

SpringREIT

Spring Real Estate Investment Trust
春泉產業信託

Stock Code : 01426

Managed by
Spring Asset Management Limited



2019 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 2019, the Manager was 90.2% owned by Mercuria Investment Co., Limited ("**Mercuria**"), which is an investment management 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

(RMB million)

31-Dec-19 **9,873.27**

31-Dec-18 9,764.06

Net Asset Value

(RMB million)

31-Dec-19 **6,447.78**

31-Dec-18 6,363.44

Total Revenue

(RMB million)

FY19 **546.59**

FY18 558.83

Net Property Income

(RMB million)

FY19 **406.82**

FY18 420.19

Net Property Income Margin

(%)

FY19 **74.4**

FY18 75.2

Gearing Ratio

(%)

31-Dec-19 **35.5**

31-Dec-18 35.5

Average Monthly Passing Rent*

(RMB per sqm per month)

FY19 **362**

FY18 362

Average Occupancy*

(%)

FY19 **93.2**

FY18 95.8

* 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

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 RMB232.29 million (FY2018: RMB209.68 million).

Distribution

The board of directors (the “**Board**”) of the Manager, acting for and on behalf of Spring REIT (the “**Group**”), has resolved to declare a final distribution for the period from 1 July 2019 to 31 December 2019 (“**2019 Final Distribution Period**”) of HK8.9 cents per Unit (“**2019 Final Distribution**”) to Unitholders whose names appear on the register of Unitholders on 17 April 2020 (the “**Record Date**”). However, this 2019 Final Distribution may be subject to adjustment in the event of any issuance of new Units between 28 March 2020 and 17 April 2020. Before any such adjustment and together with the interim distribution of HK10.0 cents per Unit, total distribution for the year ended 31 December 2019 (the “**Reporting Year**”) amounts to a total of HK18.9 cents per Unit (FY2018: HK19.2 cents per Unit), representing a payout ratio of approximately 100%.

All distributions will be paid in Hong Kong Dollars (“**HK\$**”). The exchange rate adopted for the 2019 Final Distribution is Renminbi (“**RMB**”) 0.8965 per HK\$, which represents the average of month-end central parity rates in the 2019 Final Distribution Period (as announced by the People’s Bank of China).

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

Based on the closing price of HK\$3.22 per Unit as at 31 December 2019, the Reporting Year Distribution Per Unit (“**DPU**”) represents a distribution yield of 5.9%. Based on the closing price of HK\$2.27 per Unit as at 27 March 2020, being the date of FY19 final result announcement, the Reporting Year DPU represents a distribution yield of 8.3%. 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 2019 Final Distribution will be 17 April 2020. The register of Unitholders will be closed for the purpose of determining the identity and holdings of Unitholders from 16 April 2020 to 17 April 2020, both days inclusive, during which period no transfer of Units will be registered. The 2019 Final Distribution is expected to be payable on 29 April 2020 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2019 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 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30pm on 15 April 2020.



Chairman's Statement

Toshihiro Toyoshima
Chairman and Non-executive Director



Chairman's Statement

Dear Unitholders,

On behalf of the Board of the Manager, I have pleasure in presenting the financial results of Spring REIT for FY2019. During the year, Spring REIT operated in a cautious and prudent manner in the face of considerable global uncertainty. Certain macro factors had a negative impact on leasing demand in Beijing, namely the trade war between the US and China, a considerable amount of new office supply becoming available in Beijing, and more recently, the outbreak of the COVID-19 virus. However, I am pleased to report that Spring REIT still managed to deliver stable distributions to our unitholders. Most gratifyingly, our major property asset in Beijing outperformed the office market in Beijing's Central Business District ("**CBD**"), registering a solid average rental reversion of 2.1% for the full year of 2019 and having an occupancy rate of 95.1% as at 31 December 2019. This performance bucked the trend in the Beijing CBD office market, where according to Jones Lang LaSalle ("**JLL**"), the average rental rate for Grade A office space in the CBD suffered a decline of 5.4% for the year, while occupancy stood at 83.6% at the end of the year.

Elsewhere, in late 2019, the Manager successfully refinanced the US\$470 million loan facility due in April 2020. This has substantially strengthened Spring REIT's capital structure and provided it with a stronger platform for long-term development. Moreover, the timing of the refinancing could not have been completed at a more opportune time given the rapid deterioration in economic conditions since December 2019.

Further, since the onset of COVID-19 in early 2020, global capital markets have reacted negatively and risk premium in all asset types have risen significantly across the board. In this environment, the Manager will seek unitholders' approval in the upcoming Annual General Meeting tentatively scheduled in May for a general mandate to repurchase Spring REIT units as and when appropriate.

Performance Review

Spring REIT's operations remained steady in the context of a challenging year, with a stable net property income that was marginally down by 3.2% year-on-year ("**YoY**"). Because our primary business is the leasing of premium grade office space in the Beijing CBD, the performance of Spring REIT across 2019 was very encouraging in the context of the deteriorating macro business environment in China generally and Beijing in particular, and in the light of recent trends in office leasing and supply in the city.

