SpringREIT

Spring Real Estate Investment Trust
春泉產業信託

Stock Code : 01426

Managed by
Spring Asset Management Limited

2018 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 2018, the Manager is 90.2% owned by Mercuria Investment Co., Ltd. ("**Mercuria**"), 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
(US$ million)

31-Dec-18	**1,419.51**
31-Dec-17	1,488.06

Net Asset Value
(US$ million)

31-Dec-18	**925.12**
31-Dec-17	1,000.40

Total Revenue
(US$ million)

31-Dec-18	**84.34**
31-Dec-17	76.70

Net Property Income
(US$ million)

31-Dec-18	**63.37**
31-Dec-17	57.08

Net Property Income Margin
(%)

31-Dec-18	**75.1**
31-Dec-17	74.4

Gearing Ratio
(%)

31-Dec-18	**35.5**
31-Dec-17	34.5

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

31-Dec-18	**362**
31-Dec-17	357

Average Occupancy*
(%)

31-Dec-18	**95.8**
31-Dec-17	94.2

* The UK Portfolio is leased 100% to a single tenant on a long-term basis. The average monthly passing rent and average occupancy charts only represents that of the CCP Property.

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 2018 (the "**Reporting Year**" or "**FY2018**").

Distributions	Distribution per Unit	Distribution Yield[4]	Annual Distribution Yield[4]
2018 Final Distribution[1]	**HK7.2 cents[2]**	**2.1%**	**5.5%[2]**
2018 Interim Distribution	HK12.0 cents	3.6%	
2017 Final Distribution	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[3]	HK1.6 cents	0.5%	6.8%
2013 Special Distribution	HK7.0 cents	2.2%	N/A

Notes:

1. Final distribution for the year ended 31 December 2018, the record date of which will be 17 April 2019. The payment date is expected to be 30 April 2019.
2. If one-off expenses incurred in connection with a proposed acquisition that was terminated and with responding to an unsolicited general offer by a unitholder was not taken into account, 2018 Final Distribution would be HK11.0 cents, representing an Annual Distribution Yield of 6.7%.
3. 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.
4. Distribution yield and annual 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**") 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 information. TDI to Unitholders for the Reporting Year amounted to approximately US$31.82 million (2017: US$33.97 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 2018 to 31 December 2018 ("**2018 Final Distribution Period**") of HK7.2 cents per Unit ("**2018 Final Distribution**") to Unitholders whose names appear on the register of Unitholders on 17 April 2019 (the "**Record Date**"). However, this 2018 Final Distribution may be subject to adjustment in the event of any issuance of new Units between 1 January 2019 and 17 April 2019. Before any such adjustment and together with the interim distribution of HK12.0 cents per Unit, total distribution for the Reporting Year amounts to a total of HK19.2 cents per Unit (2017: HK21.1 cents per Unit), representing a payout ratio of approximately 98%.

Distribution per Unit ("DPU") for the full year was down by 9.0% year-on-year ("YoY"), but this is largely due to the impact of costs associated with various extraordinary events, as disclosed in the announcement dated 15 January 2019. If these one-off costs are excluded, then this year DPU would have shown an increase of approximately 9.0% YoY.

All distributions will be paid in Hong Kong Dollars ("**HK$**"). The HK$/United States Dollars ("**US$**") exchange rate adopted for the 2018 Final Distribution is 7.8310, 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 2018.

The Manager confirms that the 2018 Final Distribution is composed only of consolidated profit after tax, before transactions with the Unitholders and non-cash adjustments for the 2018 Final Distribution Period.

Based on the closing price of HK$3.46 per Unit as at 31 December 2018, the Reporting Year DPU represents a distribution yield of 5.5%. For details of the distribution, please refer to the section headed "Statement of Distributions" in the financial information.

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 2018 Final Distribution will be 17 April 2019. The register of Unitholders will be closed for the purpose of determining the identity and holdings of Unitholders from 16 April 2019 to 17 April 2019, both days inclusive, during which period no transfer of Units will be registered. The 2018 Final Distribution is expected to be payable on 30 April 2019 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2018 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 4:30pm on 15 April 2019.

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 FY2018. These results have proved satisfactory despite a year of some significant headwinds, both external and internal. They have been built on unstinting efforts by the Manager to maintain a steady and sustainable performance from our existing assets. Despite all obstacles, the Manager has also undertaken careful forward planning designed to achieve sustainable growth along with steps to further enhance the value of the Spring REIT portfolio.

Performance Review

From an operational perspective, Spring REIT performed well over the Reporting Year with net property income up by 11.0% YoY. Full-year results in terms of TDI were down by 6.3% YoY but this is largely due to the impact of costs associated with various extraordinary events, which I will discuss below. If these one-off costs are excluded, then this year's TDI would have shown an increase of approximately 12.3% YoY.

Within the Beijing office market where we primarily operate, Spring REIT followed up a robust first half with a satisfactory second half, despite various headwinds developing as the year went on. These centred around two main issues – firstly, concerns about the direction of the economy as the impact of the trade war gradually materialised; and secondly, worries about office oversupply with the potential completion of several new office blocks scheduled for 2019 onwards.

Analysis of the Beijing office market of 2018 indicates that, despite trade war fears, demand remains resilient. This is supported by the resilient economy of the city, which posted 6.6% GDP growth YoY. In particular, Beijing city's service sector was growing at 7.3% YoY, contributing 87.9% to the overall economic growth. The demand for office space supported the rental performance in Beijing as a whole, with the average rental rate for the City's Central Business District ("**CBD**") in 2018 rising 4.7% YoY according to market research conducted by Jones Lang Lasalle ("**JLL**").

Despite the rise in rental, momentum was slowed by an increase in office supply in 2018. According to JLL, the arrival of a number of new Grade-A office buildings on the market pushed up the overall Beijing and CBD vacancy rate to 4.9% and 5.0% respectively. New office buildings opening in 2018 increased the total Beijing office stock by another 377,050 sqm GFA to 8.56 million sqm GFA. Further, a large supply wave of office buildings supply, predominantly located in the CBD Core Area, is set to come onto the market in 2019.

However, we do not anticipate a supply glut for a number of reasons. One is the ongoing pent-up demand coming primarily from domestic corporations, with uptake proving particularly robust from companies in the internet and high-tech industries. Another reason has to do with power supply restrictions for the CBD core area which are still under development, meaning newly-completed buildings can only partially open before year-end, according to JLL. Furthermore, according to JLL, 56.5% of the potential new supply in 2019 will either to be self-occupied or is already pre-committed.

These dynamics of the Beijing office market highlight Spring REIT's competitive edge. Our primary investment property is the premium-grade China Central Place Office Towers 1 and 2 and the relevant portion of the car park (the "**CCP Property**"). This is a blue-chip building having a strategic position within the CBD, with a strong and steady tenant base. In 2018, the CCP Property had an average an occupancy rate of 95.8%, and achieved positive rental reversions of 4.7%. Neither the completion of new office complexes in other submarkets nor the gradual increase in Beijing's overall office supply have significantly impacted the CCP Property's performance. We have continued to command high occupancy rates, strong rental reversions, and strong tenant demand.

Supplementing the steady results from the CCP Property is the stable cash flow provided by our 84 separate properties in the United Kingdom ("**UK Portfolio**"), which in 2018 delivered with a 96.3% pass through of its revenue. In this respect, the acquisition of the UK Portfolio in 2017, comprising 84 investment properties across the UK, all under long-term leases to national vehicle service provider Kwik Fit, with a five-yearly upward only mark-to-market rental review mechanism, has fully met our expectations.

Given the challenging macro environment of the Reporting Year, particularly in the second half, these results are especially encouraging as they necessarily reflected the impact of escalating China-US trade tensions. These tensions resulted in a considerable weakening of the Renminbi ("**RMB**"). Since Spring REIT's primary operating currency is the RMB but its distribution payments and debt are denominated in HK$ and US$ respectively, the weaker RMB exchange rate inevitably had a knock-on effect on our results.

A year ago, against a backdrop of upward-trending US dollar interest rates and tightening monetary policy, the importance of managing interest rate risk was emphasized by the Manager in Spring REIT's FY2017 Annual Report. In June 2017, the Manager negotiated a 110 basis point reduction in interest margin for Spring REIT's US$-denominated term loan facility, from 2.75% to 1.65%. In FY2018, Spring REIT's financial results continued to benefit from the full year contribution of the interest margin reduction exercise. Following on from this, during first half of 2018 Spring REIT entered into three US$ float-to-fixed interest rate swaps ("**IRS**")which have effectively locked in the interest rate for 32.1% of our US$ loan at an average fixed interest rate of 2.68%. The fixed rate is lower than the prevailing US dollar 3-month LIBOR rate of 2.81% as at 31 December 2018.

Our operational costs this year included one-off expenses incurred in connection with a proposed acquisition that was terminated and with responding to an unsolicited general offer by a unitholder. Regretfully Spring REIT was not able to proceed with the proposed acquisition, but the process incurred substantial costs which, while less than anticipated in the acquisition circular, still partially offset our operational gain. The proposal for the acquisition was followed by the attempt of a significant unitholder to obtain a majority unitholding in Spring REIT by means of an unsolicited general offer. Ultimately the offer lapsed because the minimum acceptance condition was not satisfied.

Together, these events contributed to the need for substantial expenditure by Spring REIT which did not bring any direct benefits to our Unitholders, and which did impact on our final results for the year. While we respect different unitholders may have different views and investment objectives, it is regrettable that some have manifested into confrontational behaviour which took a toll on the otherwise growing distributable income to our Unitholders. There is a positive note to this episode, however. The fact that the minimum acceptance condition of the general offer was not satisfied sent a clear message that the majority of our Unitholders are committed to maintaining long-term holdings in Spring REIT. Such holdings enable them to take part in the ownership of unique and premium quality real estate assets, to diversify their investment risks in a context of market uncertainty, and to enjoy the benefits of a well-established yield-play instrument with a unique property portfolio that provides them with sustainable distributions. This shared investment philosophy means that, although the results for 2018 were less than ideal, Unitholders with Spring REIT retain strong long-term prospects and will continue to enjoy a solid recurring income stream from distributions.

It is my confident hope that, with this latest mandate from our Unitholders, the talents and skills of the Manager can now be fully refocused on the core responsibility of adding value for investors in 2019.

Outlook

Despite a volatile macro environment in 2018, I believe Spring REIT is well positioned to navigate the challenges ahead. given the premium quality of the CCP Property. The market is at a critical juncture as a large supply of new offices is expected to come onto the Beijing market in 2019, coupled with uncertainty in global political and economic environment. It remains to be seen how the market will eventually unfold. From Spring REIT's perspective, our high-quality property remains a prime target for corporations looking for central, prestigious and quality premises in Beijing. In 2018, a total GFA of 28,843 sqm at the CCP Property was leased out and renewed. Of this, 54% was attributable to renewals, and 46% to new letting. The average rental reversion was 4.7%. As at 31 December 2018, we have 14.9% and 10.7% of the total leasable GFA at CCP Property expiring in the first and second half of 2019, with an average expiring rental rate of RMB382 per sqm and RMB380 per sqm respectively, and we will remain vigilant with a view to deliver a sustainable performance in the context of the Beijing market in 2019.

In terms of capital arrangements, while we expect continuing volatility in the RMB exchange rate, the costs of currency hedging remain rather prohibitive. As part of our ongoing efforts to mitigate currency risks, we will continue to explore opportunities to diversify our funding sources with the aim of enhancing Spring REIT's resilience in the face of currency fluctuations.

Spring REIT's US$-denominated term loan facility expires in April 2020, and in 2019 we will be looking closely at refinancing options. As mentioned, interest rate hedging has been applied to approximately one third of the total US$ loan amount, and we may look at fine-tuning of our interest and exchange rate exposure in a way that better serves the interests of Spring REIT.

In the year ahead, the Manager will continue to employ its expertise to explore other potential acquisitions, with the aim of further diversifying Spring REIT's holdings while retaining a core China investment focus.

Stepping into 2019, the Manager remains confident that our core CCP Property in Beijing will continue to deliver satisfactory returns, supplemented by steady returns from the UK Portfolio. While continuing to keep eyes open for potential acquisitions, a major focus will be on enhancing our capital management and financing arrangements.

Finally, I would like once again to express my sincere gratitude to all the different parties who have provided Spring REIT and the manager with essential support and advice during the past year. This includes the sponsor, my fellow directors, the management team and staff. Special thanks are due to our Unitholders who supported the Manager throughout the offer period. This support has primed Spring REIT to proceed with its carefully-developed long-term plans which we are confident will enhance the value of the portfolio and deliver satisfactory long-term distributions to Unitholders.

Toshihiro Toyoshima
Chairman and Non-executive Director

Spring Asset Management Limited
(as Manager of Spring REIT)
26 March 2019

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 car park facility located in the underground of the two office buildings. The two office buildings have in aggregate a total gross floor area of 120,245 sqm, and 25,127 sqm of approximately 600 car parking space. CCP is strategically located in the southeast corner of Beijing's traditional CBD, which is in the east of the heart of the city in Chaoyang District.

UK Portfolio

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

United Kingdom

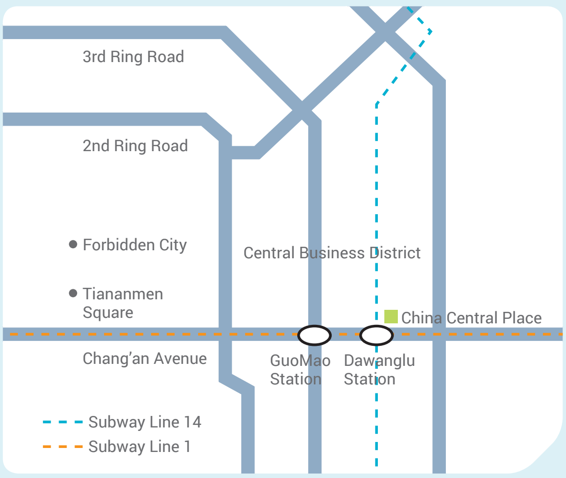
84 Commercial Properties

China

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

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 many from the finance and insurance, professional services and manufacturing industries. It holds the largest amount of Grade-A office stock in Beijing, amounting to 1.82 million sqm as at the end of 2018, and accounting for 21.3% of the city's total Grade-A office space of 8.56 million sqm. Against a backdrop of economic uncertainty, Beijing corporate tenants became increasingly cost conscious towards the end of 2018, including those in the CBD. However, throughout 2018, we have continued to see steady demand for Premium Grade A office premises, reflected in a modest increase in average rental rates and stable occupancy rates. On the back of this resilient market, the performance of the CCP Property remained satisfactory, exhibiting moderate growth for the Reporting Year.

