structures. The premises trade as Central Tyres, together with a former training centre for Kwik-Fit. The Central Tyres unit consists of reception area, 6 bay workshop, stores, WCs and staffroom, whilst the former Kwik-Fit training centre (which we were unable to inspect) is understood to provide a training area with a 2 bay workshop, stores, first floor offices and WCs. Externally there is a large car park with room for approximately 50 vehicles.								
77	STIRLING, 1 Whitehouse Road	FK7 7SS	5,425	Freehold	2,000	37,028	20 03 2007	19 03 2032	6.30%	588,000
	Brief description:	The property comprises a detached commercial unit with block and painted rendered external elevations under a predominantly pitched roof. The accommodation includes reception, workshop, store and WC's. Externally there is a surfaced car park with capacity for approximately 15 vehicles.								
78	BARRHEAD, 17 Cross Arthurlie Street	G78 1QY	3,856	Leasehold	1,200	35,221	20 03 2007	19 03 2032	5.95%	591,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick infill walls with painted render to external elevations under a double pitched roof. The accommodation includes a reception, workshop with three bays (four service bays), tyre store (within the workshop), MOT office, staffroom and customer WC's. Externally a tarmacadam surfaced car park is to the front and south of the property and has capacity for approximately eight vehicles.								
79	BIRMINGHAM, 900/902 Coventry Road	B10 0UA	5,977	Leasehold	500	46,371	20 03 2007	19 03 2032	9.45%	406,000
	Brief description:	The property is a detached dated building which is part single storey and part two storey, with brick elevations. The accommodation includes a 4 bay workshop along with tyre store, WCs and additional storage at first floor level.								
80	EDINBURGH, 40a Portobello Road	EH8 7EH	4,006	Freehold	1,200	46,371	20 03 2007	19 03 2032	6.20%	748,000
	Brief description:	The property is single storey with mainly brick elevations beneath a pitched roof and is sub-leased to a third party occupier from Kwik-Fit. We were unable to inspect the property internally.								
81	LICHFIELD, 8-9 Europa Way	WS14 9TZ	1,835	Freehold	100	15,804	20 03 2007	19 03 2032	5.95%	266,000
	Brief description:	The property is a single mid-terrace unit of steel portal frame construction beneath a flat roof. The unit has been rebranded Tyre City. Accommodation includes reception, 4-bay workshop, trye store and WCs.								
82	NELSON, 130 Leeds Road	BB9 9XB	4,645	Leasehold	700	36,334	20 03 2007	19 03 2032	6.70%	542,000
	Brief description:	The building is of concrete frame construction which is part single storey and part double storey, beneath a flat roof. Ground floor accommodation includes a small dated reception area, workshop, staffroom and toilets. At first floor is a tyre store.								
83	THORNABY ON TEES, 212 Thornaby Road	TS17 8AA	5,169	Freehold	800	41,661	20 03 2007	19 03 2032	5.80%	718,000
	Brief description:	The property comprises a well presented modern detached steel portal frame unit with brick/block elevations beneath a pitched profile metal pannelled roof. The accommodation includes a three bay workshop, tyre store, reception and WCs to ground floor. The first floor is mainly given over to tyre storage with staff ancillary rooms and goods lift to one end. Externally there is a small car park with capacity for approximately ten cars including two marked disabled spaces.								
84	WESTON-SUPER-MARE, Winterstoke Road	BS23 3YE	2,849	Freehold	300	31,609	20 03 2007	19 03 2032	6.10%	518,000
	Brief description:	The property comprises a detached, converted two storey unit of brick construction, utilising a flat roof. The accommodation includes a 3 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a small car park with capacity for 5 vehicles.								
Aggregate			**505,381**			**4,513,053**				**74,150,000**

Trustee's Report

Spring Asset Management Limited
(in its capacity as the Manager of Spring REIT)
Room 2801, 28/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Dear Sirs,

Spring Real Estate Investment Trust
Annual Confirmation for the period from 1 January 2017 to 31 December 2017

We hereby confirm that, in our opinion, the Manager of Spring Real Estate Investment Trust ("**Spring REIT**") has, in all material respects, managed Spring REIT in accordance with the provisions of the Trust Deed dated 14 November 2013 (as amended by the First Supplemental Deed dated 22 May 2015) for the period from 1 January 2017 to 31 December 2017.

DB Trustees (Hong Kong) Limited
(in its capacity as the Trustee of Spring Real Estate Investment Trust)

Hong Kong, 22 January 2018

羅兵咸永道

To the Unitholders of
Spring Real Estate Investment Trust
(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Opinion

What we have audited

The consolidated financial statements of Spring Real Estate Investment Trust (the "Spring REIT") and its subsidiaries (together the "Group") set out on pages 104 to 138, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in net assets attributable to the Unitholders for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of distributions for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Investment Properties	
Refer to note 2(e), 4(a) and 13 to the consolidated financial statements The valuation of the Group's investment properties is a key component of the net asset value attributable to the Unitholders and underpins the Group's result for the year. The valuation of investment properties in the consolidated statement of financial position was US$1,488 million as at 31 December 2017 and the fair value gain of investment properties for the year ended 31 December 2017 was US$4.8 million. The valuation of the Group's investment properties is inherently subjective to, among other factors, the individual nature of the property, its location and the expected future rentals for that particular property. The valuation was carried out by a third party valuer (the "Valuer"). The Valuer was engaged by the Manager of Spring REIT (the "Manager"). The Valuer has considerable experience of the market in which the Group operates. In determining investment properties' valuation, the Valuer adopted the income capitalisation approach cross-checked by the direct comparison approach where applicable. The Valuer took into account property-specific information such as the current tenancy agreements and rental income in the valuation process. The Valuer applies assumptions for capitalisation rate and market rent, which are influenced by the prevailing market yields and comparable market transactions. The existence of significant estimation uncertainty on the key assumptions warrants specific audit focus in this area.	We read the Valuer's reports which confirm that the valuation was prepared in accordance with the HKIS Valuation Standards (2017 Edition), the RICS Valuation – Professional Standards (July 2017) and the REIT Code. We assessed the Valuer's competence and read its terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We checked on a sample basis on the data used by the Valuer from which the valuation was based upon. This data included key terms of lease agreements and rental income schedules which we agreed to appropriate supporting documentation. We involved our internal valuation specialists on the audit of this area. We discussed with the Manager and the Valuer the valuation approaches and the key assumptions. We compared the estimates and assumptions used by the Valuer against published industry benchmarks and comparable market transactions. We evaluated whether assumptions were appropriate in light of the evidence provided by the Valuer. We considered that the assumptions used in the valuation were supportable in light of available and comparable market evidence.