The China-US trade war had already begun to have an impact on business confidence and performance in 2018. In 2019, the lack of any clear-cut resolution to the conflict saw an increasing number of businesses operating in Beijing opting to cut back on their business expansion plans. In some cases, businesses engaged in cost-cutting exercises such as downsizing their office space or relocating to lower-cost areas of the city. This led to a general weakening of demand for office space in Beijing, which in turn showed itself in softer rent levels generally and more flexible terms being offered by landlords. These conditions were exacerbated by new office buildings coming onto the market during the year, resulting in a sharp increase in city-wide office vacancy rates towards the end of 2019.

Given this environment, one might have expected a less favourable performance from Spring REIT's property year-on-year. However, the quality of office tenants and the reputation of Spring REIT's China Central Place Office Towers 1 and 2 and its approximately 600 car parking slots (the "**CCP Property**") to a large extent shielded it from the negative trends evident in the wider Beijing office market. As discussed earlier, the CCP Property delivered a gratifyingly steady performance across the year in the context of overall Beijing office market. Against a backdrop of weak business sentiment, this strong performance bears testimony to both the property's strategic location and the quality services provided by Spring REIT to its tenants.

Chairman's Statement (Continued)

Going into 2020, yet another challenge presented itself with the outbreak and spread of the COVID-19 in China. The outbreak of the novel virus brings with it a high degree of uncertainty, and we are currently seeing this being manifested in two major ways. Firstly, many businesses are delaying their real estate decisions as their business operations are partially interrupted, and these delays will have a dampening effect on leasing activity in the short term. Secondly, corporations are becoming inclined to adopt a more conservative leasing strategy as they prioritize stability within an environment of uncertainty.

In direct response to the outbreak, we have been working with the building manager to put in place a comprehensive set of safety precautions at the CCP Property. The health and safety of our tenants has been our top priority from the start, and will continue to be so going forward. We are confident that the quality of our property, together with our exceptional services, will remain our biggest advantages in the market.

Meanwhile, we continued to enjoy steady and stable cash flow from our 84 separate properties in the United Kingdom ("**UK Portfolio**"). In 2019, these properties together delivered a 98.3% pass through of revenue. The UK Portfolio was acquired in 2017 with the specific intention of diversifying Spring REIT's revenue through a stable and simple rent model. To date the performance of the UK Portfolio has amply justified its acquisition, with each of the 84 properties under a long-term lease to leading national vehicle service provider Kwik Fit, featuring a five-yearly upward-only mark-to-market rental review mechanism.

Overall, Spring REIT's distributable income for 2019 improved as compared to 2018, partly as a result of our successful efforts to control administrative expenses in the year. Spring REIT's cash interest expenses rose slightly in terms of RMB for the year, primarily due to higher US dollar and GBP LIBOR rates, further amplified by the continuing depreciation of the RMB.

Strategic Initiatives

At the level of financial reporting, during the year the Manager made the decision to adopt the Renminbi as its reporting currency, replacing the US dollar. This was done to simplify and streamline reporting and to reduce the impact of exchange rate fluctuations in financial statements, given that around 92.9% of Spring REIT's portfolio is located in the PRC. By removing the complexities of exchange rate fluctuations that are outside the Manager's control, the change to the new reporting currency will enable Unitholders and prospective investors to gain a more accurate picture of the underlying performance of Spring REIT's assets.

Given the conditions of 2019 and the lack of any clear-cut resolution to the trade war, in this period we focused our energies on implementing a number of initiatives to strengthen Spring REIT's financial position and enhance our platform for future growth. The conclusion of refinancing exercise did not only reduced our cost of borrowings and improved our future debt capacity, it also introduced an important partner with the potential to become an integral component of Spring REIT's growth strategy.

Chairman's Statement (Continued)

Spring REIT's primary debt instrument since February 2015 has been a loan facility backed by the CCP Property with a potential total of US\$470 million, comprising a secured term loan facility of US\$450 million and a revolving facility of US\$20 million. The facility, of which a total of US\$468 million had been drawn down, needed to be refinanced by April 2020.

In considering refinancing options to manage the maturity profile of the loan, the Manager looked at various options that offered greater flexibility and lower costs than the existing arrangement. The result was that Spring REIT set in motion a two-part refinancing exercise, partly comprised of a new bank term loan facility and partly of the issuance of convertible bonds.

The new bank loan facility continues to be denominated in US dollars, but the overall potential loan amount has risen to US\$555 million overall, made up of a committed term loan facility of US\$475 million and an uncommitted term loan facility of US\$80 million. The loan facility will bear interest at a margin of 1.55% per annum over 3-month US\$ LIBOR, representing a valuable reduction in the interest margin from 1.65% previously. Of the amount drawn down, US\$393 million has been utilised to partially refinance the previous facilities due April 2020.