Beijing Office Market Vacancy and Rental Rate in 2018

		Vacancy Rate[1]	Y-o-y change (ppts)	Average Rental Rate[1] (RMB/sqm/ month)	Y-o-y change (%)
CBD	Grade A	5.0%	0.1	402	4.7
	Premium Grade A	4.2%	(0.7)	447	5.2

1. Data is taken as at 31 December 2018

Source: JLL Research

CCP Property Operation Performance

For the Year Ended 31 December	2018 (in RMB' million)	2017 (in RMB' million)	Change
Revenues			
- Rental income	499.13	482.80	3.4%
- Car park income	3.45	3.45	–
- Other income (note ii)	17.68	13.10	35.0%
	520.26	499.35	4.2%
Property Operating Expenses			
- Property management fee	(11.42)	(10.93)	4.5%
- Property tax (note iii)	(60.92)	(58.64)	3.9%
- Withholding tax (note iv)	(53.05)	(49.14)	8.0%
- Other taxes (note v)	(6.98)	(6.94)	0.6%
- Leasing Commission	(3.68)	(5.18)	(29.0%)
- Others	(1.14)	(0.82)	39.0%
	(137.19)	(131.65)	4.2%
Net Property Income	383.07	367.70	4.2%

Notes:

i While the consolidated financial statements were prepared in US$, the performance of the CCP Property is presented in RMB, in order to facilitate meaningful discussion since the CCP Property is located in China.

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

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

For the full year, the CCP Property reported a 4.2% increase in revenue YoY. Rental income generated maintained healthy growth, with an increase of 3.4% YoY.

Property operating expenses are mainly comprised of tax expenses, namely property tax, withholding tax and other taxes. Tax expenses in aggregate accounted for 88.2% 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.

As the property management fee and taxes are determined by revenue, the property operating expenses tracked the trend in revenue, recording a 4.2% YoY increase during the Reporting Year.

Rental Income

Operations at the CCP Property continued to be encouraging, comparing favourably with wider Beijing trends. The Property registered an average occupancy of 95.8% in 2018 (2017: 94.2%) and a total area of 28,843 sqm was leased out and renewed during the Reporting Year. Of the newly leased area, 46% was attributable to new lettings with the remainder being renewals. Average passing rent stood at RMB362 per sqm for 2018, up 1.4% YoY on the back of a respectable average rental reversion of 4.5% in the first half and 5.1% in the second half of 2018, rendering a full year reversion of 4.7% (FY17: 5.9%).

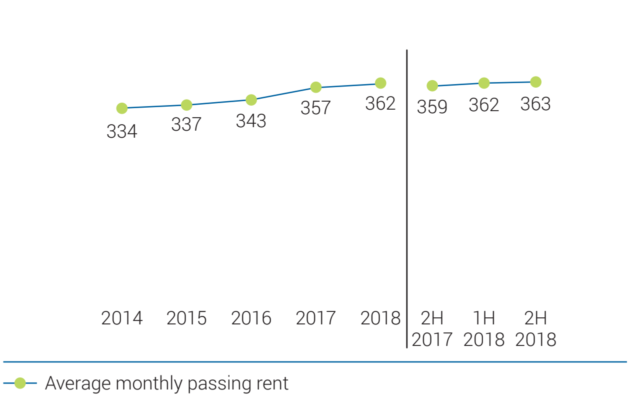
For the Six Months Ended	31-Dec-2017	Change	30-June-2018	Change	31-Dec-2018
Average Monthly Passing Rent (RMB/sqm)[1]	359	0.8%	362	0.3%	363
Average Occupancy[2]	95.0%	+1.1 ppts	96.1%	-0.7 ppts	95.4%

1 Average monthly passing rent is presented net of VAT and is calculated by taking an average of the month-end figures of the relevant reporting year.

2 Occupancy rate is calculated by taking an average of the month-end figures of the relevant reporting year.

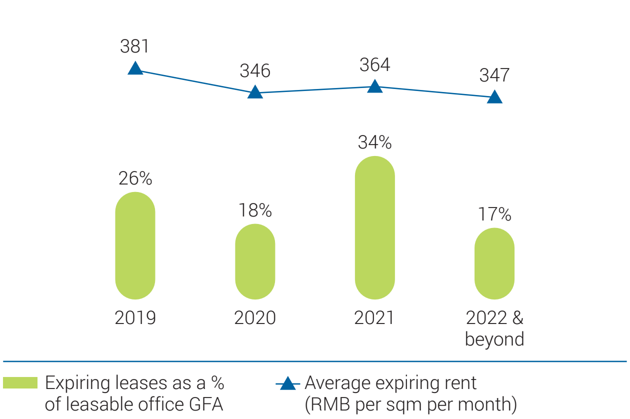
Passing Rent

(RMB per sqm per month)



Expiry Profile by GFA

(RMB per sqm per month)



As at 31 December 2018, the weighted average lease expiry in terms of GFA was 715 days for the CCP Property. Leases expiring in the years ending 31 December 2019 and 31 December 2020 accounted for 25.6% and 17.9% of the total leasable office GFA respectively, and the average unit rents for the expiring leases were RMB381 per sqm and RMB346 per sqm respectively.

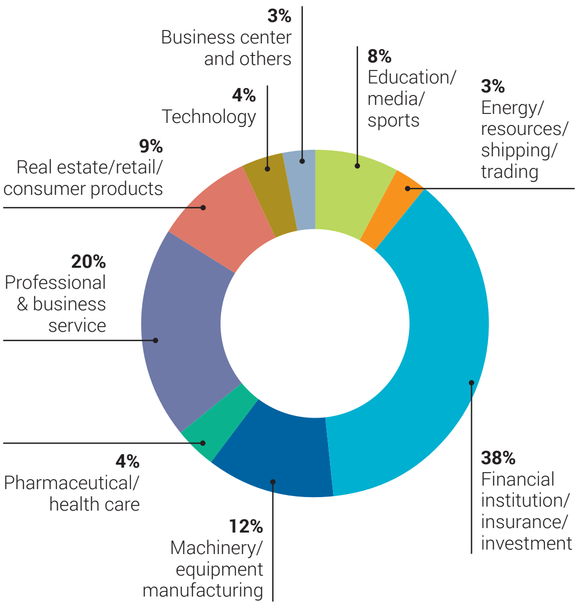
Tenancy base

CCP Property had a total of 188 tenancies as at 31 December 2018. The top five tenants accounted for 20.4% of total revenue for the Reporting Year, and occupied 23.0% of total GFA as at 31 December 2018. Details of the top five tenants in terms of GFA are set out in the table below.

Tenants	% of total leased GFA
Epson	5.9%
Delsk	4.5%
Condé Nast	4.2%
Zhong De Securities	4.2%
Deutsche Bank	4.2%
Total	23.0%

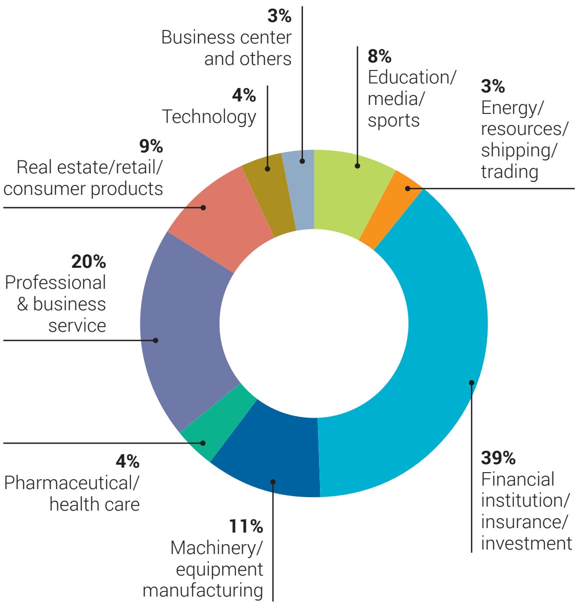
Tenants by Industry

As % of leased office GFA
(As of 31 December 2018)



Tenants by Industry

As % of monthly revenue
(For the month 31 December 2018)



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	11,419,014	75.6%
Beijing Yuan Xing Real Estate Brokerage Co., Ltd.	Leasing	597,239	4.0%
Beijing Lifeng Lianhang Real Estate Brokerage Co., Ltd.	Leasing	414,438	2.7%
Beijing Jingdong Lianhang Real Estate Consultant Ltd.	Leasing	303,767	2.0%
Beijing Colliers International Property Services Co., Ltd.	Leasing	287,606	1.9%
TOTAL		13,022,062	86.2%

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	1 Jan 2018 - 31 Dec 2018 British Pounds ("GBP")	14 Jul 2017[1] - 31 Dec 2017 GBP
Income		
- Rental income	4,423,162	2,058,626
Expenditure		
- Head rents on leasehold properties	(101,429)	(53,135)
- Property management fees	(63,000)	(32,400)
	(164,429)	(85,535)
Net Property Income	4,258,733	1,973,091

1 Completion date of the acquisition of the UK portfolio by Spring REIT

Spring REIT completed the acquisition of the UK Portfolio in July 2017. Each of the Portfolio's 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

For the Year Ended 31 December	2018 (in US$' million)	2017 (in US$' million)	Change
Revenue	84.34	76.70	10.0%
Property operating expenses	(20.97)	(19.62)	6.9%
Net property income	63.37	57.08	11.0%
Net property income margin	75.1%	74.4%	+0.7 ppts
G&A expenses	(17.66)	(11.76)	50.2%
Cash interest expenses	(19.06)	(17.47)	9.1%
Profit after taxation	4.65	55.16	(91.6%)
Total distributable income	31.82	33.97	(6.3%)
Average RMB/US$ rate[1]	6.6157	6.7578	2.1%

Units Information	2018	2017	Change
DPU (HK cents)	19.2	21.1	(9.0%)
Payout ratio	98%	100%	-2.0 ppts
Net asset value per Unit (HK$)	5.69	6.22	(8.5%)
Number of Units outstanding	1,272,356,925	1,257,705,732	1.2%

As at 31 December	2018	2017	Change
Property valuation	1,419.51	1,488.06	(4.6%)
Total assets	1,495.09	1,586.60	(5.8%)
Total borrowings	531.30	547.48	(3.0%)
Net asset value	925.12	1,000.40	(7.5%)
Gearing ratio	35.5%	34.5%	+1.0 ppts
RMB/US$ rate[2]	6.8785	6.5068	(5.4%)

1 Income and expenses are translated at average exchange rates for each month's consolidated income statement.

2 The assets and liabilities of financial position presented here are translated at the closing exchange rate of the year.

Financial Performance

Spring REIT's revenue for the Reporting Year was US$84.34 million, 10.0% higher than that in 2017. The improvement includes the effect of a full year contribution from our UK Portfolio and revenue growth of the CCP Property. After taking into account property operating expenses, net property income amounted to US$63.37 million, representing a 11.0% increase YoY and a property income margin of 75.1% (2017: 74.4%).

General and administrative expenses escalated to US$17.66 million, primarily due to costs of approximately US$3.21 million incurred in relation to the due diligence and implementation of the proposed acquisition along with unanticipated costs of approximately US$3.11 million incurred in relation to the unsolicited general offer launched by a unitholder. These one-off costs are detailed in the announcement published on 15 January 2019. Meanwhile, a total finance cost on interest-bearing borrowings of US$49.44 million (2017: a gain of US$9.87 million) was registered, which consisted of non-cash foreign exchange loss, interest expenses and other incidental borrowing costs. Foreign exchange loss of US$26.77 million (2017: a gain of US$29.46 million) was recognized when translating US dollar bank borrowings to RMB. Cash interest expenses amounted to US$19.06 million, compared to US$17.47 million in 2017, as US dollar and GBP LIBOR rates have been rising partially offset by a refinancing exercise in January 2018 which resulted in an overall lower borrowing amount.

Taking into account the increase in the fair value of the CCP Property and the UK Portfolio of US$12.04 million (2017: US$4.81 million), profit after taxation for the Reporting Year was US$4.65 million (2017: US$55.16 million).

Spring REIT's total distributable income for the Reporting Period was US$31.82 million, representing a decrease of 6.3% YoY. Among other adjustments, the reported amount excludes the foreign exchange loss and the increase in the fair value of the CCP Property and the UK Portfolio, both of which are non-cash in nature.

Financial Position

Spring REIT's principal valuer, Knight Frank Petty Limited ("**Knight Frank**" or the "**Principal Valuer**") performed the valuation of the Spring REIT portfolio as at 31 December 2018. The CCP Property was appraised at RMB9,096 million (equivalent to US$1,322.38 million) as at 31 December 2018, representing a 0.7% increase in RMB terms and a 4.7% decrease in US$ terms compared to its valuation as of 31 December 2017. The valuation of the CCP Property was arrived at using the income capitalization approach, and cross-checked by the direct comparison approach. The increase in valuation was attributable to an increase in market rent. The capitalization rate remained stable at 5.8% (30 June 2018: 5.8%; 31 December 2017: 5.8%).

The UK Portfolio was appraised at GBP76.14 million (equivalent to US$97.13 million) as at 31 December 2018, representing a 2.7% increase in GBP terms and a 3.1% decrease in US$ term compared to its valuation as of 31 December 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 across the UK Portfolio, which now ranges from 4.3% to 9.3%. The yield compressions is due to an improvement in market sentiment in the UK, sparking overseas investors' interest in good quality, long let investment stock, especially with respect to alternative asset classes.

As at 31 December 2018, Spring REIT had in place aggregate secured loan facilities of approximately US$531.30 million, comprising:

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

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

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

As at 31 December 2018, the gearing ratio, i.e. total borrowings to gross asset value, was 35.5%, compared with 34.5% at 31 December 2017.