Other Information

The Manager is responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and the Audit Committee for the Consolidated Financial Statements

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 14 November 2013, as amended by the First Supplemental Deed dated on 22 May 2015 (the "Trust Deed"), and the relevant disclosure requirements of Appendix C of the Code on Real Estate Investment Trusts established by the Hong Kong Securities and Futures Commission (the "REIT Code").

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material aspects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Matters Under the Relevant Provisions of the Trust Deed and the Relevant Disclosure Provisions of Appendix C of the REIT Code

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chi Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 US$'000	2016 US$'000
Revenues	5	**76,695**	75,431
Property operating expenses	6	**(19,615)**	(18,593)
Net property income		**57,080**	56,838
General and administrative expenses	7	**(11,761)**	(9,428)
Fair value gain of investment properties	13	**4,807**	100,477
Other losses, net	8	**(5,147)**	(5,214)
Operating profit		**44,979**	142,673
Finance income		**482**	519
Finance costs on interest-bearing borrowings	9	**9,874**	(51,898)
Profit before taxation and transactions with Unitholders		**55,335**	91,294
Income tax expense	10	**(175)**	–
Profit for the year, before transactions with Unitholders (note i)		**55,160**	91,294
Distributions paid to Unitholders:			
– 2015 final distribution		**–**	(18,238)
– 2016 interim distribution		**–**	(18,902)
– 2016 final distribution (note ii)		**(14,568)**	–
– 2017 interim distribution (note ii)		**(15,257)**	–
		25,335	54,154
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		**80,439**	(2,004)
Amount arising from exchange reserve movements regarding translations of financial statements		**(55,104)**	56,158
		25,335	54,154

Notes:

(i) Earnings per unit, based upon profit for the year, before transactions with Unitholders and the weighted average number of units in issue, is set out in note 12.

(ii) 2017 interim distribution and 2016 final distribution of US$15,257,000 and US$14,568,000 respectively were paid during the year ended 31 December 2017. Total distribution for the year ended 31 December 2017 is presented in the statement of distributions.

The notes on pages 111 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	Before transactions with Unitholders US$'000	Transactions with Unitholders (note i) US$'000	After transactions with Unitholders US$'000
For the year ended 31 December 2017				
Profit for the year		**55,160**	**(110,264)**	**(55,104)**
Other comprehensive income:				
Items that may be reclassified to consolidated income statement				
Exchange gains on translation of financial statements		**55,104**	**–**	**55,104**
Total comprehensive income for the year	ii	**110,264**	**(110,264)**	**–**
For the year ended 31 December 2016				
Profit for the year		91,294	(35,136)	56,158
Other comprehensive loss:				
Items that may be reclassified to consolidated income statement				
Exchange losses on translation of financial statements		(56,158)	–	(56,158)
Total comprehensive income for the year	ii	35,136	(35,136)	–

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of US$29,825,000 (2016: US$37,140,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is an increase of US$80,439,000 (2016: a decrease of US$2,004,000).

(ii) In accordance with the Trust Deed, Spring REIT is required to distribute not less than 90% of total distributable income to Unitholders for each financial year. Accordingly, the units contain contractual obligations of Spring REIT to pay cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with International Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders' funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issuance of new units, are part of finance costs which are recognized in the consolidated income statement. Accordingly, the total comprehensive income, after transactions with Unitholders is zero.

The notes on pages 111 to 138 are an integral part of these consolidated financial statements.

Statement of Distributions

For the year ended 31 December 2017

	2017 US$'000	2016 US$'000
Profit for the year, before transactions with Unitholders	**55,160**	91,294
Adjustments:		
– Fair value gain of investment properties	**(4,807)**	(100,477)
– Net fair value losses of derivative financial instruments	**8,082**	4,447
– Manager's fee expenses in units in lieu of cash	**5,595**	4,506
– Amortization of transaction costs for the bank borrowings	**2,347**	3,199
– Unrealized foreign exchange (gains)/losses	**(32,410)**	32,903
Distributable income for the year (note i)	**33,967**	35,872
Total distributions of the year (note ii)	**33,967**	33,451
Represented by:		
Interim distribution, paid (note iii)	**15,257**	18,902
Final distribution, to be paid	**18,710**	14,549
Total distributions of the year (note ii)	**33,967**	33,451
Percentage of total distributions over distributable income for the year	**100%**	93%
Distributions per unit to Unitholders		
– Interim distribution per unit, paid (note iii)	**HK9.5 cents**	HK13.0 cents
– Final distribution per unit, to be paid (note iv)	**HK11.6 cents**	HK10.0 cents
Distribution per unit for the year (note iv)	**HK21.1 cents**	HK23.0 cents

Notes:

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

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

(iii) The interim distribution per unit for the six months ended 30 June 2017 was calculated based on the interim distribution of US$15,257,000 for the period and 1,251,315,163 units in issue. The interim distribution was paid to Unitholders on 22 September 2017.