In addition, Spring REIT issued a total of HK\$585 million (equivalent to approximately US\$75 million) of convertible bonds (the "**Bonds**") to refinance the remainder of the previous facilities. The Bonds were issued to a subscriber (the "**Subscriber**"), which is a special purpose vehicle set up by an investment consortium led by Sino-Ocean Group, a major Hong Kong-listed Chinese property developer. Sino-Ocean Group is a leading property developer in the PRC, developing and investing in residential, office and retail real estate projects located primarily in Beijing and other major cities in the PRC.

By combining the new loan facilities and the Bonds, the Manager has not only significantly reduced the overall interest cost of Spring REIT, but has also successfully diversified Spring REIT's source of funds by introducing an alternative debt instrument. Moreover, the new arrangement has enabled Spring REIT to strengthen its financial position, providing it with a stronger balance sheet as well as additional financial resources in the form of undrawn bank loan facilities available for future draw-down as acquisition opportunities arise. With this new platform, Spring REIT is well placed for future development.

An important event subsequent to the reporting date occurred in February 2020, when the Subscriber exercised the option to convert all of the Bonds into Units, thus becoming an important Unitholder of Spring REIT. The Subscriber delivered a vote of confidence in Spring REIT's operation and future development. Upon conversion of the Bonds, the outstanding borrowings of Spring REIT decreased by the amount of the Bonds converted, leading to a decrease in the gearing ratio to 30.7%. This has given Spring REIT the headroom to take on additional borrowings should suitable investment opportunities arise.

Notwithstanding the short-term dilution effect occurring upon conversion of the Bonds, which in itself provided Spring REIT with valuable debt headroom, the Manager is of the view that in the longer term, Spring REIT will benefit from having Sino-Ocean Group (through the Subscriber) as a strategic partner. In addition to the long-standing support from our Japanese sponsor, the Manager also intends to explore future cooperation opportunities with Sino-Ocean Group to leverage its experience in commercial property space and its strong portfolio of commercial properties in China. This strategic direction is in line with the Manager's declared objective of providing Unitholders with the potential for sustainable long-term growth in the distributions of Spring REIT, and enhancing the value of Spring REIT's real estate assets.

Chairman's Statement (Continued)

Outlook

As we enter 2020, there has been no sign of improvement of the China-US trade relation nor is there optimism in the real estate market due to the impact of COVID-19. Analysts continue to predict weakened demand for office space in Beijing in the current environment with higher vacancy rates putting downward pressure on rents. The continued influx of new office supply in the CBD market will also exacerbate the existing headwinds. In this context, a great deal hangs on the quality possessed by specific office premises. As evident in its operating performance in 2019, Spring REIT's CCP Property remains one of the best on the market in terms of location, management, and building facilities. These are features that, we believe, will always command a premium to our tenants.

In 2019, a total GFA of 42,492 sqm at the CCP Property was leased out and renewed. Of this, 47.9% was attributable to renewals, and 52.1% to new letting. The average rental reversion was 2.1%. As at 31 December 2019, 5.0% of the total leasable GFA at the CCP Property was expiring in the first half of 2020 and 11.3% in the second half, with an average expiring rental rate of RMB386 per sqm and RMB325 per sqm respectively. At the time of writing, CCP Property has registered a mildly positive average rental reversion since the beginning of the year. However, it is hard to predict the leasing performance for the rest of the year given the macro uncertainties.

It is my strong belief that the steps taken by the Manager in 2019 have laid a solid foundation to further Spring REIT's prospects. Despite a complex macro environment, we have confidence that our quality office premises, enhanced capital structure and new strategic partner will together open new doors for future enhancements to Spring REIT's portfolio and support the Manager's continued efforts in delivering stable distributions to the Unitholders.

Since the onset of COVID-19, we have seen central banks around the world adopting aggressive monetary easing in support of the capital markets and the real economy. In this environment, the Manager will further consider to optimise Spring REIT's current debt structure by taking advantage of the favorable market interest rates to lock in lower cost of borrowings.

Further, in light of recent stock market volatility as COVID-19 outbreak continued, the Manager is exploring to seek Unitholders' approval in the upcoming Annual General Meeting tentatively scheduled in May for a general mandate to repurchase Spring REIT Units as and when appropriate.

In this trying time, I and my fellow directors of the Board, the management team and our staff members remain committed to managing Spring REIT with the interest of the Unitholders firmly at the forefront. To conclude, my special thanks go out to the various parties that have provided expert assistance to Spring REIT over the past year. Their combined efforts have helped made our new financing arrangements a reality, providing a robust base for future prosperity of Spring REIT and its Unitholders.