During the Reporting Year, Spring REIT entered into three IRS contracts, with a weighted average swap rate of 2.68% per annum and maturity in April 2020, in tandem with the loan maturity of the CCP Facilities. The aggregate notional amount of these IRS contracts is US$150.00 million, representing to 32.1% of the US$ loans of Spring REIT.

Spring REIT's investment properties, rent receivables, restricted bank balances, ordinary shares of RCA01, and Hawkeye Properties 501 were pledged to secure the loan facilities where applicable. Throughout the Reporting Year, Spring REIT, RCA01, RUK01 Limited and Hawkeye Properties 501 have in all material respects complied with the terms and provisions of the finance and security documents.

The unrestricted cash of Spring REIT (together with its special purpose vehicles, the "**Group**") amounted to US$16.00 million as at 31 December 2018, compared with US$21.31 million as at 31 December 2017. The Group also had total undrawn bank loan facilities of US$2.00 million. With these financial resources, Spring REIT has sufficient liquid assets to satisfy its working capital and operating requirements. The cash is generally placed as short-term deposits, mostly denominated in US$. The Group's liquidity and financing requirements are reviewed regularly.

As at 31 December 2018, the gross asset value of the Group was US$1,495.09 million representing a decrease of 5.8% YoY and a decrease of 3.4% HoH. This was due to a weaker RMB and GBP against US$ at year-end.

Net Assets Attributable to Unitholders

As at 31 December 2018, net assets attributable to Unitholders stood at US$925.12 million.

The net asset value per Unit as at 31 December 2018 was HK$5.69 (30 June 2018: HK$6.05; 31 December 2017: HK$6.22). This represented a 64.5% premium to the closing price of the Units of HK$3.46 as at 31 December 2018, the last trading day in the Reporting Year.

New Units Issued

As at 31 December 2018, the total number of issued Units was 1,272,356,925. A total of 14,651,193 new Units were issued during the Reporting Year.

Date	Particulars	No. of Units
31 December 2017	Beginning balance of the total number of Units in issue.	1,257,705,732
26 March 2018	Issue of new Units to the Manager at the price of HK$3.386 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 31 December 2017.	+ 3,706,231
27 April 2018	Issue of new Units to the Manager at the price of HK$3.258 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 31 March 2018.	+ 3,768,682
3 August 18	Issue of new Units to the Manager at the price of HK$3.275 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 2018.	+ 3,791,887
14 December 18	Issue of new Units to the Manager at the price of HK$3.603 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 2018.	+ 3,384,393
31 December 2018	Closing balance of total number of Units in issue.	1,272,356,925

Capital Commitments

As at 31 December 2018, 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 Rules Governing the Listing of Securities on the Stock Exchange issued by Hong Kong Exchanges and Clearing Limited, the Manager presents this Environmental, Social and Governance Report (the "**ESG Report**") for the Reporting Year.

The scope of this ESG Report covers Spring REIT's sustainability initiatives, policies and performance in managing the CCP Property[1].

The CCP property is managed by the Manager which has engaged Beijing Hua-re Real Estate Consultancy Co., Ltd (the "**Property Manager**") as 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, a three-step materiality assessment was conducted to allow the Manager, Property Manager, and Building Manager to identify environmental, social and governance ("**ESG**") issues that are "material", or most significant, to Spring REIT as well as its stakeholders[2].

Step 1: Identification	• The preliminary step was to identify and review the ESG disclosures of Spring REIT's local peers to have an indication of the most relevant ESG issues to the industry. • Internal stakeholders were also invited to complete an online survey to rank the importance of ESG topics.
Step 2: Prioritization	• Results from the peer benchmarking exercise and online survey were consolidated to develop a prioritized list of potential material ESG issues for Spring REIT.
Step 3: Validation of Material Issues	• The Manager confirmed a finalized list of material Key Performance Indicators ("KPIs") for disclosure.

1 The UK Portfolio is occupied and managed by a single tenant, therefore the UK Portfolio is not considered material and is not included in the scope of this year's ESG report.

2 Internal stakeholders were engaged this year.

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 • Greenhouse Gas ("GHG") Emissions
A2 Use of Resources	• Use of Energy and Water
A3 The Environment and Natural Resources	• Construction and Renovation
B. Social	
B1 Employment	• Labor Practices
B2 Health and Safety	• Workplace Health and Safety • Indoor Air Quality
B3 Development and Training	• Employee Development and Training
B4 Labor Standards	• Avoiding 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

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]	2018
Non-recyclable Waste (tons) *(includes domestic and household waste)*	216
Recyclable Waste (tons) *(includes plastic, paper, glass, and other recyclables)*	3,240
General Construction Waste (tons) *(includes the waste generated from interior renovation and building enhancement work)*	14,400

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

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.

GHG Emissions

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

GHG Emissions[1]	Unit	2018	2017
- Total	Tonnes of CO_2e	7,276	8,320
- Intensity	Tonnes of CO_2e / m^2	0.050	0.057

The reduction of CCP Property's carbon footprint as compared to 2017 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.

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. During the Reporting Year, the Manager introduced a smart recycling system in the buildings to promote best recycling practices to tenants.

1 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.

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:

Energy Consumption - Purchased Electricity	Unit	2018	2017
- Total[1]	'000 kWh	9,576	10,950
- Intensity	'000 kWh / m^2	65.87	75.32

The following measures are in place to optimize energy efficiency:

- The Techcon-EEC Energy-saving Expert Control System (the "Techcon-EEC System") was deployed in 2017 to offer advanced solutions in energy management, energy efficiency control, and consumption diagnostics for the operation of the central air conditioning and heating system. It manages all air conditioning and heating hardware and software, and analyzes the consumption patterns in order to provide practical solutions for optimizing energy efficiency. The system has achieved a total energy saving rate of 21.5% from Nov 2017 to Nov 2018.
- The replacement of the traditional lighting fixtures with LED lights has been ongoing since 2015 with the objective to improve energy efficiency: a total of 7,740 LED lights have been installed in the underground car park, passageways, washrooms, and lift lobbies in the Reporting Year.
- In order to further improve our energy efficiency, around 2,000 fan coil units and 150 air-conditioning units in the office area underwent cleaning and maintenance procedures.

Use of Water

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

Water Consumption	Unit	2018	2017
- Total	m^3	195,319	192,552
- Intensity	m^3 / m^2	1.34	1.32

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 Excludes tenant consumption 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:

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 properly packed and disposed of in designated areas
- Inspections should be carried out by RMO to assess the impact on public safety

B. Social

A1 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 mechanisms to provide feedback to employees and offer career advancement opportunities
- Provision of adequate rest hours for employees

The Manager is committed to providing a fair and safe work environment with equal opportunities for all staff regardless of nationality, race, religion, gender, age or family status.

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

B2 Health and Safety

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/m3.

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 with the aim of reducing emissions generated by vehicles.

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. Automated external defibrillators (AEDs) were introduced in the buildings as a precautionary measure for emergency cases. The Building Manager arranged training to equip operational staff with the appropriate knowledge and skills to effectively handle AEDs.

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

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.

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 laws and regulations in relation to labor standards.

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 semiannual basis to gather the feedback of tenants regarding the quality of our customer service. In the survey conducted in August 2018, 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 laws and regulations in relation to product responsibility.

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 in position to 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 laws and regulations in relation to anti-corruption.

B8 Community Investment

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.
- Earth Hour 2018 – CCP Property participated in the Earth Hour 2018 campaign by switching off all non-essential lighting within the CCP Property buildings for an hour. Furthermore, we also displayed environmental education videos in the lift lobbies to promote environmental stewardship among our tenants.

Board of Directors and Senior Management

Board of Directors and Senior Management

Directors

Toshihiro Toyoshima
Chairman and Non-executive Director

Mr. Toshihiro Toyoshima, aged 56, was appointed as the Chairman of the Board and a Non-executive Director of the REIT Manager on January 29, 2013. Mr. Toyoshima has been the chief executive officer of Mercuria Investment since October 2008, and has been sitting on its board from its establishment in October 2005. Prior to joining Mercuria Investment, 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 55, was appointed as a Non-executive Director of the Manager on 10 April 2013. He has been working for Mercuria Investment since June 2008 and has served as the chief operating officer of Mercuria Investment since March 2010. Before joining Mercuria Investment, 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 49, 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.

Kevin Kwok Hoe Leung
Executive Director

Mr. Leung, aged 48, was appointed as an Executive 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 (Stock 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 (Stock 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 79, was appointed an Independent Non-executive Director of the REIT 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 to become the non-executive chairman as of July 2015. He is also an independent non-executive director of: (i) Wing Tai Properties Limited (Stock Code: 0369) since March 1994; (ii) IRC Limited (Stock Code: 1029) since March 2016; a non-executive director of (iii) Greenheart Group Limited (Stock Code: 0094) since August 2010; (iv) 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, and 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; the non-executive director of Compagnie Financiere Richemont SA (a company listed on Swiss Exchange (Stock Code: CFR VXT) between 2003 and 2017, and the independent non-executive director of Orient Overseas (International) Limited (Stock Code: 0316) between 1992 and 2018.

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

Liping Qiu
Independent Non-executive Director

Mr. Qiu, aged 54, 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 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 64, 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). 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. (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 December 2016; (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 (Stock Code: 0273) 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, a partner of PricewaterhouseCoopers Hong Kong from 1993 to 2013, and a member of the Finance Committee of the Hong Kong Management Association until July 2016. Mr. Lam graduated from The Hong Kong Polytechnic University with a higher diploma in 1975 and was conferred an Honorary Fellow in 2002.

Chung Wai Fai
Director

Mr. Chung, aged 37, 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 15 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 holds a Bachelor's degree in Business Administration (Finance) from Hong Kong University of Science and Technology. He is a CFA charterholder.

Alice Yu
Chief Compliance Officer

Ms. Yu, aged 54, was appointed the Chief Compliance Officer of the Manager in April 2013 and is the Head of Compliance. She is acting as a Responsible Officer since Nov 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 Professional Member of International Compliance Association (MICA) since then. 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.

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.

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.

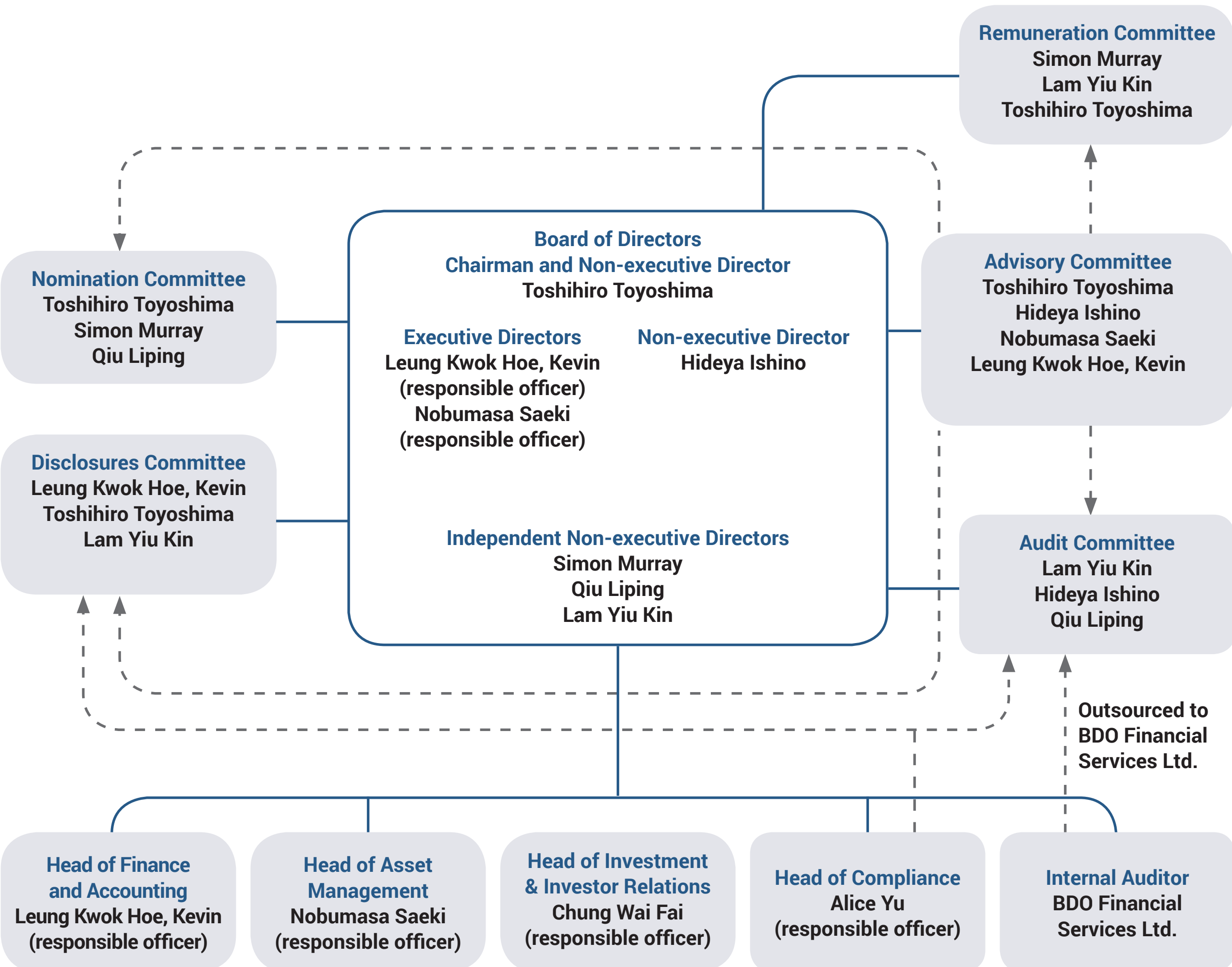
Roles of the Trustee and the Manager

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.