(iv) The final distribution per unit of HK11.6 cents for the year ended 31 December 2017 is calculated based on the final distribution to be paid to Unitholders of US$18,710,000 for the second half of the financial year and 1,257,705,732 units in issue as at 31 December 2017, rounded to the nearest HK0.1 cent, without taking into account any consideration or subdivision of units which may have occurred between the dates of declaration of the distribution and 18 April 2018 (the "Record Date"). The final distribution for the year ended 31 December 2017 is expected to be paid to Unitholders on 27 April 2018. Such final distributions per unit, however, may be subject to adjustment upon the issuance of new units between 1 January 2018 and the Record Date, if any.

The final distribution per unit of HK10.0 cents for the year ended 31 December 2016 was calculated based on the final distribution paid to the Unitholders of US$14,549,000 for the second half of the financial year and 1,130,562,940 units in issue as at 31 December 2016, rounded to the nearest HK0.1 cent. The final distribution for the year ended 31 December 2016 was paid to Unitholders on 28 April 2017.

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

The notes on pages 111 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	As at 31 December 2017 US$'000	2016 US$'000
Non-current asset			
Investment properties	13	**1,488,059**	1,296,616
Total non-current asset		**1,488,059**	1,296,616
Current assets			
Trade and other receivables	15	**4,525**	2,421
Derivative financial instruments	14	**–**	2,670
Restricted bank balances	16	**72,701**	50,631
Cash and cash equivalents	16	**21,310**	28,825
Total current assets		**98,536**	84,547
Total assets		**1,586,595**	1,381,163
Current liabilities			
Interest-bearing borrowings	18	**50,005**	–
Trade and other payables	17	**13,878**	13,342
Rental deposits	17	**24,360**	20,640
Income tax payable		**476**	–
Total current liabilities		**88,719**	33,982
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	18	**497,472**	480,499
Total liabilities, excluding net assets attributable to Unitholders		**586,191**	514,481
Net assets attributable to Unitholders		**1,000,404**	866,682
Units in issue ('000)	19	**1,257,706**	1,130,563
Net asset value per unit attributable to Unitholders			
In US$		**0.80**	0.77
In HK$		**6.22**	5.95

The notes on pages 111 to 138 are an integral part of these consolidated financial statements.

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

Leung Kwok Hoe, Kevin
Executive Director

Nobumasa Saeki
Executive Director

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2017

	Reserves (note) US$'000	Net assets attributable to Unitholders US$'000
As at 1 January 2017	**–**	**866,682**
Profit after taxation and before transactions with Unitholders	**–**	**55,160**
Exchange gains on translation of financial statements	**55,104**	**–**
Amount arising from exchange reserve movements	**(55,104)**	**55,104**
Distributions paid to Unitholders:		
– 2016 final distribution	**–**	**(14,568)**
– 2017 interim distribution	**–**	**(15,257)**
Change in net assets attributable to Unitholders for the year ended 31 December 2017, excluding issues of new units	**–**	**80,439**
Issuance of units (note 19)	**–**	**53,283**
As at 31 December 2017	**–**	**1,000,404**

Note: Reserves include exchange reserve, arising from translation of financial statements and retained earnings, representing amount set aside to offset exchange reserve movements.

Consolidated Statement of Changes in Net Assets Attributable to Unitholders (Continued)

For the year ended 31 December 2017

	Reserves (note) US$'000	Net assets attributable to Unitholders US$'000
As at 1 January 2016	–	864,224
Profit for the year, before transactions with Unitholders	–	91,294
Exchange losses on translation of financial statements	(56,158)	–
Amount arising from exchange reserve movements	56,158	(56,158)
Distributions paid to Unitholders:		
– 2015 final distribution	–	(18,238)
– 2016 interim distribution	–	(18,902)
Change in net assets attributable to Unitholders for the year ended 31 December 2016, excluding issues of new units	–	(2,004)
Issuance of units	–	4,462
As at 31 December 2016	–	866,682

Note: Reserves include exchange reserve, arising from translation of financial statements and retained earnings, representing amount set aside to offset exchange reserve movements.

The notes on pages 111 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 US$'000	2016 US$'000
Cash flows from operating activities			
Cash generated from operations	20	**52,150**	50,883
Interest received		**482**	519
Income tax paid		**(29)**	–
Net cash generated from operating activities		**52,603**	51,402
Cash flows from investing activities			
Additions to investment properties		**(419)**	(1,124)
Acquisition of investment properties		**(49,620)**	–
Net cash used in investing activities		**(50,039)**	(1,124)
Cash flows from financing activities			
Proceeds from issuance of new units		**48,001**	–
Proceeds from borrowings, net of transaction cost		**49,380**	–
Repayment of borrowings		**(33,735)**	–
Interest paid		**(17,473)**	(16,542)
(Increase)/decrease in restricted bank balances		**(21,195)**	1,456
Distributions to Unitholders		**(29,825)**	(37,140)
Settlement of derivative financial instruments		**(5,412)**	–
Net cash used in financing activities		**(10,259)**	(52,226)
Net decrease in cash and cash equivalents		**(7,695)**	(1,948)
Cash and cash equivalents at the beginning of the year		**28,825**	30,857
Exchange gains/(losses) on cash and cash equivalents		**180**	(84)
Cash and cash equivalents at end of year		**21,310**	28,825

The notes on pages 111 to 138 are an integral part of these consolidated financial statements.