Toshihiro Toyoshima

Chairman and Non-executive Director

Spring Asset Management Limited

(as Manager of Spring REIT)

27 March 2020

Management Discussion and Analysis



Overview of Spring REIT's Properties

CCP Property

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

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



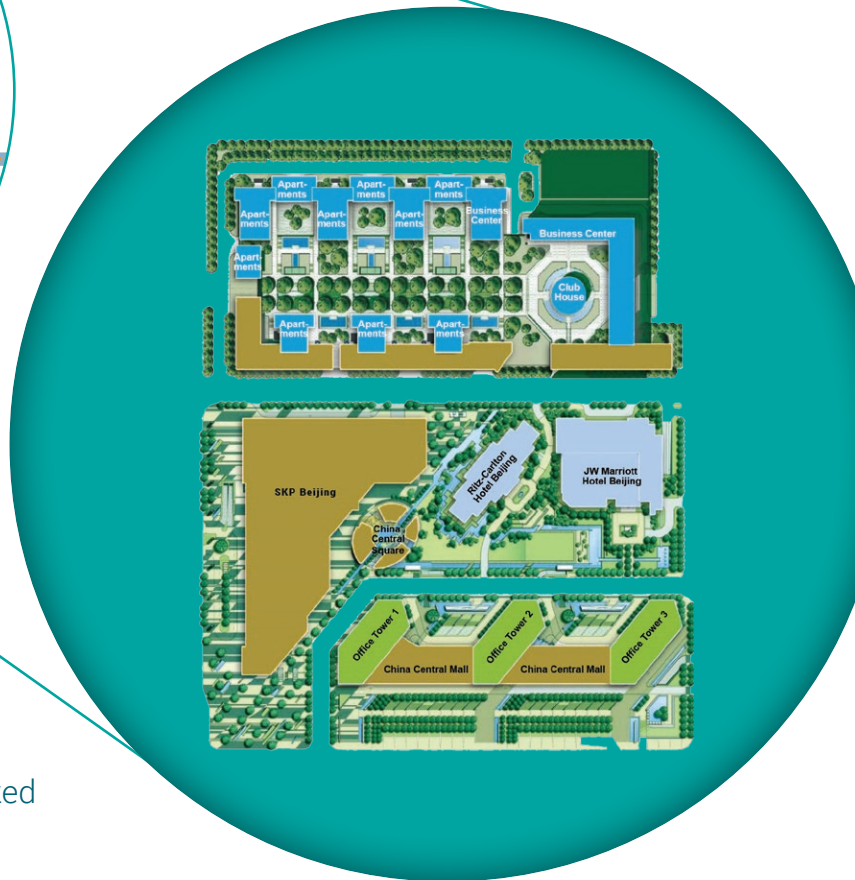
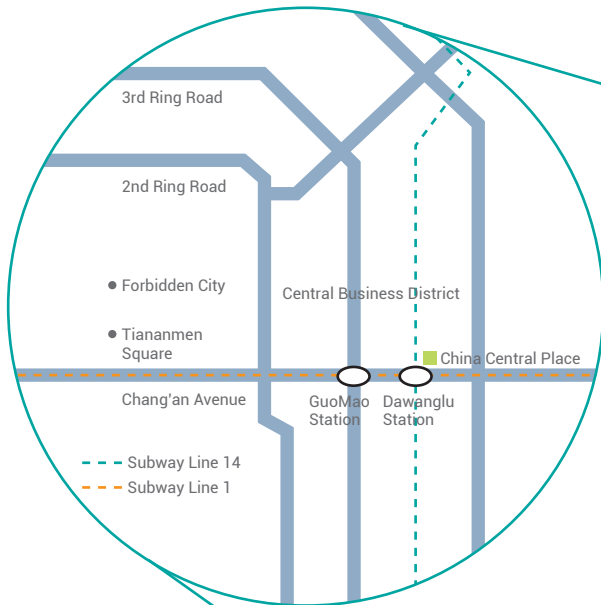
UK Portfolio

84 Commercial Properties

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.



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

Management Discussion & Analysis (Continued)

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 2.37 million sqm as at the end of 2019, and accounting for approximately a quarter of the city's total Grade-A office space of 9.63 million sqm.

Negative business sentiment continued to spread through the market in the second half of 2019. This, combined with the effect of new supply becoming available, contributed to a decline in rental and occupancy rates in the CBD submarket. The downturn in leasing activity was mostly due to a sharp slowdown in the expansion of riskier industries such as P2P and co-working spaces, which had been expanding aggressively previously. By contrast, we are proud to report that the CCP Property maintained stable rental and occupancy rates over the year, outperforming the market. The quality of our tenant portfolio and of the building itself have proven crucial in delivering this stable performance amid increasing challenges.

Beijing Office Market Occupancy and Rental Rates in 2019

		Occupancy Rate ¹	YoY change	Average Rental Rate ¹ (RMB/sqm/month)	YoY change ²
CBD	Grade A	83.6%	-11.4 pts	405	(5.4%)
	Premium Grade A	77.3%	-18.5 pts	483	(2.6%)

¹ Data is as at 31 December 2019.

² YoY change in average rental rate is based on chain-linked figures, to facilitate like-for-like comparison.