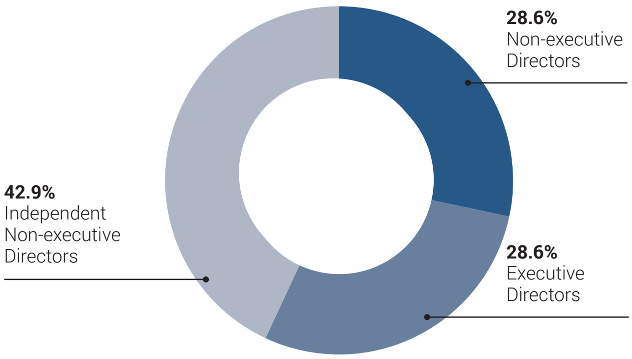
The Board

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
Nobumasa Saeki

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



Biographical details of the Directors are set out in the section headed "Board of Directors and Senior Management" 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 2017 final results and 2018 interim results of Spring REIT, as well as 2017 final distribution and 2018 interim distribution of Spring REIT.

(ii) the proposed major transaction relating to the purchase of a commercial property in Huizhou, PRC and issuance of consideration units, continuing connected party transactions, etc. (the proposed "**Huizhou Acquisition**").

(iii) the unsolicited voluntary conditional cash offer by UBS AG Hong Kong Branch on behalf of RE Strategic Investments Pte. Ltd. (i.e. a subsidiary of PAG Group) to acquire all the issued Units of Spring REIT (the "**Unsolicited Conditional Cash Offer**").

(iv) the amendments of the Compliance Manual to reflect the operations of UK portfolio, update the regulatory requirements, including corporate governance policy, nomination policy, board diversity policy, criteria for independence of Independent Non-executive Directors, etc.

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 calibre 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, skills and experience and that the Directors being appointed have the relevant expertise, skills 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 27 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	4/4	100%
Mr. Nobumasa Saeki	4/4	100%
Non-executive Director		
Mr. Hideya Ishino	4/4	100%
Independent Non-executive Directors		
Mr. Simon Murray	3/4	75%
Mr. Lam Yiu Kin	4/4	100%
Mr. Qiu Liping	4/4	100%

In addition to the four regular Board meetings mentioned above, there were four additional board meetings held via conference calls during the year to discuss matters in relation to the management of Spring REIT. All Board members participated in those conference calls. In particular, these conference calls held in the Reporting Year were to discuss the proposed Huizhou Acquisition and the matter of the Unsolicited Conditional Cash Offer from the RE Strategic Investment Pte Ltd.

Director's Training

Each newly appointed Director will 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.

During the Reporting Year, Spring REIT's legal adviser Baker McKenzie was invited to deliver a director's training to all members of the Board. Topics discussed included recent cases sharing on shareholders dispute, corporate governance amendments from the Listing Rules of the Stock Exchange, amendments to Fund Manager Code of Conduct, connected party transactions from a REIT perspective.

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. Lam Yiu Kin	A, B, C
Mr. Qiu Liping	A, B

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

B: Read or attended briefings and/or seminars and/or conferences relevant to regulatory and governance updates.

C: Attended continuing professional development modules required by Hong Kong Institute of Certified Public Accountants.

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 subsisting during or at the end of the Reporting Year in which a Director or any entity connected with a Director is or was materially interested, whether directly or indirectly.

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 and Mr. Nobumasa Saeki) 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 a 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 its Independent Non-executive Directors (the "**Independent Non-executive Director Remuneration Announcement**"). As stated in the Independent Non-executive Director Remuneration Announcement, the Manager is required to disclose the following matters in the interim report and annual report of Spring REIT:

Name of Independent Non-executive Director of the Manager	Remuneration for the Reporting Year[(i)] (HK$)	Election for Percentage of remuneration to be paid in the form of Units during the Reporting Year	Number of 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. Such remuneration was determined after arm's length negotiation between each Independent Non-executive Director and the Manager, with reference to market conditions as well as experience and qualifications of each Independent Non-executive Director.

(ii) For each Independent Non-executive Director's current beneficial interests in Units of Spring REIT and the change (if any) in their respective beneficial interests in Units of Spring REIT during the Reporting 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%

Apart from the above four physical meetings of the Audit Committee, there were 2 additional Audit Committee meetings held via conference calls to discuss the proposed Huizhou Acquisition transaction to engage professional parties to perform due diligence work and to discuss the transaction as if it is a connected party transaction.

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 2017;

(ii) reviewed the unaudited financial statements, the interim results announcement and interim report of Spring REIT for the six months period ended 30 June 2018;

(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 Spring 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 2017 and for the six months period ended 30 June 2018 which included, among others, the connected party transactions of Spring REIT;

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

(vii) reviewed and approved the 2019 annual budget of the Group prepared by the Manager; and

(viii) reviewed and recommended to the Board on the proposed Huizhou Acquisition, including the engaging professional parties to perform non-audit work on the transaction, financial impact to Spring REIT, financing plan and liquidity forecasts, the transaction itself as if it is a connected party transaction etc.

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 US$0.39 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. 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 22 written resolutions were passed by all members of the Disclosures Committee. The attendance of 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)*	2/2	100%
Mr. Toshihiro Toyoshima	2/2	100%
Mr. Lam Yiu Kin	2/2	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 draft documents of Spring REIT, namely, announcement of date of Board meeting, final results announcement and 2017 final distribution, annual report for the year ended 31 December 2017, and 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 draft documents of Spring REIT, namely, announcement of date of Board meeting, interim results announcement and 2018 interim distribution and interim report for the six months period ended 30 June 2018;

(iii) reviewed and recommended to the Board on the draft notice convening the annual general meeting of Spring REIT, relevant draft proxy form to Unitholders and draft announcement relating to adjournment of annual general meeting of Spring REIT;

(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 2017, 31 March 2018, 30 June 2018 and 30 September 2018;

(v) reviewed and recommended to the Board on the draft announcement in relation to the 2019 election of Manager's fees;

(vi) reviewed and recommended to the Board on the draft announcement, circular to Unitholders, notice of extraordinary general meeting, proxy form in relation to the proposed Huizhou Acquisition;

(vii) reviewed and recommended to the Board on the draft update announcements on proposed Huizhou Acquisition, extraordinary general meeting, despatch of supplemental circular to the Unitholders, etc;

(viii) reviewed and recommended to the Board on the draft response documents, draft announcements, press releases in relation to the Unsolicited Conditional Cash Offer from RE Strategic Investment Pte Ltd.;

(ix) reviewed and recommended to the Board on the draft results announcement on the Unsolicited Conditional Cash Offer from RE Strategic Investments Pte. Ltd.; and

(x) reviewed and recommended to the Board on the draft update announcement on termination of Huizhou Acquisition.

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 2 separate written resolutions were 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)*	0/1	0%
Mr. Toshihiro Toyoshima	1/1	100%
Mr. Lam Yiu Kin	1/1	100%

During the Reporting Year, the Remuneration Committee reviewed remuneration of individual Executive Directors and senior staff, remuneration of Non-executive Directors and Independent Non-executive Directors.

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 and Chairman of the Board), 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 skills, 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 zero 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, composition and diversity of the Board and assessed the independence of the Independent Non-executive Directors and reviewed the board diversity policy and the nomination policy and made relevant recommendations to the Board.

Board Diversity Policy Summary

The Manager recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. Therefore, it has established a Board Diversity Policy and it was approved by the Board in December 2018. The policy was drafted with a view to achieving a sustainable and balanced development, the Manager sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review this policy including measurable objectives thereto (if any) at least annually, and as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Nomination Policy Summary

During the Reporting Year, the Manager's Nomination Committee has considered and recommended the drafting of a Nomination Policy which was approved by the Board in December 2018. In summary, the approved Nomination Policy lists out the key criteria in evaluating and selecting candidates for directorship nomination, including and not limited to: character and personality, professional qualifications, experience, time commitment to Spring REIT affairs, achieving diversity on the Board, independence, etc.; as well as the process and procedures for considering candidates for appointment or re-election as Directors so as to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of managing Spring REIT.

Advisory Committee

The members of the Advisory Committee of the Manager are appointed by the Board from among the Directors. 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, 13 meetings were held by the Advisory Committee.

Independent Board Committee

During the Reporting Year, the Independent Board Committees (the "**IBC**") had been formed twice for giving advices respectively (i) to the independent Unitholders on the connected party transactions and waiver of continuing connected party transactions ("**CCTs**") under the proposed Huizhou Acquisition as required by the REIT Code and (ii) to the Unitholders on the offer or revised offer relating to the Unsolicited Conditional Cash Offer as required by The Codes on Takeovers and Mergers and Share Buy-backs. The members of the IBC were Mr. Lam Yiu Kin, Mr. Simon Murray and Mr. Qiu Liping with Mr. Lam Yiu Kin as the chairman of the IBC.

A total of six IBC meetings were held and the members of the IBC were to present and consider the matters of Guohua CCTs waiver and the Annual Caps of CCTs under the proposed Huizhou Acquisition. As regard to the terms of the offer and revised offer under the Unsolicited Conditional Cash Offer, the IBC made recommendations to independent unitholders (i) as to whether the offer was, or was not, fair and reasonable and (ii) as to acceptance or voting. The IBC also considered and approved the appointment of the respective independent financial advisers for providing recommendations to IBC in respect of the above matters.

All members of the respective IBCs had properly discharged their duties and responsibilities. The proposed Huizhou Acquisition and the Unsolicited Conditional Cash Offer were subsequently terminated and lapsed.

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's 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 2019.

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 US$'000
— Audit services	
PwC	211
— Other non-audit services	
PwC	610

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 of the Manager 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 2018, issued shares in the Manager were owned by Mercuria as to 90.2% and some of the Non-executive Directors of the Manager were and still are also directors and/or senior executives of Mercuria. Besides, RCA Fund, which is managed by Mercuria pursuant to a management agreement between Mercuria and RCA Fund (acting through its general partner, RCAC), held 27.13% interest in the Units of Spring REIT as at 31 December 2018. Mercuria can therefore exercise influence on RCA Fund and its exercise of rights as a Unitholder in respect of the affairs of Spring REIT (in particular, in relation to matters that are subject to voting by the Unitholders, on which RCA Fund is not required to abstain from voting), including in relation to the approval of significant corporate transactions, such as acquisitions and disposals. In addition, Mercuria has interest in the Units of Spring REIT directly or through various subsidiaries; including, in particular, the Manager which has received and will continue to receive Units of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

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 Properties 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 14,651,193 new Units issued to the Manager as payment of part of the Manager's fees, there were no other new Units issued during the Reporting Year.

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

Specific enquiry has been made with the Management Persons who have confirmed that they complied with the required standard set out in the Dealings Code throughout the Reporting 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 inside 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 information of Spring REIT, 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, the annual general meeting and adjourned annual general meeting of Spring REIT were held on 24 May 2018 and 11 June 2018, providing a forum for communications between the Board and the Unitholders. The attendance of individual Directors at the annual general meeting and the adjourned annual general meeting are as follows:

Members of the Board	Annual General Meeting	Adjourned Annual General Meeting
Chairman and Non-executive Director		
Mr. Toshihiro Toyoshima	1/1	1/1
Executive Directors		
Mr. Leung Kwok Hoe, Kevin	1/1	1/1
Mr. Nobumasa Saeki	1/1	1/1
Non-executive Director		
Mr. Hideya Ishino	1/1	1/1
Independent Non-executive Directors		
Mr. Simon Murray	1/1	1/1
Mr. Qiu Liping	1/1	1/1
Mr. Lam Yiu Kin	1/1	1/1

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 145 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 and the Manager's articles of association apart from the Compliance Manual.

During the Reporting Year, the Compliance Manual was updated to reflect the new operations of the recent acquisition of the UK portfolio, updates on change of personnel and other regulatory requirements. It was approved by the Board in August 2018.

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. Simon Murray	– ceased to be a director of Orient Overseas (International) Limited (Stock Code: 0316) with effect from 3 August 2018

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 2018.

Investments in Property Development and Relevant Investments

As at 31 December 2018, 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 2017 and should therefore be excluded from maintaining "financial accounts" under FATCA for the calendar year 2018, except for those Unitholders who are registered on the book of Spring REIT (i.e. holding physical scripts of Spring REIT directly). Hence, Spring REIT was not required to perform account due diligence, reporting or withholding on most of its account holders (that are excluded from financial account holder definition) under FATCA for the calendar year 2018.

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

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

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

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

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 2017.

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

Connected Party Transactions — Income

The following table sets forth the information on connected party transactions (other than those transactions disclosed under the section headed "Connected Party Transactions with Trustee Connected Persons" below) from which the Group derived its income during the Reporting 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 2018 RMB
MIBJ Consulting (Beijing) Co., Ltd.	Associated company of the Manager and associate of a director of the Manager[1]	Leasing	966,953	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	2,396,833	717,368

Notes:

1. MIBJ Consulting (Beijing) Co., Ltd. is wholly-owned by Mercuria, which in turn holds 90.2% shareholding in the Manager. Both Mr. Toshihiro Toyoshima, the Chairman and Non-executive Director of the Manager, and Mr. Hideya Ishino, a Non-executive Director of the Manager, are also directors of MIBJ Consulting (Beijing) Co., Ltd.
2. PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) is a non-wholly owned subsidiary of PAG Holdings Limited, a significant holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(g) of the REIT Code. Please refer to further information in the section "PAG Lease" below.

PAG Lease

PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) ("**PAG Investment**") entered into a lease with fixed terms and for a fixed term of 3 years that commenced on 1 November 2016 (the "**PAG Lease**") as a tenant in relation to certain office premises owned by the Group at China Central Place located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, People's Republic of China. Based on disclosure of interests notification made by PAG Holdings Limited ("**PAG Holdings**") (the holding company of PAG Investment), PAG Holdings increased its interest in Units to 10.02% on 9 March 2017 (16.63% on 28 November 2018). As a result, PAG Investment became a connected person of Spring REIT, and the leasing transaction under the PAG Lease became a continuing connected party transaction of Spring REIT on 9 March 2017. Further details in relation to the PAG Lease were disclosed in the announcement of Spring REIT dated 29 March 2017.