1 General Information

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

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

The consolidated financial statements are presented in United States dollars ("US$"). The functional currency of Spring REIT is Hong Kong dollars ("HK$"), the distribution of Spring REIT is determined and paid in HK$.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during the year unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Interpretations ("Int") issued by the International Accounting Standards Board ("IASB"), the requirements of the Trust Deed and the relevant disclosure requirements as set out in Appendix C of the REIT Code issued by the Securities and Futures Commission of Hong Kong.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Amendments and improvements to existing standards adopted by the Group

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

Amendments and improvements to existing standards effective in 2017 which are relevant to the Group's operations:

IAS 7 Amendments	Disclosure Initiative
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealized Loss
IFRS 12 Amendments	Annual Improvements to IFRSs 2014-2016 Cycle

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

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

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

		Effective for accounting periods beginning on or after
IAS 40 Amendments	Transfers of Investment Property	1 January 2018
IFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 Amendments	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 Amendments	Clarifications to IFRS 15	1 January 2018
Annual Improvements Project IFRS 1 and IAS 28	Annual Improvements to IFRS 2014 – 2016 Cycles	1 January 2018
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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

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

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of Spring REIT and its subsidiaries as at 31 December 2017 and their results for the year then ended.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated in full on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, for rental income in the ordinary course of the Group's activities. Amounts disclosed as revenue are net of returns and amounts collected on behalf of third parties. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Rental and car park income

Operating lease rental income from investment properties is recognized in the consolidated income statement on a straight-line basis over the terms of lease agreements. Lease incentives provided, such as rent-free periods, are amortized on a straight-line basis and are recognized as a reduction of rental income over the respective term of the lease.

(ii) Interest income

Interest income is recognized on a time proportion basis using the effective interest method.

(d) Property operating expenses

Property operating expenses include property related outgoings and other expenses, are recognized on an accrual basis.

2 Summary of Significant Accounting Policies (Continued)

(e) Investment properties

Investment properties, principally comprising freehold or leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss.

(f) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at its fair value at the end of each reporting year. The change in the fair value is recognized in the consolidated income statement. At the initial recognition of the derivatives financial instrument, the difference between the transaction price and the valuation using valuation technique that applies only the market observable date is not recognized in income statements, such difference will be amortized over the life of the derivatives in a systematic basis.

(g) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognized as deferred rent receivables. The aggregate benefit of incentives is recognized as a reduction of rental income on a straight-line basis.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.

2 Summary of Significant Accounting Policies (Continued)

(i) Interest-bearing borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(j) Borrowing costs

Borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

(k) Payables and provisions

(i) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(ii) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

(iii) Rental deposit

Rental deposits arise when the Group enters into lease agreement directly with a tenant. Such deposits are included in current liabilities, as they are expected to be realized in the Group's normal business operating cycle.

2 Summary of Significant Accounting Policies (Continued)

(l) Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of Significant Accounting Policies (Continued)

(m) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Spring REIT's functional currency is HK$. The consolidated financial statements are presented in US$ to facilitate analysis of financial information by Unitholders.

The Group's functional currency is different from the presentation currency and the results and financial position are translated into the presentation currency as follows:

(i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within other gains or losses.

Translation differences on non-monetary financial assets and liabilities such as derivatives held at fair value through profit or loss are recognized in the consolidated income statement as part of the fair value gains or losses. Translation differences on other non-monetary financial assets are included in other comprehensive income.

(n) Unitholders' funds as a financial liability

In accordance with the Trust Deed, Spring REIT is required to distribute to Unitholders not less than 90% of the Group's total distributable income for each financial year. Accordingly, the units contain a contractual obligation of the trust to pay to its Unitholders cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with IAS 32: Financial Instruments: Presentation. It is shown on the consolidated statement of financial position as the net assets attributable to Unitholders.

3 Financial Risk and Capital Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Market risk

(i) Foreign exchange risk

The subsidiaries of the Group operate in the People's Republic of China (the "PRC") and the United Kingdom (the "UK") with functional currency in Renminbi ("RMB") and British Pound Sterling ("GBP") respectively. It is therefore exposed to foreign exchange risk arising from commercial transactions, and from recognized assets and liabilities that are denominated in a currency that is not the functional currency. This is primarily with respect to the US$.

In December 2016, the Group entered into two 3-month vanilla forward contracts to buy US$ and sell RMB with notional amount of US$120 million each to hedge the foreign exchange rate risk. The forward contracts had a contract rate of US$1 to RMB7.0293 and RMB7.0495 respectively and were settled in March 2017.

As at 31 December 2017, if RMB had strengthened/weakened by 5% against the US$ with all other variables held constant, profit for the year would have been increased/decreased by US$20,795,000 (2016: increased/decreased by US$21,627,000) respectively, mainly as a result of foreign exchange differences on translation of monetary assets and liabilities being denominated in RMB that is not the functional currency items in the PRC such as cash and bank balance, other payables and borrowings.

As at 31 December 2017, if GBP had strengthened/weakened by 5% against the US$ with all other variables held constant, profit for the year would have been decreased/increased by US$850,000 (2016: Nil) respectively, mainly as a result of foreign exchange differences on translation of monetary assets being denominated in GBP that is not the functional currency items in the UK such as cash and bank balance.

Foreign exchange differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits at variable rate. Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use plain vanilla interest rate caps to manage the risk where the Group forecasts a significant rise in interest rate in the foreseeable future.

As at 31 December 2017, if interest rates had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been US$2,274,000 (2016: US$2,003,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 Financial Risk and Capital Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under financial contracts. The Group is exposed to credit risk on its deposits with financial institutions, derivative financial instruments as well as trade and other receivables.

For deposits with financial institutions, the Group has limited its credit exposure by restricting their selection of financial institutions to reputable banks with sound credit ratings.

In respect of credit exposures to tenants, credit risk exposure is minimized by undertaking transactions with a large number of counterparties and conducting credit evaluations on prospective tenants before lease agreements are entered into with tenants. Monthly rentals are payable in advance by tenants in accordance with the leases. The Group also has policies in place to ensure that rental security deposits are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses is made for irrecoverable amounts.

(c) Liquidity risk

Cash flow forecasting is performed by the Group's finance function ("Group Finance"). Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities (note 18) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial position ratio targets and, if applicable external regulatory or legal requirements.

Liquidity risk management includes maintaining sufficient cash, the availability of funding from operating cash flow and seeking stable financing activities. The Group will continue to monitor market conditions to assess the possibility of arranging longer term refinancing at favorable rates and extending the maturity profile of its debts.