Source: JLL Research

Going into 2020, businesses in China are continuing to face enormous challenges in the face of the COVID-19 outbreak. In an effort to minimize the potential impact, we have worked with the building manager on strategies for providing our tenants with the safest and most hygienic workplace possible, and we will continue to devote our utmost energies to this going forward. The majority of potential tenants have chosen to delay their real estate decisions, and have adopted more conservative leasing strategies. Our leasing team has been working closely with tenants to help them ride out the hardship many of them are currently facing. Encouragingly, the near-term impact has so far remained very limited.

Looking forward, the wider spread of COVID-19 is expected to add to the existing headwinds and inevitably place a further strain on business sentiment if prolonged. Overall demand in the Beijing office market is expected to be weakened. We believe that larger enterprises will continue to be more robust, and among the industries, the healthcare and technology industries are likely to be more resilient. We expect that foreign corporations will remain cost conscious necessitated by the trade war between China and the US, despite favourable policy initiatives by Chinese government to incentivise foreign investment and participation in the domestic economy. In terms of the supply pipeline, Beijing is reaching a peak with a total new office supply of approximately 600,000 sqm expected in 2020 and 2021. This influx, when combined with existing space available, is likely to keep the overall vacancy rate in Beijing and the Beijing CBD high in the near term.

Management Discussion & Analysis (Continued)

CCP Property Operation Performance

(in RMB' million)			
For the Year Ended 31 December	2019	2018	Change
Revenues			
- Rental income	484.10	499.13	(3.0%)
- Car park income	3.67	3.45	6.4%
- Other income (note i)	17.76	17.68	0.5%
	505.53	520.26	(2.8%)
Property Operating Expenses			
- Property management fee	(10.98)	(11.42)	(3.9%)
- Property tax (note ii)	(58.58)	(60.92)	(3.8%)
- Withholding tax (note iii)	(50.33)	(53.05)	(5.1%)
- Other taxes (note iv)	(6.16)	(6.98)	(11.7%)
- Leasing Commission	(5.45)	(3.68)	48.1%
- Other expenses (note v)	(7.60)	(1.14)	566.7%
	(139.10)	(137.19)	1.4%
Net Property Income	366.43	383.07	(4.3%)

Notes:

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

For the full year of FY2019, the CCP Property reported a 2.8% decrease in revenue YoY, with rental income generated from the office space decreasing by 3.0% YoY.

Property operating expenses are mainly comprised of tax expenses, namely property tax, withholding tax and other taxes. Tax expenses in aggregate accounted for 82.7% of the total property operating expenses. The property management fee, payable at 2.0% of total revenue, accounted for 7.9% of the total property operating expenses.

A 1.4% YoY increase in property operating expenses was recorded mainly due to an increase in reinstatement cost. On the other hand, the property management fee and tax expenses both decreased, as a result of the decrease in revenue to which they are linked.

Management Discussion & Analysis (Continued)

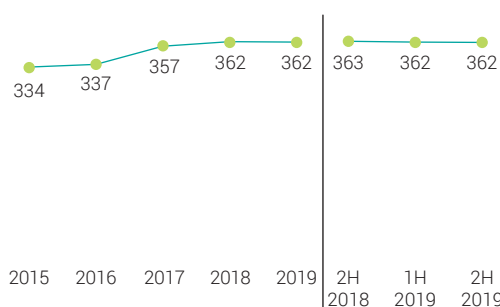
Rental Income

In 2H 2019, while passing rent remained consistent, the occupancy rate at the CCP Property recovered from the downturn in 1H 2019 in a satisfactory manner. Even more encouraging was the fact that the metrics continued to compare favourably with wider Beijing trends. The CCP Property registered an average occupancy of 94.2% in 2H 2019 (1H 2019: 92.2%), and a total area of 42,492 sqm was leased out and renewed during the Reporting Year. Occupancy as of 31 December 2019 stood at 95.1%. Of the newly leased area, 52% was attributable to new lettings, with the remainder being renewals. Average passing rent (net of Value-Added Tax ("VAT")) stood at RMB362.3 per sqm for 2H 2019, on the back of respectable average rental reversions of 1.8% in the first half and 2.7% in the second half of 2019, rendering a full year reversion of 2.1%. (FY2018: 4.7%).

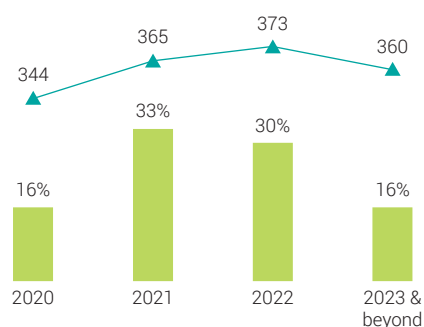
For the Six Months Ended	31-Dec-2018	Change	30-Jun-2019	Change	31-Dec-2019
Average Monthly Passing Rent (RMB/sqm) ¹	363	(0.3%)	362	–	362
Average Occupancy ²	95.4%	-3.2 ppts	92.2%	+2.0ppts	94.2%

Passing Rents

(RMB per sqm. per month)



Expiry Profile by GFA



1 Average monthly passing rent is presented net of business tax and VAT (where applicable) and is an average of the month-end figures throughout the Reporting Year.