Connected Party Transactions — Expenses

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Expenses for the Reporting Year RMB
Beijing Hua-re Real Estate Consultancy Co., Ltd.	Associated company of the Manager[1]	Property management	11,419,014

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 person in (a), and (c) a controlling entity, holding company, subsidiary or associated company of the Trustee) during the Reporting Period:

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income/(Expense) for the Reporting Year RMB
Leasing Transactions			
Deutsche Bank AG and its associated companies	Trustee Connected Persons	Leasing	45,250,708[1]
Ordinary Banking and Financial Services			
Deutsche Bank AG	Trustee Connected Person	Interest income received/ receivable on bank deposits	3,879,433
Deutsche Bank AG	Trustee Connected Person	Bank charges	(344,468)

Note:

1. As at 31 December 2018, a rental deposit of RMB6,839,825 was held by the Group from Trustee Connected Persons. A rental deposit by way of bank guarantee provided by Deutsche Bank (China) Co., Ltd. was held by RCA01 (a special purpose vehicle wholly owned and controlled by Spring REIT) as at 31 December 2018.

Connected Party Transactions with Trustee Connected Persons – Leasing Under Which the Annual Rent (per lease) Exceeds HK$1 million

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Rental income for the Reporting 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	23,793,832
Zhong De Securities	Trustee Connected Person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	21,456,876

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 and/or other connected party transaction (save and except for those disclosed hereinabove) between Spring REIT and any Trustee Connected Persons during the Reporting Period.

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 its subsidiaries 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 has been 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 of the Manager and other terms and conditions.

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 Waiver Extension upon its expiry in view that only two relevant continuing connected party transactions was to subsist beyond the Expiry Date. The Manager has complied with during the Reporting Year and will continue to 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) subsisted after the Expiry Date; or (b) was 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 Period, the aggregate amount of fees payable by Spring REIT and/or its subsidiaries to the Manager was US$8.31 million. The Manager's fee paid in the form of Units amounted to HK$49 million and the Manager's fee paid in the form of cash amounted to HK$17 million. On 4 December 2017, the Manager had elected for the base fee to be paid in the form of Units entirely for the Reporting Year.

During the Reporting Year, the fee payable to the Trustee under the Trust Deed was US$0.30 million.

During the Reporting Year, approximately US$0.22 million in aggregate was paid for services rendered Spring REIT by Knight Frank (the Principal Valuer). This included approximately US$0.11 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 US$0.11 million paid for other services including valuation and consultancy services rendered in relation to the proposed acquisition of the commercial property in Huizhou by Spring REIT (as disclosed in the circular of Spring REIT as dated 26 September 2018).

Particulars of services provided by the Trustee, the Manager and the Principal Valuer are set out in notes 7, 11 and 7 to the consolidated financial statements of Spring REIT for the Reporting Year, respectively.

Disclosure of Interests

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

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

As at 31 December 2018, each of the following was the Manager, a director, senior executive or officer of the Manager and thus each of them was a connected person of Spring REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units in Spring REIT as follows:

Name	Capacity/ Nature of Interest	As at 31 December 2018 Number of Units Interested in (Long Position)	Approximate % of interest[5]	As at 31 December 2017 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	**28,829,425**	**2.27%**	23,296,732	1.85%	+0.42%
Directors						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	**700,000**	**0.06%**	700,000	0.06%	0.00%
Nobumasa Saeki	Beneficial owner/ Personal interest	**400,000**	**0.03%**	400,000	0.03%	0.00%
Hideya Ishino	Beneficial owner/ Personal interest	**49,000**	**0.00%**	49,000	0.00%	0.00%
Simon Murray[2]	Beneficial owner/ Personal interest	**448,000**	**0.04%**	344,000	0.03%	+0.01%
Qiu Liping[3]	Beneficial owner/ Personal interest	**448,000**	**0.04%**	344,000	0.03%	+0.01%
Lam Yiu Kin[4]	Beneficial owner/ Personal interest	**421,000**	**0.03%**	317,000	0.03%	0.00%
Senior Executive						
Alice Yu	Beneficial owner/ Personal interest	**170,000**	**0.01%**	170,000	0.01%	0.00%

Notes:

1. During the Reporting Year, an aggregate of 14,651,193 new Units were issued to the Manager as payment of part of the Manager's fee. The Manager beneficially owned 28,829,425 Units as at 31 December 2018 (2017: 23,296,732 Units). Save as disclosed above, Mercuria beneficially owned 35,289,500 Units as at 31 December 2018 (2017: 26,483,000 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 2018, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by this Independent Non-executive Director.
3. Mr. Qiu Liping received these Units in lieu of cash pursuant to the INED Remuneration Arrangement. As at 31 December 2018, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by this Independent Non-executive Director.
4. Mr. Lam Yiu Kin received these Units in lieu of cash pursuant to the INED Remuneration Arrangement. As at 31 December 2018, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by this Independent Non-executive Director.
5. The percentages expressed herein are based on the total number of issued Units of 1,272,356,925 as at 31 December 2018 and 1,257,705,732 as at 31 December 2017 respectively.

Save as disclosed above, none of the Manager, the Directors, senior executives or officers of the Manager had beneficial interests (or were deemed to be interested) in any Units and underlying Units or held any short position in the Units as at 31 December 2018 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO or to the Manager only pursuant to the dealing policy set out in the Compliance Manual (as the case may be).

Interests Held by Significant Unitholders

As at 31 December 2018, based on the information available to the Manager, each of the following persons was considered as a "significant holder" and hence a "connected person" of Spring REIT within the meaning and for the purpose of the REIT Code. Their interests or short positions in the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

		As at 31 December 2018		As at 31 December 2017		
Name	Capacity/ Nature of Interest	Number of Units Interested in (Long Position)	Approximate % of Issued Units[1]	Number of Units Interested in (Long Position)	Approximate % of Issued Units[1]	Change in % of interest
RCAC[2]	Interest of controlled corporation/ corporate interests	**345,204,000**	**27.13%**	345,204,000	27.45%	-0.32%
PAG Holdings Limited[3 & 4]	Interest of controlled corporation/ corporate interests	**211,031,400**	**16.59%**	164,375,000	13.07%	+3.52%
Spirit Cayman Limited[5]	Beneficial owner/ Beneficial interest	**147,021,400**	**11.56%**	100,634,000	8.00%	+3.56%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,272,356,925 as at 31 December 2018 and 1,257,705,732 as at 31 December 2017 respectively.
2. These 345,204,000 Units are beneficially owned by RCA Fund 01 L.P. ("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 211,031,400 Units comprise the interests of (i) 64,010,000 Units directly held by BT Cayman Limited; and (ii) 147,021,400 Units directly held by Spirit Cayman Limited. Based on disclosure of interests notification made by PAG Holdings Limited filed on 30 November 2018, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 211,031,400 Units in which PAG Holdings Limited was interested.
4. Based on the disclosure of interests notifications filed on 30 November 2018:
   (a) each of PARE (Cayman) Limited (as controlling person of SCREP V Management (Cayman), LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP V Management (Cayman), LLC), SCREP V Management (Cayman), LLC (being general partner of Secured Capital Real Estate Partners V, L.P. and SCREP V Feeder B, L.P.), SCREP V Feeder B, L.P. (being limited partner and controlling 70.87% of Secured Capital Real Estate Partners V, L.P.) and Secured Capital Real Estate Partners V, L.P. (as controlling person of BT Cayman Limited as to 100%) was deemed to be interested in 64,010,000 Units, being the same parcel of Units directly held by BT Cayman Limited as referred to in Note 3(i) above;
   (b) each of PARE (Cayman) Limited (being controlling person of SCREP VI Management, LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP VI Management, LLC), SCREP VI Management, LLC (being general partner of SCREP VI, L.P. and SCREP VI Feeder A, L.P.), SCREP VI Feeder A, L.P. (being limited partner and controlling 75.33% of SCREP VI, L.P.), SCREP VI, L.P. (being controlling person of SCREP VI Holdings L.P. as to 100%) and SCREP VI Holdings L.P. (being controlling person of Spirit Cayman Limited as to 100%) was deemed to be interested in 147,021,400 Units, being the same parcel of Units directly held by Spirit Cayman Limited as referred to in Note 3(ii) above;
   (c) PAG Investment Advisors Pte. Ltd. was interested in 211,031,400 Units, comprising 64,010,000 Units which it was deemed to be interested in as manager of SCREP V Management (Cayman), LLC and 147,021,400 Units which it was deemed to be interested in as manager of SCREP VI Management, LLC;
   (d) PARE (Cayman) Limited was interested in 211,031,400 Units, comprising 64,010,000 Units which it was deemed to be interested in through its controlled corporation SCREP V Management (Cayman), LLC and 147,021,400 Units which it was deemed to be interested in through its controlled corporation SCREP VI Management, LLC;
   (e) PAG Real Estate Limited was interested in 211,031,400 Units through its 100% controlled corporations PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd; and
   (f) PAG Holdings Limited was interested in 211,031,400 Units through its 100% controlled corporation PAG Real Estate Limited.

   The interests of each of the above were also disclosed in the disclosure of interests notification made by PAG Holdings Limited filed on 30 November 2018.

   Please also refer to the interest of persons interested in 5% or more but below 10% of Units disclosed in the section "Interests Held by Substantial Unitholders under the SFO" below, which include the same parcel of 64,010,000 Units.
5. These 147,021,400 Units were beneficially owned by Spirit Cayman Limited. Please refer to Note 4(b) above.

Save as disclosed above and based on the information available to the Manager, no other significant Unitholders had beneficial interests (or were deemed to be interested) in any Units or underlying Units or held any short position in the Units as at 31 December 2018 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

Interests Held by Substantial Unitholders under the SFO

As at 31 December 2018, the interests and short position in the Units held by persons, other than the Manager, Directors or senior executives and officers of the Manager or significant Unitholders of Spring REIT, who were interested in 5% or more but below 10% of the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

Name	Capacity/ Nature of Interest	As at 31 December 2018 Number of Units Interested in (Long Position)	Approximate % of Issued Units[1]	As at 31 December 2017 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**	**9.03%**	114,884,000	9.13%	-0.10%
BT Cayman Limited[3]	Beneficial owner/ Beneficial interest	**64,010,000**	**5.03%**	64,010,000	5.09%	-0.06%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,272,356,925 as at 31 December 2018 and 1,257,705,732 as at 31 December 2017 respectively.
2. These 114,884,000 Units are beneficially owned by China Orient Stable Value Fund Limited, which is wholly owned by Long Hills Capital Ltd. The latter is wholly owned by Long Hills Holdings International Ltd., which in turn is wholly owned by Zeng Yuyu. Accordingly, each of Long Hills Capital Ltd., Long Hills Holdings International Ltd., and Zeng Yuyu was deemed to be interested in those 114,884,000 Units.
3. These 64,010,000 Units were beneficially owned by BT Cayman Limited. Please refer to Note 4(a) in the section "Interests Held by Significant Unitholders" above.

Save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other substantial Unitholders under the SFO who had beneficial interests (or were deemed to be interested) in 5% or more but below 10% of the Units or underlying Units or held any short position in the Units as at 31 December 2018 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

Interests Held by Other Connected Persons of Spring REIT

As at 31 December 2018, save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other connected persons of Spring REIT, including 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

19 March 2019

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 2018 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 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."

Market value is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable 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 value available to only a specific owner or purchaser. Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Valuation Methodology

In our course of valuation, we have adopted Income Capitalization Approach and cross-checked by Market 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 RMB464 per square meter per month, inclusive of value-added tax (or RMB418 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.

Market 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 September 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

Enc

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 2018
Valuation Methodology	Income Capitalization Approach and Market Approach (for counter checking)
Market Value in Existing State	RMB9,096,000,000

Valuation Report

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market Value in existing state as at 31 December 2018</th></tr>
<tr>
<td>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</td>
<td>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:

<table>
<tr><th>Portion</th><th>Approximately Gross Floor Area (sq m)</th></tr>
<tr><td>Office Tower 1</td><td>56,068.32</td></tr>
<tr><td>Office Tower 2</td><td>64,176.87</td></tr>
<tr><td>Car Park</td><td>25,127.35</td></tr>
<tr><td>Total:</td><td>145,372.54</td></tr>
</table>

The Property is held under land use rights term expiring on 28 October 2053 for office and car park uses.</td>
<td>Portion of the office area of the Property with a total gross floor area of approximately 112,916.29 sq m has been leased under various tenancies with the majority that expires within 3 years, yielding a total monthly rental of approximately RMB42,017,000, 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 2018 to December 2018 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.</td>
<td>RMB9,096,000,000 (RENMINBI NINE BILLION AND NINETY SIX MILLION ONLY)</td>
</tr>
</table>

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	112,916.29	93.9
Vacant	7,328.90	6.1
Total:	**120,245.19**	**100.0**

Tenancy Expiry Profile

Year	Approximate Leased Gross Floor Area (sq m)	% of total	No. of Tenancies	% of total
2019 and before	30,745.31	27.2	57	30.3
2020	21,464.49	19.0	46	24.5
2021 and beyond	60,706.49	53.8	85	45.2
Total:	**112,916.29**	**100.0**	**188**	**100.0**

Tenancy Duration Profile

Year	Approximate Leased Gross Floor Area (sq m)	% of total	No. of Tenancies	% of total
Less than 3 years	19,054.86	16.9	36	19.1
3-6 years	90,684.13	80.3	149	79.3
More than 6 years	3,177.30	2.8	3	1.6
Total:	**112,916.29**	**100.0**	**188**	**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 2018, the GDP of Beijing was recorded RMB3.03 trillion, representing an annual increase of 6.6 percent. The total fixed asset investment in 2018 has a drop of 9.9% from 2017, among different sectors, the total real estate investment in 2018 has an annual increase of 3.4%. In 2018, the total accumulated retail sales of consumer goods of Beijing was RMB1,175 billion, an grew at 2.7% y-o-y. At the end of 2018, the total population of Beijing is approximately 21.5 million.

Beijing Office Market

Supply and Demand

In Q3 2018, new supply lifted the overall vacancy rate in Beijing's Grade-A office and mainly concentrated in non-Core CBDs. Three new completions namely COFCO Landmark, East Bay International Centre (39,472 sq m) and Taiping Financial Centre together brought 171,170 sqm of office space to the market. Taiping Financial Centre was completed in September and currently has been almost fully leased out. In Q4, it is expected that Grade-A office market will face a supply peak. New supply is mainly concentrated in Wangjing and Lize, a new emerging business district.