3 Financial Risk and Capital Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows which comprise both interest and principal cash flows.

	Within 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2017				
Trade and other payables	**3,081**	**–**	**–**	**–**
Rental deposit	**5,161**	**13,039**	**5,503**	**657**
Income tax payable	**476**	**–**	**–**	**–**
Interest payable on borrowings	**16,035**	**17,702**	**5,890**	**–**
Interest-bearing borrowings	**98,854**	**–**	**450,000**	**–**
At 31 December 2016				
Trade and other payables	2,712	–	–	–
Rental deposit	5,204	4,804	10,269	363
Interest payable on borrowings	19,105	21,889	31,959	–
Interest-bearing borrowings	–	–	480,000	–

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Unitholders.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total assets.

	As at 31 December 2017 US$'000	2016 US$'000
Total borrowings (note 18)	**547,477**	480,499
Total assets	**1,586,595**	1,381,163
Gearing ratio	**34.5%**	34.8%

3 Financial Risk and Capital Risk Management (Continued)

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents financial instruments that are measured at fair values.

At 31 December 2017	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Asset				
Derivative financial instruments	**–**	**–**	**–**	**–**

At 31 December 2016	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Asset				
Derivative financial instruments	–	2,670	–	2,670

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

Valuation techniques used to derive the fair values of the derivatives are as follows:

As at 31 December 2017, the Group did not have any derivative financial instruments outstanding.

As at 31 December 2016, the level 2 derivative financial instruments represented vanilla forward contracts which are not traded in an active market. The fair values of these derivative financial instruments are based on prices quoted by financial institutions, which are determined using forward prices at the end of the reporting period.

There were no changes in valuation techniques during the year.

The disclosures of the investment properties, that is measured at fair value, are set out in note 13.

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 13.

(b) Taxation

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

5 Revenue and Segment Information

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

For the year ended 31 December 2017, revenue of US$73.9 million (2016: US$75.4 million) is attributable to tenants from the PRC investment properties and US$2.8 million (2016: Nil) is attributable to tenants from the UK investment properties. As at 31 December 2017, non-current assets of US$1,388 million (2016: US$1,297 million) is located in the PRC and US$100 million (2016: Nil) is located in the UK.

5 Revenue and Segment Information (Continued)

An analysis of revenues of the Group is as follows:

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Revenues		
Rental income (note i)	**74,909**	72,645
Car park income	**511**	566
Other income (note ii)	**1,275**	2,220
	76,695	75,431

Note:

(i) With effect from 1 May 2016, the business tax in the PRC formerly applicable to the Group was replaced by the value-added tax ("VAT"). VAT is a tax detached from selling price and pursuant to the IFRS, the rental income from 1 May 2016 onwards is presented in the financial statements as excluding any VAT collected by Spring REIT on behalf of the relevant tax authorities. Relevant business tax of rental income borne by the Group before 1 May 2016 was included in property operating expenses (note 6).

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

6 Property Operating Expenses

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Property management fee	**1,662**	1,617
Property tax (note i)	**8,681**	6,286
Business tax (note ii)	**–**	1,401
Other taxes (note iii)	**1,027**	972
Withholding tax (note iv)	**7,274**	7,564
Leasing commission	**777**	623
Others	**194**	130
	19,615	18,593

Notes:

(i) Property taxes represent real estate tax and land use tax in the PRC. With effect from 1 July 2016, real estate tax applicable to the Group's Beijing properties is calculated: (a) for leased area, at 12% of rental income; and (b) for vacant area, at 1.2% of the residual value of the relevant area. Prior to the change, real estate tax was charged at the rate of 1.2% of the residual value of the property.

(ii) With effect from 1 May 2016, the business tax in the PRC formerly applicable to the Group was replaced by the VAT.

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

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

7 General and Administrative Expenses

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Manager's fee (note i)	**8,164**	7,258
Trustee fee	**239**	243
Valuation fee	**49**	85
Auditor's remuneration		
– Audit services	**202**	182
– Non-audit services	**152**	88
Legal and other professional fee (note ii)	**2,501**	1,358
Others	**454**	214
	11,761	9,428

Notes:

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

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

8 Other Losses, Net

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Net fair value losses on derivative financial instruments at fair value through profit or loss	**8,082**	4,447
Foreign exchange (gains)/losses	**(2,955)**	746
Other miscellaneous losses	**20**	21
	5,147	5,214

9 Finance Costs

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Interest expenses on bank borrowings (note i)	**19,431**	19,741
Foreign exchange (gains)/losses on bank borrowings (note ii)	**(29,455)**	32,157
Other incidental borrowing costs	**150**	–
	(9,874)	51,898

Notes:

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

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

10 Income Tax Expense

For the subsidiary with operation in the PRC, it is not subject to the corporate income tax. It is subject to withholding tax as disclosed in note 6(iv).

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

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

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

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Current income tax	**175**	–

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 year are as follows:

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Profit before income tax and transactions with Unitholders	**55,335**	91,294
Exclude profit from the PRC operation which is not subject to income tax (note 6(iv))	**(62,689)**	(99,754)
	(7,354)	(8,460)
Tax calculated at the domestic rates applicable to profits in the country concerned	**(1,128)**	(1,396)
Income not subject to tax	**(442)**	(1)
Expenses not deductible for tax purposes	**1,745**	1,397
	175	–

11 Manager's Fee

	Year ended 31 December 2017 US$'000	2016 US$'000
Base fee	**5,493**	5,635
Variable fee	**1,715**	1,623
Acquisition fee	**956**	–
	8,164	7,258

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).

(iii) The acquisition fee is 1% of the base purchase price for the acquisition of investment properties in the UK.

Based on the election made by the Manager dated 12 December 2016 in relation to the Manager's elections for the Base Fee to be paid to the Manager in the form of Units as entirely, and Variable Fee to be paid to the Manager in the form of cash entirely, arising from any real estate of Spring REIT for the year ended 31 December 2017 in accordance with the Trust Deed.