2 Occupancy rate is an average of the month-end figures throughout the Reporting Year.

As at 31 December 2019, the weighted average lease expiry in terms of GFA was 740 days for the CCP Property. Leases expiring in the years ending 31 December 2020 and 31 December 2021 accounted for 16.3% and 32.7% of the total leasable office GFA respectively, and the average unit rents for the expiring leases were RMB344 per sqm and RMB365 per sqm respectively.

Management Discussion & Analysis (Continued)

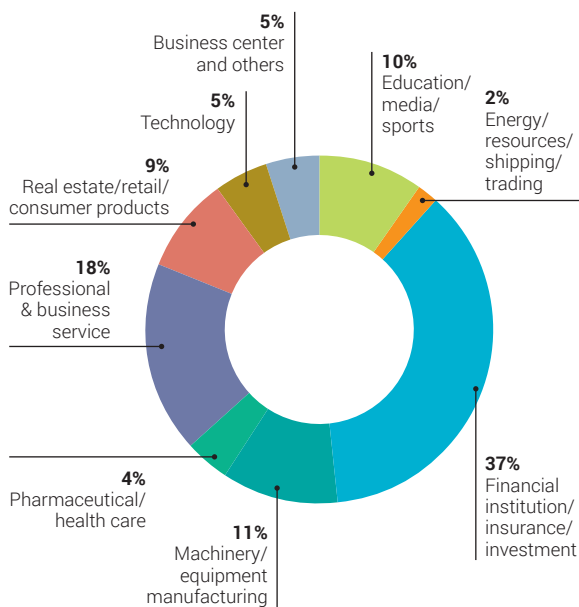
Tenancy base

The CCP Property had a total of 191 tenancies as at 31 December 2019. The top five tenants in terms of GFA accounted for 20.8% of the total revenue for the Reporting Year, and occupied 23.2% of total leased GFA as at 31 December 2019. Details of the top five tenants in terms of GFA are set out in the table below.

Tenants	Portion of total leased GFA
Epson	6.4%
Zhong De Securities	4.2%
Deutsche Bank	4.2%
Xinyuan	4.2%
Condé Nast	4.2%
Total	23.2%

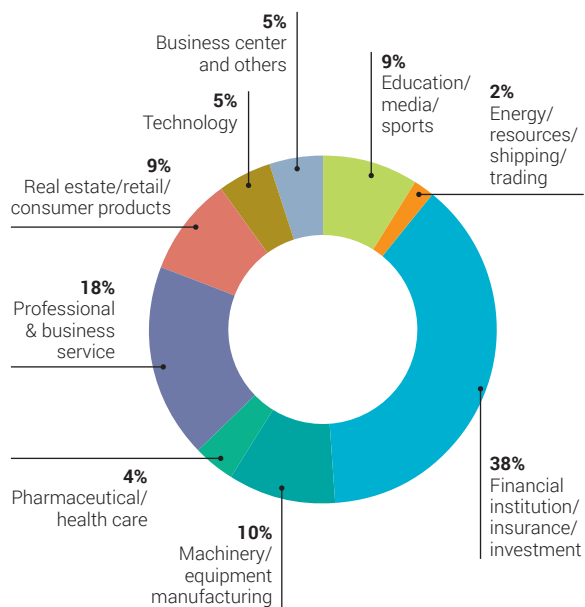
Tenants by Industry

As % of leased office GFA
(As of 31 December 2019)



Tenants by Industry

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



Management Discussion & Analysis (Continued)

Top 5 Real Estate Agents and Contractors for the Reporting Year

Real estate agents and contractors	Nature of services	Value of contract/ commission paid RMB	Relevant percentage
Beijing Hua-re Real Estate Consultancy Co. Ltd. ¹	Property Management	10,975,933	66.8%
北京世邦魏理仕物業管理服務有限公司	Leasing	1,997,638	12.2%
仲量聯行物業管理服務有限公司	Leasing	1,202,549	7.3%
第一太平戴維斯物業顧問(北京)有限公司	Leasing	1,166,739	7.1%
世達志不動產投資顧問(上海)有限公司北京分公司	Leasing	425,032	2.6%
TOTAL		15,767,891	96.0%

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

UK Portfolio Operation Review

Spring REIT completed its 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 GBP4.55 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 on the properties in addition to any normal fees that are specified under the agreement (e.g. rent, utilities, etc.).