In Q3 2018, the Beijing's office transaction market remained active. Purchasers included domestic developers and overseas funds. A Grade-A office building named KaiLong Zlink in Zpark, Haidian District, Beijing from KaiLong and Goldman Sachs is acquired by Allianz Real Estate managed by Allianz Group, a leader in insurance and asset management from Germany in July for RMB1.26 billion. The office building with a total GFA of 31,426 sqm is now fully occupied.

Market Trend

In Q3, domestic developers remained cautious about property investment, while demand from foreign funds have returned to the office investment market after years of silence. Tenants from the finance, internet, high-tech, professional consulting services sectors and co-working operators were the major driving forces in taking up new Grade-A office spaces and were involved in several major new lease, renewal and expansion transactions.

In the quarter, lifted by the quality new supply, Asian-Olympic Area witnessed a slight increase in vacancy rate, up 1 percentage points to 6.1%. The average rent there also rose by 0.4% Q-o-Q to RMB356 per sq m 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 by 1.9 percentage points Q-o-Q to 8.7%. Meanwhile, the rent in Wangjing recorded a significant growth of 3% Q-o-Q to RMB298 per sq m per month. Financial Street retained the priciest submarket in Q3, where the rents reached RMB647 per sq m per month. In addition, CBD submarket witnessed a noticeable growth in rent by 2.5% Q-o-Q to RMB416 per sq m per month. The traditional submarkets, such as East Second Ring Road and Zhongguancun experienced slight decreases in vacancies, while Lufthansa witnessed a moderate increment in vacancy rate, up 2.3 percentage points to 7.6%. The rents there hovered at RMB345, RMB389 and RMB376 per sq m per month respectively.

In terms of policies, the Beijing municipal government issued "Catalogue of Prohibitions and Restrictions on New Industries in Beijing (2018 Edition)" on 26 September 2018 and planned to make large-scale limitations towards industries in core areas. Therefore, it is becoming more obvious that office buildings in core CBDs will be in short supply. The average rent in Beijing Grade-A office market is expected to increase by 5% while the vacancy rate will decline to 5% in the coming year. In Q4, it is expected that Grade-A office market will face a supply peak. New supply is mainly concentrated in Wangjing and Lize, a new emerging business district.

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

19 March 2019

Dear Sirs

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

In accordance with your instructions for us to value the 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 2018 (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 Approach and cross-checked by Market Approach.

Income 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.

Market Approach is the most common valuation approach for valuing properties 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 properties to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the properties 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 Approach.

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 under 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 of the 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 randomly selected and 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

We have inspected the exterior, and where possible, the interior of the Properties in June and July, 2018 by Richard Syers (MRICS), Alastair Coates (MRICS), Tom Poynton (MRICS), Tom Rigg (MRICS), Scott Hogan (MRICS), Iain McGhee (MRICS), Matthew Aitchson (MRICS), Louisa Brown (MRICS), Adam Chapman, Allison Shepherd, Alex Hackay, John Rae, Kieran Wraight and Emma MacDougall. 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 6.5 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. 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.

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 and Advisory

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 2018
Valuation Methodology	Income Capitalization Approach and Market Approach (for counter checking)
Market Value in Existing State	£76,135,000

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 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 505,381 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, under long leasehold.	We have established that most 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. (Please refer to the Property Schedule attached for details.)	£76,135,000 (SEVENTY-SIX MILLION ONE HUNDRED AND THIRTY-FIVE THOUSAND BRITISH POUNDS) (Please refer to the Property Schedule attached 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.
4. 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 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 2018	0.6	1.5
Services Sector Output	Q3 2018	0.4	1.7
Manufacturing Output	Q3 2018	0.6	1.0
Retail Sales Volumes	Nov-2018	0.4	3.6

	Date	Level/Rates Current Rate	Last Month	Last Year
CPI Inflation (%)	Nov 2018	2.3	2.7	3.1
Unemployment Rate (%)	Sep 2017	4.1	4.1	4.3
10 Year Gilt Yields (%)	Dec 2018	1.27	1.57	1.19
GBP/EUR	Dec 2018	1.11	1.12	1.13
GBP/USD	Dec 2018	1.27	1.31	1.35

Source: Macrobond/ONS/Bank of England

The UK economy grew at its fastest pace since 2016, increasing by 0.6% in Q3 2018. GDP rose 0.4% in Q2 and 1.5% compared with Q3 2017. Growth in July (+0.3%) drove the third quarter expansion, which fell in line with market expectations. In its November inflation report, the Bank of England stated it expects the economy to expand 1.7% in 2019 and 2020 respectively.

The services sector output increased at a rate of 0.4% in Q3 2018, slowing from the 0.6% growth reported between Q1 and Q2 2018, but up 1.7% from Q3 2017. The information and communication sector was the largest contributor to growth in the quarter owing to large programming businesses, followed by the professional, scientific and technical activities sector where growth was underpinned by the accounting and auditing activities industry.

Manufacturing output rose for the first time this year and increased 0.6% in the three months to September, thereby contributing to more than half of the total production output. Transport equipment, in particular motor vehicle production were the main thrust behind this growth. Manufacturing shows a broad-based weakness on a month-on month basis, led by soft drinks, mineral waters and bottled water, due to high August figures.

Contrary to evidence of muted consumer confidence and strains on retailers, retail sales figures grew at a healthy pace in November. Quarterly retail sales grew by 0.4% over the 3-months to November 2018. The growth was driven by strong sales of household goods, with online sales growing faster than sales in store. On an annual level, retail sales volumes grew by 3.6% over the 12-months to November 2018.

In line with market expectations, annual CPI inflation fell to 2.3% in November 2017 from 2.4% in the previous month. This is the lowest level of CPI inflation since March 2017 and has been mainly caused by a slowdown in the cost of transport, food and nonalcoholic beverages.

The 10-year gilt yield decreased to 1.27% at the end of December, from 1.57% at the end of November.

Retail Warehouse

Monthly total returns for retail warehouses reached -0.9% in November. London (0.1%) was the only region to record a positive total return for retail warehouses. Conversely, the North England & Scotland (-1.6%) and Midlands & Wales (-1.5%) were the worst performing regions for retail warehouse performance. Overall, annual total returns for UK retail warehouses were 2.4% in November, down from 4.1% in October.

UK retail warehouse capital values declined a further -1.4% in November. No UK region recorded positive capital value growth over the month. Assets in the North England & Scotland region were the worst performers with a -2.2% decline in capital values over the month. Overall, capital values have declined -3.5% across the UK retail ware house sector over the 12-months to November 2018.

Income return remained at 0.5% on a monthly basis in November. This equates to an annual income return of 6.1% for all retail warehouses across the UK.

Retail warehouse market rental values declined a further -0.7% during November. All UK regions recorded negative market rental growth over the month, with the North England & Scotland (-1.0%) and Midlands & Wales (-0.9%) being the worst performing regions. On an annual basis, market rental values for UK retail warehouses have declined -1.5% over the 12-months to November 2018.

The equivalent yield for UK retail warehouses softened 10bps to 6.2% in November. The risk of further yield decompression remains for the sub-sector in the short to medium term as trading conditions remain difficult for tenants.

According to Property Data, investment volumes for 2018 reached £1.87 billion, 31.8% below the 2017 figure. The majority of investment was from UK Institutions (35.9%) and Overseas Investors (19.2%).

Industrial

Monthly total returns for the UK industrial sector reached 1.1% for the month of November. Momentum in the sector appears to be slowing as annual total returns declined 100bps to 19.2% for the 12-months to November 2018. Despite the slowdown in performance, the UK industrial sector continues to record strong above long-term average investment returns and outperform the wider UK real estate market.

Monthly capital growth in the industrial sector accelerated in November to 0.8% from 0.6% a month prior. London (0.8%) and the South East (0.8%) remained the strongest performing markets in terms of monthly capital growth during November. Overall, on an annual basis the UK industrial sector recorded capital growth of 13.7% over the 12 months to November.

Monthly income returns remain unchanged at 0.4% during November. On an annual basis, income returns declined 10bps to 4.9%. Annual income returns are the highest in north of England & Scotland (6.0%) and the South West (6.0%), and the lowest in London (3.9%).

The deceleration of market rental growth appears to have stalled across the UK industrial market in November. Annual rental growth remained stable at 4.1% in November across the UK industrial sector. The London industrial market remains the strongest, recording 6.1% annual market rental growth over the last 12-months, while the Midlands & Wales was the weakest with 2.3% annual market rental growth.

The equivalent yield for the UK industrial sector remained at 5.4% during November. Equivalent yields remained stable across all UK industrial regions over the month.

According to Property Data, investment volumes for 2018 reached £7.5 billion, 31.9% below 2017. The majority of investment was from UK Institutions (30.8%) and Overseas Investors (19.9%).

Property Description

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2018 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	6.05%	935,000
	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	5.55%	1,453,000
	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	36,577	20 03 2007	19 03 2032	6.05%	604,000
	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	5.55%	787,000
	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	5.65%	1,058,000
	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	5.80%	1,101,000
	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	5.95%	1,948,000
	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	5.95%	1,948,000
	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	6.05%	866,000
	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)	2018 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	5.65%	443,000
	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	5.30%	1,925,000
	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	5.05%	3,903,000
	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	6.05%	498,000
	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	5.55%	662,000
	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	5.55%	617,000
	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	4.55%	1,795,000
	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	6.80%	285,000
	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	6.30%	267,000
	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	40,059	20 03 2007	19 03 2032	5.45%	735,000
	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 approximately13 spaces.								
21	EDINBURGH, 19 Corstorphine Road	EH12 6DD	7,590	Freehold	900	81,149	20 03 2007	19 03 2032	5.30%	1,153,000
	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.								

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2018 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
22	EDINBURGH, 81/91 Dundee Street	EH11 1AW	4,466	Freehold	1,600	51,762	20 03 2007	19 03 2032	5.80%	877,000
	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	5.65%	1,785,000
	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	5.45%	715,000
	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	6.80%	512,000
	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	5.80%	463,000
	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	5.30%	951,000
	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	5.55%	940,000
	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	5.80%	656,000
	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	6.30%	928,000
	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	6.55%	531,000
	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	4.80%	966,000
	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.								

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2018 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	5.65%	618,000
	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	5.80%	690,000
	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	–	279,000
	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	6.80%	494,000
	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	5.65%	595,000
	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	7.05%	354,000
	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	5.65%	975,000
	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	5.80%	809,000
	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	6.05%	578,000
	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	5.65%	687,000
	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	5.80%	784,000
	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.								

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2018 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	5.80%	1,494,000
	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	5.45%	1,383,000
	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	5.55%	1,424,000
	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	6.05%	409,000
	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	5.65%	985,000
	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	5.95%	1,062,000
	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	6.80%	566,000
	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	5.80%	718,000
	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	7.55%	425,000
	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/Freehold	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)	2018 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	5.55%	1,404,000
	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	42,888	20 03 2007	19 03 2032	6.05%	709,000
	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	66,164	20 03 2007	19 03 2032	5.65%	1,118,000
	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	8.30%	815,000
	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	6.05%	441,000
	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	5.30%	801,000
	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%	546,000
	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	6.05%	944,000
	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	5.80%	725,000
	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	6.15%	962,000
	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	4.30%	2,884,000
	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)	2018 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	5.55%	470,000
	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	5.00%	1,165,000
	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	5.95%	779,000
	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	5.55%	1,013,000
	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	6.05%	485,000
	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	4.45%	2,410,000
	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	6.55%	1,274,000
	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	7.30%	514,000
	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	5.65%	1,546,000
	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	7.05%	1,079,000
	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	5.95%	1,072,000
	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)	2018 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	5.95%	1,150,000
	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	6.15%	602,000
	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	Freehold	1,200	35,221	20 03 2007	19 03 2032	5.80%	606,000
	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	9.30%	413,000
	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	6.05%	766,000
	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	5.80%	273,000
	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	6.55%	555,000
	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	5.65%	737,000
	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	5.95%	531,000
	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**				**76,135,000**

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 2018 to 31 December 2018

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 2018 to 31 December 2018.

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

Hong Kong, 22 March 2019

Independent Auditor's Report

pwc 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 143, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 equity and 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 2018, 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$1,419.5 million as at 31 December 2018 and the fair value gain of investment properties for the year ended 31 December 2018 was US$12.0 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") and the Trustee. 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 methodologies used in preparing the valuations were appropriate and key assumptions 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 are 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' 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, 26 March 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 US$'000	2017 US$'000
Revenues	5	**84,343**	76,695
Property operating expenses	6	**(20,966)**	(19,615)
Net property income		**63,377**	57,080
General and administrative expenses	7	**(17,661)**	(11,761)
Fair value gain of investment properties	13	**12,038**	4,807
Other losses, net	8	**(4,198)**	(5,147)
Operating profit		**53,556**	44,979
Finance income		**586**	482
Finance costs on interest-bearing borrowings	9	**(49,439)**	9,874
Profit before taxation and transactions with Unitholders		**4,703**	55,335
Income tax expense	10	**(49)**	(175)
Profit for the year, before transactions with Unitholders (note i)		**4,654**	55,160
Distributions paid to Unitholders:			
– 2016 final distribution		**–**	(14,568)
– 2017 interim distribution		**–**	(15,257)
– 2017 final distribution (note ii)		**(18,644)**	–
– 2018 interim distribution (note ii)		**(19,453)**	–
		(33,443)	25,335
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		**(81,586)**	80,439
Amount arising from exchange reserve movements regarding translations of financial statements		**48,143**	(55,104)
		(33,443)	25,335

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) 2018 interim distribution and 2017 final distribution of US$19,453,000 and US$18,644,000 respectively were paid during the year ended 31 December 2018. Total distribution for the year ended 31 December 2018 is presented in the statement of distributions.

The notes on pages 111 to 143 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	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 2018				
Profit for the year		**4,654**	**43,489**	**48,143**
Other comprehensive loss:				
Items that may be reclassified to consolidated income statement				
Exchange gains on translation of financial statements		**(48,143)**	**–**	**(48,143)**
Total comprehensive income for the year	ii	**(43,489)**	**43,489**	**–**
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)	–

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of US$38,097,000 (2017: US$29,825,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is a decrease of US$81,586,000 (2017: an increase of US$80,439,000).