Such election for the year ended 31 December 2016 was for Base Fee payable in the form of cash as to 20% and in the form of Units as to 80%, and for Variable Fee payable in the form of cash entirely.

The acquisition fee has been paid to the Manager in the form of cash entirely.

12 Earnings Per Unit

	2017 US$'000	2016 US$'000
Profit for the year, before transactions with Unitholders	**55,160**	91,294
Weighted average number of units for the year for calculating basic earnings per unit	**1,206,452,143**	1,125,241,731
Adjustment for units issuable in respect of the Manager's fee	**3,206,937**	2,719,873
Weighted average number of units for the year for calculating diluted earnings per unit	**1,209,659,080**	1,127,961,604
Basic earnings per unit based upon profit before transactions with Unitholders	**US4.57 cents**	US8.11 cents
Diluted earnings per unit based upon profit before transactions with Unitholders	**US4.56 cents**	US8.09 cents

13 Investment Properties

	Year ended 31 December	
	2017 US$'000	2016 US$'000
At beginning of the year	**1,296,616**	1,283,552
Additions	**419**	1,124
Acquisition (Note ii)	**95,654**	–
Exchange differences recognized in other comprehensive income	**90,563**	(88,537)
Changes in fair value recognized in consolidated income statement	**4,807**	100,477
At end of the year	**1,488,059**	1,296,616

Notes:

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

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

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

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

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

As at 31 December 2016 and 31 December 2017, the investment properties were pledged to secure the Group's bank borrowings (note 18).

13 Investment Properties (Continued)

Valuation process

The Group's investment properties were valued by an independent qualified valuer not connected to the Group who holds a recognized 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 31 December 2017 and 31 December 2016, the fair values of the investment properties have been determined by Knight Frank Petty Limited. The independent valuer adopted the income capitalization approach and cross-checked by the direct comparison approach for the valuation where applicable.

Valuation techniques

(i) PRC investment property

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

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

(ii) UK investment properties

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

13 Investment Properties (Continued)

Fair value hierarchy

	Fair value measurements using		
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurements			
As at 31 December 2017	**–**	**–**	**1,488,059**
As at 31 December 2016	–	–	1,296,616

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

Key unobservable inputs used to determine fair values

(i) PRC investment properties

(a) Capitalization rate

This is estimated based on the market lease over market value on comparable. The higher the capitalization rates used, the lower the fair values of the investment properties. In the 31 December 2017 valuation, a capitalization rate of 5.8% (2016: 5.8%) is used in the income capitalization approach.

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The average gross monthly office unit base rent of RMB409 (2016: RMB405) per square meter exclusive of VAT is used in the valuation. The corresponding amount inclusive of VAT is RMB454 (2016: RMB450) per square meter.

(ii) UK investment properties

(a) Capitalization rate

This is estimated based on the market lease over market value on comparable. The higher the capitalization rate used, the lower the fair values of the investment properties. In the 31 December 2017 valuations, the capitalization rate used in the income capitalization approach of 84 investment properties range from 4.45% to 9.45%.

(b) Base rent

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

As at 31 December 2017, if the market value of investment properties had been 5% higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been US$74.4 million (2016: US$64.8 million) higher/lower.

14 Derivative Financial Instruments

	As at 31 December	
	2017	2016
	US$'000	US$'000
Current		
Fair value of the forward contracts	**–**	2,670
	–	2,670

Notes:

The Group had entered into forward contracts as part of its financial risk management but did not account for these as hedge accounting under IAS 39. Fair value gains or losses on derivative financial instruments were charged to the consolidated income statement (note 8). Forward contracts were used to hedge the relevant foreign exchange rate risk.

The aggregated notional principal amount of the forward contracts was US$240 million and were settled in March 2017.

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

15 Trade and Other Receivables

	As at 31 December	
	2017	2016
	US$'000	US$'000
Rent receivables	**8**	178
Deferred rent receivables (note iv)	**4,133**	1,871
Prepayment	**365**	372
Other receivable	**19**	–
	4,525	2,421

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.

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

(ii) The Group's exposure from outstanding rent receivables in the PRC is generally fully covered by the rental deposits from the corresponding tenants (note 17).

(iii) As at 31 December 2017 and 2016, the rent receivables and all future rent receivables in the PRC were pledged to secure the Group's bank borrowings in the PRC (note 18).

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

16 Restricted Bank Balances and Cash and Cash Equivalents

	As at 31 December	
	2017	2016
	US$'000	US$'000
Restricted bank balances	**72,701**	50,631
Cash and cash equivalents	**21,310**	28,825
	94,011	79,456

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

	As at 31 December	
	2017	2016
	US$'000	US$'000
US$	**56,146**	49,873
RMB	**33,354**	28,103
HK$	**1,875**	1,480
GBP	**2,636**	–
	94,011	79,456

Restricted bank balances are related to bank accounts restricted under the bank borrowing facility agreements of the Group's bank borrowings (note 18).

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. Included in the unrestricted bank balances, there is an amount of US$6,000 which is denominated in RMB as at 31 December 2017 (2016: US$6,000).

17 Rental Deposits and Trade and Other Payables

	As at 31 December	
	2017	2016
	US$'000	US$'000
Rental deposits (note i)	**24,360**	20,640
Trade and other payables:		
Rental receipts in advance	**7,566**	7,676
Provision for other taxes (note ii)	**4**	15
VAT payable	**380**	21
Accrued expenses and other payables	**5,928**	5,630
	13,878	13,342

Notes:

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

	As at 31 December	
	2017	2016
	US$'000	US$'000
Within 1 year	**5,161**	5,204
Over 1 year	**19,199**	15,436
	24,360	20,640

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

The carrying amounts of rental deposits and trade and other payables approximate their fair values.