Management Discussion & Analysis (Continued)

Financial Results Highlight

For the Year Ended 31 December	2019	2018	Change
(in RMB millions unless otherwise specified)			
Revenue	546.59	558.83	(2.2%)
Property operating expenses	(139.77)	(138.64)	0.8%
Net property income	406.82	420.19	(3.2%)
Net property income margin	74.4%	75.2%	-0.8 pts
G&A expenses	(67.35)	(118.37)	(43.1%)
Cash interest expenses	(151.93)	(127.89)	18.8%
Profit after taxation	223.06	29.99	643.8%
Total distributable income	232.29	209.68	10.8%

Units Information	2019	2018	Change
DPU (HK cents)	18.9 ¹	19.2	(1.6%)
Payout ratio	100%	98%	+2 pts
Net asset value per Unit (HK\$)	5.61	5.69	(1.4%)
Number of Units outstanding	1,285,813,315	1,272,356,925	1.1%

As at 31 December	2019	2018	Change
Property valuation	9,873.27	9,764.06	1.1%
Total assets	10,429.37	10,283.93	1.4%
Total borrowings	3,704.84	3,654.54	1.4%
Net asset value	6,447.78	6,363.44	1.3%
Gearing ratio	35.5%	35.5%	—

¹ Subsequent to the year ended 31 December 2019, on 12 February 2020, a total of 160,626,029 new Units were issued upon the conversion of the convertible bond.

Together with the interim distributions per unit of HK10.0 cents, the final distribution per unit of HK8.9 cents for the year ended 31 December 2019 is calculated based on the final distribution to be paid to Unitholders and 1,446,439,344 units in issue as at 27 March 2020, being the date of declaration of the final distribution.

Financial Performance

Spring REIT's revenue for the Reporting Year was RMB546.59 million, 2.2% lower than that in FY2018. The decline was mainly due to a temporary setback in the operating performance of the CCP Property in 1H 2019, which was explained earlier under the section "CCP Property Operation Performance". After taking into account property operating expenses, net property income amounted to RMB406.82 million, representing a 3.2% decrease YoY and a property income margin of 74.4% (FY2018: 75.2%).

General and administrative expenses decreased to RMB67.35 million (FY2018: RMB118.37 million). Meanwhile, a total finance cost of RMB192.42 million (FY2018: RMB329.12 million) was registered, which consisted of a non-cash foreign exchange gain/(loss) of RMB(39.68) million (FY2018: RMB(178.03) million) when US dollar bank borrowings were translated to RMB in the financial statement. Cash interest expenses amounted to RMB151.93 million, compared to RMB127.89 million in 2018. This was due to higher US dollar and GBP LIBOR rates, further amplified by the depreciation of the RMB.

Management Discussion & Analysis (Continued)

Taking into account the increase in the fair value of the CCP Property and the UK Portfolio of RMB70.77 million (FY2018: RMB82.82 million), profit after taxation for the Reporting Year was RMB223.06 million (FY2018: RMB29.99 million).

Spring REIT's total distributable income for the Reporting Year was RMB232.29 million, representing an increase of 10.8% 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, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Principal Valuer**") performed the valuation of the Spring REIT portfolio as at 31 December 2019. The CCP Property was appraised at RMB9,174 million as at 31 December 2019, representing a 0.9% increase compared to its valuation as of 31 December 2018. The valuation of the CCP Property was arrived at using the income capitalisation approach, and cross-checked by the direct comparison approach. The increase in valuation was attributable mainly to a decrease in the capitalisation rate/reversionary yield. The capitalisation rate/reversionary yield was 5.0%. (30 June 2019: 5.0%; 31 December 2018: 5.8%).

The UK Portfolio was appraised at GBP75.70 million (equivalent to RMB699.27 million) as at 31 December 2019, representing a 0.6% decrease in GBP terms and a 4.7% increase in RMB term compared to its valuation as of 31 December 2018. The valuation of the UK Portfolio was arrived at using the income capitalisation approach. The reversionary yield ranged from 4.1% to 8.0% (31 December 2018: 4.3% to 9.3%).

As at 31 December 2019, Spring REIT had in place aggregate debt facilities of approximately RMB3,704.84 million, comprising:

1. A secured term loan facility of US\$475.00 million (with US\$403.00 million drawn down) and an uncommitted undrawn term loan facility of US\$80.00 million, totalling US\$555.00 million (the "**CCP Facilities**"), which bears an interest rate of 3-month US dollar LIBOR plus 1.55% per annum and will expire in December 2024.

Pursuant to the deed of amendment in relation to the CCP Facilities entered into by Spring REIT in November 2019, among other things, the facility amount and the expiration of the term loan facility was amended and the interest margin was reduced from 1.65% to 1.55%.

2. HK\$585.00 million 1.75% guaranteed convertible bonds ("**Convertible Bonds**")¹ which bear an interest rate of 1.75% per annum and will mature in November 2022.

On 23 November 2019, as part of the refinancing exercise of the CCP Facilities, Spring REIT entered into a subscription agreement, pursuant to which Spring REIT agreed to issue the Convertible Bonds in the aggregate principal amount of HK\$585.00 million. The proceeds of the Convertible Bonds were used to refinance part of the outstanding amount under the CCP Facilities.

3. A facility of GBP50.00 million (equivalent to approximately RMB461.87 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 2019, the gearing ratio², i.e. total borrowings to gross asset value, was 35.5%, compared with 35.5% at 31 December 2018.