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

The notes on pages 111 to 143 are an integral part of these consolidated financial statements.

Statement of Distributions

For the year ended 31 December 2018

	2018 US$'000	2017 US$'000
Profit for the year, before transactions with Unitholders	**4,654**	55,160
Adjustments:		
– Fair value gain of investment properties	**(12,038)**	(4,807)
– Net fair value losses of derivative financial instruments	**38**	8,082
– Manager's fee expenses in units in lieu of cash	**6,251**	5,595
– Amortisation of transaction cost for the bank borrowings	**2,026**	2,347
– Unrealised foreign exchange losses/(gains)	**30,892**	(32,410)
Distributable income for the year (note i)	**31,823**	33,967
Total distributions of the year (note ii)	**31,187**	33,967
Represented by:		
Interim distribution, paid (note iii)	**19,453**	15,257
Final distribution, to be paid (note iv)	**11,734**	18,710
Total distributions of the year (note ii)	**31,187**	33,967
Percentage of total distribution over distributable income for the year	**98%**	100%
Distributions per unit to Unitholders		
– Interim distribution per unit, paid (note iii)	**HK12.0 cents**	HK9.5 cents
– Final distribution per unit, to be paid (note iv)	**HK7.2 cents**	HK11.6 cents
Distribution per unit for the year (note iv)	**HK19.2 cents**	HK21.1 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 2018 was calculated based on the interim distribution of US$19,453,000 for the period and 1,265,180,645 units in issue. The interim distribution was paid to Unitholders on 28 September 2018.

(iv) The final distribution per unit of HK7.2 cents for the year ended 31 December 2018 is calculated based on the final distribution to be paid to Unitholders of US$11,734,000 for the second half of the financial year and 1,272,356,925 units in issue as at 31 December 2018, rounded to the nearest HK$0.1 cents, without taking into account any consideration or subdivision of units which may have occurred between the dates of declaration of the distribution and 17 April 2019 (the "Record Date"). The final distribution for the year ended 31 December 2018 is expected to be paid to Unitholders on 30 April 2019. Such final distributions per unit, however, may be subject to adjustment upon the issuance of new units between 1 January 2019 and the Record Date, if any.

The final distribution per unit of HK11.6 cents for the year ended 31 December 2017 was calculated based on the final distribution paid to the 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. The final distribution for the year ended 31 December 2017 was paid to Unitholders on 27 April 2018.

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

The notes on pages 111 to 143 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	As at 31 December 2018 US$'000	2017 US$'000
Non-current assets			
Investment properties	13	**1,419,507**	1,488,059
Derivative financial instrument	14	**64**	–
Total non-current assets		**1,419,571**	1,488,059
Current assets			
Trade and other receivables	15	**4,147**	4,525
Restricted bank balances	16	**55,364**	72,701
Cash and cash equivalents	16	**16,003**	21,310
Total current assets		**75,514**	98,536
Total assets		**1,495,085**	1,586,595
Current liabilities			
Interest-bearing borrowings	18	**–**	50,005
Trade and other payables	17	**16,010**	13,878
Rental deposits	17	**22,466**	24,360
Income tax payable		**87**	476
Total current liabilities		**38,563**	88,719
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	18	**531,300**	497,472
Derivative financial instruments	14	**102**	–
Total non-current liabilities		**531,402**	497,472
Total liabilities, excluding net assets attributable to Unitholders		**569,965**	586,191
Net assets attributable to Unitholders		**925,120**	1,000,404
Units in issue ('000)	19	**1,272,357**	1,257,706
Net asset value per unit attributable to Unitholders			
In US$		**0.73**	0.80
In HK$		**5.69**	6.22

The notes on pages 111 to 143 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 2018

	Reserves (note) US$'000	Net assets attributable to Unitholders US$'000
As at 1 January 2018	**–**	**1,000,404**
Profit after taxation and before transactions with Unitholders	**–**	**4,654**
Exchange gains on translation of financial statements	**(48,143)**	**–**
Amount arising from exchange reserve movements	**48,143**	**(48,143)**
Distributions paid to Unitholders:		
– 2017 final distribution	**–**	**(18,644)**
– 2018 interim distribution	**–**	**(19,453)**
Change in net assets attributable to Unitholders for the year ended 31 December 2018, excluding issues of new units	**–**	**(81,586)**
Issuance of units (note 19)	**–**	**6,302**
As at 31 December 2018	**–**	**925,120**

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 2018

	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	–	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.

The notes on pages 111 to 143 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 US$'000	2017 US$'000
Cash flows from operating activities			
Cash generated from operations	20	**51,362**	52,150
Interest received		**586**	482
Income tax paid		**(408)**	(29)
Net cash generated from operating activities		**51,540**	52,603
Cash flows from investing activities			
Additions to investment properties		**(70)**	(419)
Acquisition of investment properties		**–**	(49,620)
Net cash used in investing activities		**(70)**	(50,039)
Cash flows from financing activities			
Proceeds from issuance of new units		**–**	48,001
Proceeds from borrowings, net of transaction cost		**79,768**	49,380
Repayment of borrowings		**(92,934)**	(33,735)
Interest paid		**(19,055)**	(17,473)
Decrease/(increase) in restricted bank balances		**13,643**	(21,195)
Distributions to Unitholders		**(38,097)**	(29,825)
Settlement of derivative financial instruments		**–**	(5,412)
Net cash used in financing activities		**(56,675)**	(10,259)
Net decrease in cash and cash equivalents		**(5,205)**	(7,695)
Cash and cash equivalents at the beginning of the year		**21,310**	28,825
Exchange (losses)/gain on cash and cash equivalents		**(102)**	180
Cash and cash equivalents at end of year		**16,003**	21,310

The notes on pages 111 to 143 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

1 General Information

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

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

The 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)

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

The Group has adopted all of the new standards, amendments, improvements and interpretation 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 2018.

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

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 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

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

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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 19 Amendments	Employee Benefit	1 January 2019
IAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
Annual Improvements Project IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS 2015 – 2017 Cycles	1 January 2019
IFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
IAS 1 and IAS 8 Amendments	Definition of Material	1 January 2020
IFRS 3 Amendments	Definition of A Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
IFRS 10 and IAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

IFRS 16 "Leases"

IFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on the consolidated statements of financial position for lessees.

The Group is a lessee of the UK lands which are currently classified as operating leases. IFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated income statement, straight-line depreciation expense on the right-of-use asset and the interest expenses on the financial liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the financial liability will result in a higher total charge to consolidated income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately US$7,784,000 (note 22) which accounts for approximately 0.5% and 1.4% of the Group's total assets and total liabilities respectively as at 31 December 2018. The Group expects that the adoption of IFRS 16 as compared with the current accounting policy would impact on the Group's total assets and total liabilities. Upon the adoption of IFRS 16, the Group will recognise a liability for the future operating lease payments and right-of-use assets, in its consolidated statements of financial position. However, the Group does not expect a significant impact on operating performance. IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group does not intend to adopt IFRS 16 before its mandatory date and intends to adopt IFRS 16 with the cumulative retrospective impact as an adjustment to equity on the date of adoption.

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 other new standards, amendments, improvements and interpretation to existing standards.

2 Summary of Significant Accounting Policies (Continued)

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of Spring REIT and its subsidiaries as at 31 December 2018 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 unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised 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 recognises 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 recognised 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 amortised on a straight-line basis and are recognised as a reduction of rental income over the respective term of the lease.

(ii) Interest income

Interest income is recognised 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 recognised on an accrual basis.

(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.

2 Summary of Significant Accounting Policies (Continued)

(e) Investment properties (Continued)

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 recognised 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 recognised 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 recognised in income statements, such difference will be amortised over the life of the derivatives in a systematic basis.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The amount of the provision is recognised 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 recognised as deferred rent receivables. The aggregate benefit of incentives is recognised 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 recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 recognised 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 capitalised as a pre-payment for liquidity services and amortised 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 recognised 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Provisions

Provisions are recognised 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 recognised 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 realised 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 recognised 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 realised 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 recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group 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 realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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 statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

(ii) income and expenses for each 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 recognised 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 recognised 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 recognised 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 minimise 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 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 recognised assets and liabilities that are denominated in a currency that is not the functional currency. This is primarily with respect to the US$.

As at 31 December 2018, 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$23,948,000 (2017: increased/decreased by US$20,795,000) respectively, mainly as a result of foreign exchange differences on translation of monetary assets and liabilities being denominated in USD that is not the functional currency items in the PRC such as cash and bank balance, other payables and borrowings.

As at 31 December 2018, 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$1,697,000 (2017: decreased/increased by US$850,000 respectively, mainly as a result of foreign exchange differences on translation of monetary assets being denominated in USD 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 swaps to manage the risk where the Group forecasts a significant rise in interest rate in the foreseeable future.

3 Financial risk and capital risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

During the year ended 2018, the Group entered into three plain vanilla interest rate swaps with notional amount of US$50 million each to hedge the interest rate risk arising from the variable rate bank borrowings. The Group pays interest at fixed rates from 2.58% to 2.74% per annum and receives interest at the rate of 3-month USD LIBOR until 29 April 2020.

As at 31 December 2018, if interest rates had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been US$1,552,000 (2017: US$2,274,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings and after taking into consideration of interest rate swaps.

(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 minimised 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 analyses 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 2018				
Trade and other payables	**5,398**	**–**	**–**	**–**
Rental deposit	**7,453**	**3,971**	**11,029**	**13**
Income tax payable	**87**	**–**	**–**	**–**
Interest payable on borrowings	**26,077**	**8,590**	**2,054**	**–**
Derivative financial instruments (net settled)	**95**	**33**	**–**	**–**
Interest-bearing borrowings	**–**	**468,000**	**63,783**	**–**
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	–

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 2018 US$'000	2017 US$'000
Total borrowings (note 18)	**531,300**	547,477
Total assets	**1,495,085**	1,586,595
Gearing ratio	**35.5%**	34.5%

3 Financial risk and capital risk management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised 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 2018	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Non-current asset				
Derivative financial instrument	**–**	**64**	**–**	**64**
Non-current liability				
Derivative financial instruments	**–**	**102**	**–**	**102**

At 31 December 2017	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Non-current asset				
Derivative financial instrument	–	–	–	–
Non-current liability				
Derivative financial instrument	–	–	–	–

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 2018, the level 2 derivative financial instruments represented three plain vanilla interest rate swaps which are not traded in an active market. The fair values of these derivative financial instruments are based on prices quoted by financial institutions at the end of the reporting period.

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

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) Estimates of fair values of derivative financial instruments

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

(c) Taxation

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

5 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 review the operating results of the Group on an aggregate basis, no segment information is therefore presented.

For the year ended 31 December 2018, revenue of US$78.7 million (2017: US$73.9 million) is attributable to tenants from the PRC investment properties and US$5.6 million (2017: US$2.8 million) is attributable to tenants from the UK investment properties. As at 31 December 2018, investment properties of US$1,322 million (2017: US$1,388 million) is located in the PRC and US$97 million (2017: US$100 million) 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	
	2018	2017
	US$'000	US$'000
Revenues		
Rental income	**81,854**	74,909
Car park income	**523**	511
Other income (note i)	**1,966**	1,275
	84,343	76,695

Note:

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

6 Property Operating Expenses

	Year ended 31 December	
	2018	2017
	US$'000	US$'000
Property management fee	**1,808**	1,662
Property taxes (note i)	**9,219**	8,681
Other taxes (note ii)	**1,057**	1,027
Withholding tax (note iii)	**8,028**	7,274
Leasing commission	**550**	777
Others	**304**	194
	20,966	19,615

Notes:

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

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

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

7 General and Administrative Expenses

	Year ended 31 December	
	2018	2017
	US$'000	US$'000
Manager's fee (note i)	**8,309**	8,164
Trustee fee	**297**	239
Valuation fee (note ii)	**195**	49
Auditor's remuneration		
– Audit services	**211**	202
– Non-audit services:		
– Acquisition related professional fees (note ii)	**522**	64
– Others	**88**	88
Legal and other professional fee (note ii)	**7,914**	2,501
Others	**125**	454
	17,661	11,761

Notes:

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

(ii) The amounts include costs of approximately US$3.2 million incurred in relation to the due diligence and implementation of a proposed acquisition of a commercial property in Huizhou, the PRC along with unanticipated costs of approximately US$3.1 million incurred in relation to the unsolicited general offer launched by a unitholder and the proposed acquisition.

8 Other Losses, Net

	Year ended 31 December	
	2018	2017
	US$'000	US$'000
Net fair value losses on derivative financial instruments at fair value through profit or loss	**38**	8,082
Foreign exchange losses/(gains)	**4,118**	(2,955)
Other miscellaneous losses	**42**	20
	4,198	5,147

9 Finance Costs

	Year ended 31 December	
	2018	2017
	US$'000	US$'000
Interest expenses on bank borrowings (note i)	**21,939**	19,431
Foreign exchange losses/(gains) on bank borrowings (note ii)	**26,774**	(29,455)
Other borrowing costs	**726**	150
	49,439	(9,874)

Notes:

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

(ii) Foreign exchange losses/(gains) 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 subjected to the corporate income tax. It is subjected to withholding tax as disclosed in note 6(iii).

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

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

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

	Year ended 31 December	
	2018	2017
	US$'000	US$'000
Current income tax	**49**	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 years were as follows:

	Year ended 31 December	
	2018	2017
	US$'000	US$'000
Profit before income tax and transactions with unitholders	**4,703**	55,335
Exclude profit from the PRC operation which is not subjected to income tax (note 6(iii))	**(19,820)**	(62,689)
	(15,117)	(7,354)
Tax calculated at the domestic rates applicable to profits in the country concerned	**(2,476)**	(1,128)
Income not subject to tax	**(1,035)**	(442)
Expenses not deductible for tax purposes	**3,560**	1,745
	49	175

11 Manager's Fee

	Year ended 31 December 2018 US$'000	2017 US$'000
Base fee	**6,400**	5,493
Variable fee	**1,909**	1,715
Acquisition fee	**–**	956
	8,309	8,164

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 4 December 2017 and 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 2018 in accordance with the Trust Deed.