18 Interest-Bearing Borrowings

	As at 31 December	
	2017	2016
	US$'000	US$'000
Bank borrowings		
Current (note i)	**50,005**	–
Non-current (note ii)	**497,472**	480,499
	547,477	480,499

18 Interest-Bearing Borrowings (Continued)

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

	As at 31 December	
	2017	2016
	US$'000	US$'000
6 months or less	**477,802**	480,499

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

The Group's current and non-current bank borrowings are denominated in US$ and GBP respectively.

Notes:

(i) On 14 July 2017, the Group obtained a bank borrowing of GBP37 million (approximately US$50.0 million) to finance the acquisition of the UK investment properties. The borrowing is repayable in full on 31 January 2018 and bears an interest rate of 3-month GBP LIBOR plus 2.15% per annum.

(ii) The existing US dollar term loan facility will be repayable in full on 29 April 2020. On 12 May 2017, the Group early repaid part of the term loan of an amount of US$30 million, reducing the outstanding principal amount to US$450 million. On 27 June 2017, the interest rate of the term loan facility was reduced by 110 basis point, from 3-month US dollar LIBOR plus 2.75% per annum to 3-month US dollar LIBOR plus 1.65% per annum. The Group also had in place a US$20 million undrawn uncommitted revolving facility. Both the term loan facility and uncommitted revolving facility are guaranteed by the Trustee. The Group's shares of RCA01 were pledged to secure the Group's term loan facility and uncommitted revolving facility.

On 14 July 2017, the Group assumed a bank borrowing due to Abbey National Treasury Services plc, which is part of Banco Santander, of an amount of GBP36.1 million (approximately US$48.8 million) as part of the consideration of the acquisition of the UK investment properties. The term loan facility is repayable in full on 18 August 2020. 54% of the borrowing bears interest rate of 3-month GBP LIBOR plus 1.90% per annum and the remaining portion of the borrowing bears interest rate of fixed rate 1.66% plus 1.90% per annum.

(iii) In January 2018, the Group has fully repaid the abovementioned two GBP denominated bank borrowings, amounting to GBP37 million (approximately US$50.0 million) and GBP36.1 million (approximately US$48.8 million) respectively. The repayment is financed by a GBP50 million (approximately US$67.7 million) drawn down from a new facility granted to the Group in January 2018, a US$18 million drawn down from an existing facility and internal resources.

As at 31 December 2017 and 31 December 2016, the Group's investment properties (note 13), derivative financial instruments (note 14), rent receivables and all future rent receivables (note 15), restricted bank accounts (note 16), a subsidiary of the Group's shares of RCA01 and certain assets of a subsidiary of the Group were pledged to secure the Group's bank borrowings.

19 Units in Issue

	Number of units
Balance as at 31 December 2016	1,130,562,940
New units issued for Manager's fee	12,258,792
Placing of units (note i)	114,884,000
Balance as at 31 December 2017 (note ii)	1,257,705,732

(i) On 21 April 2017, an aggregate of 114,884,000 new units were placed to China Orient Stable Value Fund Limited at the price of HK$3.25 per unit, with net proceeds of the subscription of HK$373.0 million (approximately US$47.8 million) intended to be applied towards partial early repayment of bank loan and general working capital purposes.

(ii) Traded market value of the units as of 31 December 2017 was HK$3.40 per unit. Based on 1,257,705,732 units, the market capitalization was US$547.3 million.

20 Notes to Statements of Cash Flows

(a) Cash generated from operating activities

	Year ended 31 December 2017 US$'000	2016 US$'000
Profit before tax, before transactions with Unitholders	**55,335**	91,294
Fair value gain of investment properties	**(4,807)**	(100,477)
Net fair value losses on derivative financial instruments	**8,082**	4,447
Manager's fee expenses in units in lieu of cash	**5,281**	4,462
Interest income	**(482)**	(519)
Finance costs on interest-bearing borrowings	**(9,874)**	51,898
Foreign exchange (gains)/losses	**(2,955)**	746
Increase in trade and other receivables	**(438)**	(1,058)
Increase/(decrease) in rental deposits	**1,606**	(310)
Increase in trade and other payables	**402**	400
	52,150	50,883

Material non-cash movements:

(i) For the year ended 31 December 2017, the Manager's fee amounting US$5,281,000 (2016: US$4,462,000) was settled by issuance of new units.

(b) Movement of financial liabilities arising from financing activities

The details of movement of financial liabilities arising from financing activities are as follows:

	Interest payable (included in trade and other payables) US$'000	Interest-bearing borrowings due within 1 year US$'000	Interest-bearing borrowings due after 1 year US$'000	Derivative financial instrument, net US$'000	Total US$'000
As at 1 January 2017	2,938	–	480,499	(2,670)	480,767
Cash flows in financing activities					
Proceed from borrowings, net of transaction cost	–	49,380	–	–	49,380
Repayment of borrowings	–	–	(33,735)	–	(33,735)
Settlement of derivative financial instruments	–	–	–	(5,412)	(5,412)
Interest paid	(17,473)	–	–	–	(17,473)
Net fair value losses of derivative financial instruments	–	–	–	8,082	8,082
Interest expenses on bank borrowings (note 9)	17,088	181	2,162	–	19,431
Other incidental borrowing costs (note 9)	–	–	150	–	150
Assumption of liabilities in connection with acquisition of investment properties	290	–	47,978	–	48,268
Exchange difference recognized in profit or loss	(46)	–	(29,455)	27	(29,474)
Exchange differences recognized in other comprehensive income	51	444	29,873	(27)	30,341
As at 31 December 2017	2,848	50,005	497,472	–	550,325

21 Future Minimum Rental Receivables

As at 31 December 2017, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December	
	2017	2016
	US$'000	US$'000
Within 1 year	**74,935**	67,519
After 1 year, but within 5 years	**138,364**	120,201
After 5 years	**50,947**	3,901
	264,246	191,621

22 Lease Commitment

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

	As at 31 December	
	2017	2016
	US$'000	US$'000
Within 1 year	**146**	–
After 1 year, but within 5 years	**583**	–
After 5 years	**7,535**	–
	8,264	–

23 Connected Party Transactions and Related Party Transactions and Balances

As at 31 December 2017, RCA01 Fund L.P. is the immediate and ultimate holding company of the Group.