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

12 Earnings Per Unit

	2018 US$'000	2017 US$'000
Profit for the year, before transactions with Unitholders	**4,654**	55,160
Weighted average number of units for the year for calculating basic earnings per unit	**1,264,874,858**	1,206,452,143
Adjustment for units issuable in respect of the Manager's fee	**3,456,904**	3,206,937
Weighted average number of units for the year for calculating diluted earnings per unit	**1,268,331,762**	1,209,659,080
Basic earnings per unit based upon profit before transactions with Unitholders	**US0.37 cents**	US4.57 cents
Diluted earnings per unit based upon profit before transactions with Unitholders	**US0.37 cents**	US4.56 cents

13 Investment Properties

	Year ended 31 December	
	2018 US$'000	2017 US$'000
At beginning of the year	**1,488,059**	1,296,616
Additions	**70**	419
Acquisition (Note ii)	**–**	95,654
Exchange differences recognised in other comprehensive income	**(80,660)**	90,563
Changes in fair value recognised in consolidated income statement	**12,038**	4,807
At end of the year	**1,419,507**	1,488,059

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

As at 31 December 2018 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 recognised relevant professional qualification and has recent experiences in the locations and segments of the investment properties valued.

The Manager reviewed the valuation performed by the independent valuer for financial reporting purpose. Discussions of valuation processes and results are held between the Manager and the independent valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2018 and 31 December 2017, the fair values of the investment properties have been determined by Knight Frank Petty Limited. The independent valuer adopted the income capitalisation approach and cross-checked by the direct comparison approach for the valuation where applicable.

Valuation techniques

(i) PRC investment property

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

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

(ii) UK investment properties

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

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 2018	**–**	**–**	**1,419,507**
As at 31 December 2017	–	–	1,488,059

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

(i) PRC investment properties

(a) *Capitalisation rate*

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rates used, the lower the fair values of the investment properties. In the 31 December 2018 valuation, a capitalisation rate of 5.8% (2017: 5.8%) is used in the income capitalisation approach.

(b) *Base rent*

Base rent is the standard rent payable under the lease exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The average gross monthly office unit base rent of RMB418 (2017: RMB409) per square meter exclusive of VAT is used in the valuation.

(ii) UK investment properties

(a) *Capitalisation rate*

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rate used, the lower the fair values of the investment properties. In the 31 December 2018 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 4.30% to 9.30% (2017: 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 GBP22.42 (2017: GBP4.52 to GBP20.11) per square foot.

As at 31 December 2018, if the market value of investment properties had been 5% higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been US$71.0 million (2017: US$74.4 million) higher/lower.

14 Derivative Financial Instruments

	As at 31 December 2018 US$'000	2017 US$'000
Non-current asset		
Fair value of the interest rate swap	**64**	–
Non-current liability		
Fair value of the interest rate swaps	**102**	–

Notes:

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

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

The Group recorded net fair value losses on interest rate swap for the year ended 31 December 2018 amounting to US$38,000 (2017: Nil) (note 8) which were charged to the consolidated income statement.

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

15 Trade and Other Receivables

	As at 31 December 2018 US$'000	2017 US$'000
Rent receivables	**62**	8
Deferred rent receivables (note iv)	**3,504**	4,133
Prepayment	**523**	365
Other receivable	**58**	19
	4,147	4,525

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 2018 and 2017, 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	
	2018	2017
	US$'000	US$'000
Restricted bank balances	**55,364**	72,701
Cash and cash equivalents	**16,003**	21,310
	71,367	94,011

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

	As at 31 December	
	2018	2017
	US$'000	US$'000
US$	**30,655**	56,146
RMB	**32,790**	33,354
HK$	**5,499**	1,875
GBP	**2,423**	2,636
	71,367	94,011

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

17 Rental Deposits and Trade and Other Payables

	As at 31 December	
	2018	2017
	US$'000	US$'000
Rental deposits (note i)	**22,466**	24,360
Trade and other payables:		
Rental receipts in advance	**6,595**	7,566
Provision for other taxes (note ii)	**3**	4
VAT payable	**244**	380
Accrued expenses and other payables	**9,168**	5,928
	16,010	13,878

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

	As at 31 December	
	2018	2017
	US$'000	US$'000
Within 1 year	**7,453**	5,161
Over 1 year	**15,013**	19,199
	22,466	24,360

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

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

18 Interest-bearing Borrowings

	As at 31 December	
	2018	2017
	US$'000	US$'000
Bank borrowings		
Current	**–**	50,005
Non-current	**531,300**	497,472
	531,300	547,477

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	
	2018	2017
	US$'000	US$'000
6 months or less	**531,300**	477,802

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

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

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

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

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

(iii) entered into a GBP50.0 million (approximately US$66.1 million) secured term loan facility. The borrowing is repayable in full on 26 January 2022 and bears an interest rate of 3-month GBP LIBOR plus 2.2% per annum; and

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

As at 31 December 2018 and 31 December 2017, the Group's investment properties (note 13) derivative financial instruments (note 14), rent receivables and all future rent receivables (note 15), restricted bank balances (note 16), interests in certain subsidiaries of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's loan borrowings. In addition, the Trustee (in its capacity as trustee of Spring REIT) has provided guarantee for all the loan facilities.

19 Units in Issue

	Number of units
Balance as at 31 December 2017	1,257,705,732
New units issued for Manager's fee	14,651,193
Balance as at 31 December 2018 (note i)	1,272,356,925

(i) Traded market value of the units as of 31 December 2018 was HK$3.46 per unit. Based on 1,272,356,925 units, the market capitalisation was US$562.1 million.

20 Notes to Statements of Cash Flows

(a) Cash generated from operating activities

	Year ended 31 December	
	2018	2017
	US$'000	US$'000
Profit before tax, before transactions with Unitholders	**4,703**	55,335
Fair value gain of investment properties	**(12,038)**	(4,807)
Net fair value losses on derivative financial instruments	**38**	8,082
Manager's fee expenses in units in lieu of cash	**6,251**	5,281
Interest income	**(586)**	(482)
Finance costs (Note 9)	**49,439**	(9,874)
Foreign exchange losses/(gains)	**4,118**	(2,955)
Increase in trade and other receivables	**23**	(438)
(Decrease)/increase in rental deposits	**(532)**	1,606
(Decrease)/increase in trade and other payables	**(54)**	402
	51,362	52,150

Material non-cash movement:

(i) For the year ended 31 December 2018, the Manager's fee amounting US$6,251,000 (2017: US$5,281,000) was settled by issuance of new units.

20 Notes to Statements of Cash Flows (Continued)

(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$'000	Derivative financial instruments, net US$'000	Total US$'000
As at 1 January 2018	2,848	50,005	497,472	–	550,325
Cash flows in financing activities					
Proceeds from borrowings, net of transaction cost	–	–	79,768	–	79,768
Repayment of borrowings	–	(46,849)	(46,085)	–	(92,934)
Interest paid	(19,055)	–	–	–	(19,055)
Net fair value losses of derivative financial instruments	–	–	–	38	38
Interest expense on bank borrowings (note 9)	19,926	31	1,982	–	21,939
Other borrowing cost (note 9)	343	–	383	–	726
Exchange difference recognised in profit and loss	(136)	–	26,774	(10)	26,628
Exchange difference recognised in other comprehensive income	(151)	(3,187)	(28,994)	10	(32,322)
As at 31 December 2018	3,775	–	531,300	38	535,113

20 Notes to Statements of Cash Flows (Continued)

(b) Movement of financial liabilities arising from financing activities (Continued)

	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$'000	Derivative financial instruments, net US$'000	Total US$'000
As at 1 January 2017	2,938	–	480,499	(2,670)	(480,767)
Cash flows in financing activities					
Proceeds from borrowings, net of transaction cost	–	49,380	–	–	49,380
Repayment of borrowings	–	–	(33,735)	–	(33,735)
Settlements 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 expense on bank borrowings (note 9)	17,088	181	2,162	–	19,431
Other borrowing cost (note 9)	–	–	150	–	150
Assumptions of liabilities in connection with acquisition of investment properties	290	–	47,978	–	48,268
Exchange difference recognised in profit and loss	(46)	–	(29,455)	27	(29,474)
Exchange difference recognised 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 2018, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December	
	2018	2017
	US$'000	US$'000
Within 1 year	**73,575**	74,935
After 1 year, but within 5 years	**122,726**	138,364
After 5 years	**46,719**	50,947
	243,020	264,246

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	
	2018	2017
	US$'000	US$'000
Within 1 year	**139**	146
After 1 year, but within 5 years	**555**	583
After 5 years	**7,090**	7,535
	7,784	8,264

23 Connected Party Transactions and Related Party Transactions and Balances

As at 31 December 2018, RCA01 Fund L.P. is the immediate and ultimate holding company of the Group.

For the year ended 31 December 2018, the Group entered into the following transactions with related parties at mutually agreed terms in the normal course of its business.

(a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties, as defined in the REIT Code/IAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 31 December 2018:

Connected/related party	Relationship with the Group
DB Trustees (HK) Ltd.	The Trustee of Spring REIT
Spring Asset Management Limited*	The Manager of Spring REIT
RCA Fund 01 L.P. ("RCA Fund")*	Significant Unitholder of Spring REIT
PAG Investment Consulting (Beijing) Co., Limited# ("PAG Beijing") (Note i)	Significant Unitholder of Spring REIT
Mercuria Investment Co., Ltd. ("Mercuria")*	Parent company of the Manager
ITOCHU (China) Holding Co., Ltd. ("ITOCHU") (Note ii)	Previously 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 annual report for official Chinese name.

23 Connected Party Transactions and Related Party Transactions and Balances (Continued)

(b) Income from connected/related parties

	Note	Year ended 31 December 2018 US$'000	2017 US$'000
Rental revenue from ITOCHU	(ii)(iii)	–	396
Rental revenue from MIBJ	(iii)	146	143
Rental revenue from DBAG and ZDS	(iii)	6,840	7,156
Rental revenue from PAG Beijing	(i)(iii)	362	433
Interest income from DBAG	(iv)	586	478

(c) Expenses to connected/related parties

	Note	Year ended 31 December 2018 US$'000	2017 US$'000
Property management fee to HuaRe	(v)	1,728	1,619
Trustee's fee paid and payable to the Trustee	(vi)	297	239
Manager's fee to Spring Asset Management Limited	(vii)	8,309	8,164
Valuation fee to the Principal Valuer	(viii)	195	49
Interest expense to DBAG	(ix)	–	692
Bank charges to DBAG	(iv)	52	3
Prepayment premium to DBAG	(ix)	–	11
Settlement of a derivative financial instrument with DBAG	(iv)	–	2,169

(d) Balances with connected/related parties

	Note	As at 31 December 2018 US$'000	2017 US$'000
Lease deposit from MIBJ	(x)	42	44
Lease deposit from DBAG and ZDS	(x)	994	1,084
Lease deposit from PAG Beijing	(i)(x)	104	110

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.

No transaction was entered with the directors of the Manager (being the key management personnel) for the year ended 31 December 2018 (2017: 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	Property investment	1,000 of US$1 each	100%
RHZ01 Limited	Cayman Islands, limited liability	Investment holding	1 of US$1 each	100%
RUK01 Limited	Jersey, limited liability	Investment holding	1 of GBP1 each	100%
Indirectly held:				
Hawkeye Properties 501 Limited	Jersey, limited liability	Property investment	2 of GBP1 each	100%

25 Financial Instruments by Category

	Notes	Year ended 31 December 2018 US$'000	2017 US$'000
Financial assets			
Financial assets at amortised cost:			
Trade and other receivables	15	**120**	27
Restricted bank balances	16	**55,364**	72,701
Cash and cash equivalents	16	**16,003**	21,310
Financial asset at fair value through profit and loss:			
Derivative financial instrument	14	**64**	–
		71,551	94,038
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	17	**9,168**	5,928
Rental deposits	17	**22,466**	24,360
Income tax payable		**87**	476
Borrowings	18	**531,300**	547,477
Financial liability at fair value through profit and loss:			
Derivative financial instruments	14	**102**	–
		563,123	578,241

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

26 Approval of the Consolidated Financial Statements

The consolidated financial statements were authorised for issue by the Manager on 26 March 2019.

Performance Table

As at 31 December	**2018**	2017
Net assets attributable to Unitholders	**US$925.12 million**	US$1,000.40 million
Net assets per Unit attributable to Unitholders	**HK$5.69**	HK$6.22
Total borrowings as a percentage of gross assets	**35.5%**	34.5%
Market capitalization[1]	**US$562.11 million**	US$547.25 million
Units issued	**1,272,356,925**	1,257,705,732

For the year ended 31 December	**2018**	2017
Highest traded unit price	**HK$4.85**	HK$3.59
Highest premium of the traded unit price to net assets per Unit	**N/A**	N/A
Lowest traded unit price	**HK$2.99**	HK$3.12
Highest discount of the traded unit price to net assets per Unit	**47.5%**	49.4%
Distributions per Unit[2]	**HK19.2 cents**	HK21.1 cents
Net yield per Unit[2]	**5.5%**	6.2%

Notes:

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

Corporate Information

The Manager

Spring Asset Management Limited
Room 2801, 28/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong
Tel: +852 3100 0300
Fax: +852 3100 0320

Board of Directors of the Manager

Chairman and Non-executive Director

Mr. Toshihiro Toyoshima

Executive Directors

Mr. Nobumasa Saeki
Mr. Leung Kwok Hoe, Kevin

Non-executive Director

Mr. Hideya Ishino

Independent Non-executive Directors

Mr. Simon Murray
Mr. Liping Qiu
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

Baker & McKenzie

Unit Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F., Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Property Manager

Beijing Hua-re Real Estate Consultancy Co., Ltd
Montagu Evans LLP

Investor Relations

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Stock Code

Hong Kong: 1426

Website

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SpringREIT

Spring Real Estate Investment Trust

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Stock Code : 01426

Managed by

Spring Asset Management Limited

www.springreit.com

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