For the year ended 31 December 2017, the Group entered into the following transactions with related parties at mutually agreed terms in the normal course of its business.

(a) Nature of relationship with connected/related parties

The table set forth below summarizes the names of the connected/related parties, as defined in the REIT Code/IAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 31 December 2017:

Connected/related party	Relationship with the Group
DB Trustees (HK) Ltd.	The Trustee of Spring REIT
Spring Asset Management Limited*	The Manager of Spring REIT
RCA Fund 01 L.P. ("RCA Fund")*	Significant Unitholder of Spring REIT
PAG Investment Consulting (Beijing) Co., Limited# ("PAG Beijing") (Note i)	Significant Unitholder of Spring REIT
Mercuria Investment Co., Ltd. ("Mercuria")*	Parent company of the Manager
ITOCHU (China) Holding Co., Ltd. ("ITOCHU") (Note ii)	An associated company of the Manager
MIBJ Consulting (Beijing) Co., Ltd. ("MIBJ")*	An associated company of the Manager and associate of a director of the Manager
Beijing Hua-re Real Estate Consultancy Co., Ltd. ("HuaRe")	An associated company of the Manager
Knight Frank Petty Limited	The Principal Valuer
Deutsche Bank AG and its subsidiaries (excluding the Trustee) ("DBAG")	Trustee Connected Persons
Zhong De Securities ("ZDS")	Trustee Connected Persons

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

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

23 Connected Party Transactions and Related Party Transactions and Balances (Continued)

(b) Income from connected/related parties

	Notes	Year ended 31 December 2017 US$'000	2016 US$'000
Rental revenue from ITOCHU	(ii)(iii)	**396**	1,233
Rental revenue from MIBJ	(iii)	**143**	145
Rental revenue from DBAG and ZDS	(iii)	**7,156**	7,178
Rental revenue from PAG Beijing	(i)(iii)	**433**	–
Interest income from DBAG	(iv)	**478**	519

(c) Expenses to connected/related parties

	Notes	Year ended 31 December 2017 US$'000	2016 US$'000
Property management fee to HuaRe	(v)	**1,619**	1,617
Trustee's fee paid and payable to the Trustee	(vi)	**239**	243
Manager's fee to Spring Asset Management Limited	(vii)	**8,164**	7,258
Valuation fee to the Principal Valuer	(viii)	**49**	85
Interest expense to DBAG	(ix)	**692**	1,438
Bank charges to DBAG	(iv)	**3**	2
Prepayment premium to DBAG	(ix)	**11**	–
Settlement of a derivative instrument with DBAG	(iv)	**2,169**	–

(d) Balances with connected/related parties

	Notes	As at 31 December 2017 US$'000	2016 US$'000
Lease deposit from ITOCHU	(ii)(x)	**–**	362
Lease deposit from MIBJ	(x)	**44**	41
Lease deposit from DBAG	(x)	**1,084**	976
Lease deposit from PAG Beijing	(i)(x)	**110**	–
Derivative financial instrument from DBAG	(xi)	**–**	1,462

23 Connected Party Transactions and Related Party Transactions and Balances (Continued)

Notes:

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

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

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

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

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

(vi) The Trustee is entitled to in each financial year, an ongoing fee of not more than 0.025% of the value of the Deposited Property payable semi-annually or quarterly in arrears, subject to a minimum of US$9,000 per annum.

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

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

(ix) Interest expense and prepayment premium were charged in accordance with the terms of the relevant agreements with DBAG.

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

(xi) Fair value of derivative financial instrument was recognized in accordance with bank quote obtained from DBAG (note 14).

No transaction was entered with the directors of the Manager (being the key management personnel) for the year ended 31 December 2017 (2016: Nil).

24 Subsidiaries

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

25 Approval of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the Manager on 21 March 2018.

Performance Table

As at 31 December	2017	2016
Net assets attributable to Unitholders	**US$1,000.40 million**	US$866.68 million
Net assets per Unit attributable to Unitholders	**HK$6.22**	HK$5.95
Total borrowings as a percentage of gross assets	**34.5%**	34.8%
Market capitalization[1]	**US$547.25 million**	US$469.37 million
Units issued	**1,257,705,732**	1,130,562,940

For the year ended 31 December	2017	2016
Highest traded unit price	**HK$3.59**	HK$3.62
Highest premium of the traded unit price to net assets per Unit	**N/A**	N/A
Lowest traded unit price	**HK$3.12**	HK$2.65
Highest discount of the traded unit price to net assets per Unit	**49.4%**	55.5%
Distributions per Unit[2]	**HK21.1 cents**	HK23.0 cents
Net yield per Unit[2]	**6.2%**	7.1%

Notes:

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

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

Corporate Information

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Chairman and Non-executive Director

Mr. Toshihiro Toyoshima

Executive Directors

Mr. Nobumasa Saeki
Mr. Leung Kwok Hoe, Kevin

Non-executive Director

Mr. Hideya Ishino

Independent Non-executive Directors

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

Responsible Officers of the Manager

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

Company Secretary of the Manager

Fair Wind Secretarial Services Limited

Auditor

PricewaterhouseCoopers

Internal Auditor

BDO Financial Services Limited

Trustee

DB Trustees (Hong Kong) Limited

Principal Valuer

Knight Frank Petty Limited

Legal Advisors

As to Hong Kong law

Baker & McKenzie
DLA Piper Hong Kong

As to PRC law

Zhong Lun Law Firm

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Maples and Calder

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