¹ Subsequent to 31 December 2019, on 12 February 2020, all of the Convertible Bonds were converted by the Subscriber (the "**Conversion**").

² Gearing ratio is estimated to be 30.7%, if we assume the conversion of the Convertible Bonds took place at the end of the Reporting Year.

Management Discussion & Analysis (Continued)

In 2018, Spring REIT entered into three interest rate swaps (“**IRS**”) contracts, each with a weighted average swap rate of 2.68% per annum and maturing 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 37.2% 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 Limited were pledged to secure the loan facilities where applicable. Throughout the Reporting Year, Spring REIT, RCA01, RUK01 Limited, Hawkeye Properties 501 Limited and Spring Treasury Limited have in all material respects complied with the terms and provisions of the finance and security documents.

The unrestricted cash of Spring REIT (together with its special purpose vehicles, the “**Group**”) amounted to RMB124.99 million as at 31 December 2019, compared with RMB107.09 million as at 31 December 2018. The Group also had total undrawn bank loan facilities of US\$152.00 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 2019, the gross asset value of the Group was RMB10,429.37 million, representing an increase of 1.4% YoY.

Net Assets Attributable to Unitholders

As at 31 December 2019, net assets attributable to Unitholders stood at RMB6,447.78 million.

The net asset value per Unit as at 31 December 2019 was HK\$5.61 (30 June 2019: HK\$5.74; 31 December 2018: HK\$5.69). This represented a 74.2% premium to the closing price of the Units of HK\$3.22 as at 31 December 2019, the last trading day in the Reporting Year.

Management Discussion & Analysis (Continued)

New Units Issued

As at 31 December 2019, the total number of issued Units was 1,285,813,315. A total of 13,456,390 new Units¹ were issued during the Reporting Year.

Date	Particulars	No. of Units
31 December 2018	Beginning balance of the total number of Units in issue.	1,272,356,925
28 March 2019	Issue of new Units to the Manager at the price of HK\$3.606 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 31 December 2018.	3,280,773
30 April 2019	Issue of new Units to the Manager at the price of HK\$3.527 per Unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3-month period ended 31 March 2019.	3,279,165
6 August 2019	Issue of new Units to the Manager at the price of HK\$3.451 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 2019.	3,380,323
30 October 2019	Issue of new Units to the Manager at the price of HK\$3.325 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 2019.	3,516,129
31 December 2019	Ending balance of the total number of Units in issue.	1,285,813,315

Capital Commitments

As at 31 December 2019, the Group had no significant capital commitments.

Employees

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

¹ The conversion, which took place subsequently in February 2020, resulted in an issuance of 160,626,029 new Units.



Board of Directors and Senior Management

Board of Directors and Senior Management

Directors

Toshihiro Toyoshima

Chairman and Non-executive Director

Mr. Toshihiro Toyoshima, aged 57, 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 56, 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.



Board of Directors and Senior Management (Continued)

Nobumasa Saeki

Executive Director

Mr. Saeki, aged 50, 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 Investment from September 2008 until January 2012 at which time he became a managing director of Mercuria Investment. 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 49, was appointed as an Executive Director of the REIT Manager in January 2017 and is one of the Responsible Officers of the REIT Manager. Mr. Leung has over 23 years of experience in finance and treasury, investment and fund management fields.

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

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



Board of Directors and Senior Management (Continued)

Simon Murray

Independent Non-executive Director

Mr. Murray, aged 80, 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 Financière Richemont SA (a company listed on Swiss Exchange 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 55, 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.



Board of Directors and Senior Management (Continued)

Lam Yiu Kin

Independent Non-executive Director

Mr. Lam, aged 65, 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) effective since October 2013; (ii) Vital Innovations Holdings Limited (Stock Code: 6133) effective since September 2014; (iii) Global Digital Creations Holdings Limited (Stock Code: 8271) effective since July 2015; (iv) Shougang Concord Century Holdings Limited (Stock Code: 0103) effective since August 2015; (v) COSCO Shipping Ports Ltd. (Stock Code: 1199) since August 2015; and (vi) Nine Dragons Paper (Holdings) Limited (Stock Code: 2689) since March 2016; and (vii) WWPKG Holdings Company Limited (Stock Code: 8069) since December 2016; and (viii) CITIC Telecom International (Stock Code: 1883) since June 2017; and (ix) Bestway Global Holding Inc. (Stock Code: 3358) since November 2017; and (x) Topsports International Holdings Limited (Stock Code: 6110) with effect from 26 Sept 2019.

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.



Board of Directors and Senior Management (Continued)

Chung Wai Fai

Director

Mr. Chung, aged 38, 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 10 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.



Alice Yu

Chief Compliance Officer

Ms. Yu, aged 55, was appointed the Chief Compliance Officer of the Manager in April 2013 and is the Head of Compliance. 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 conferred a Fellow Member of International Compliance Association (FICA) since February 2020. 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.

Corporate Governance (Continued)

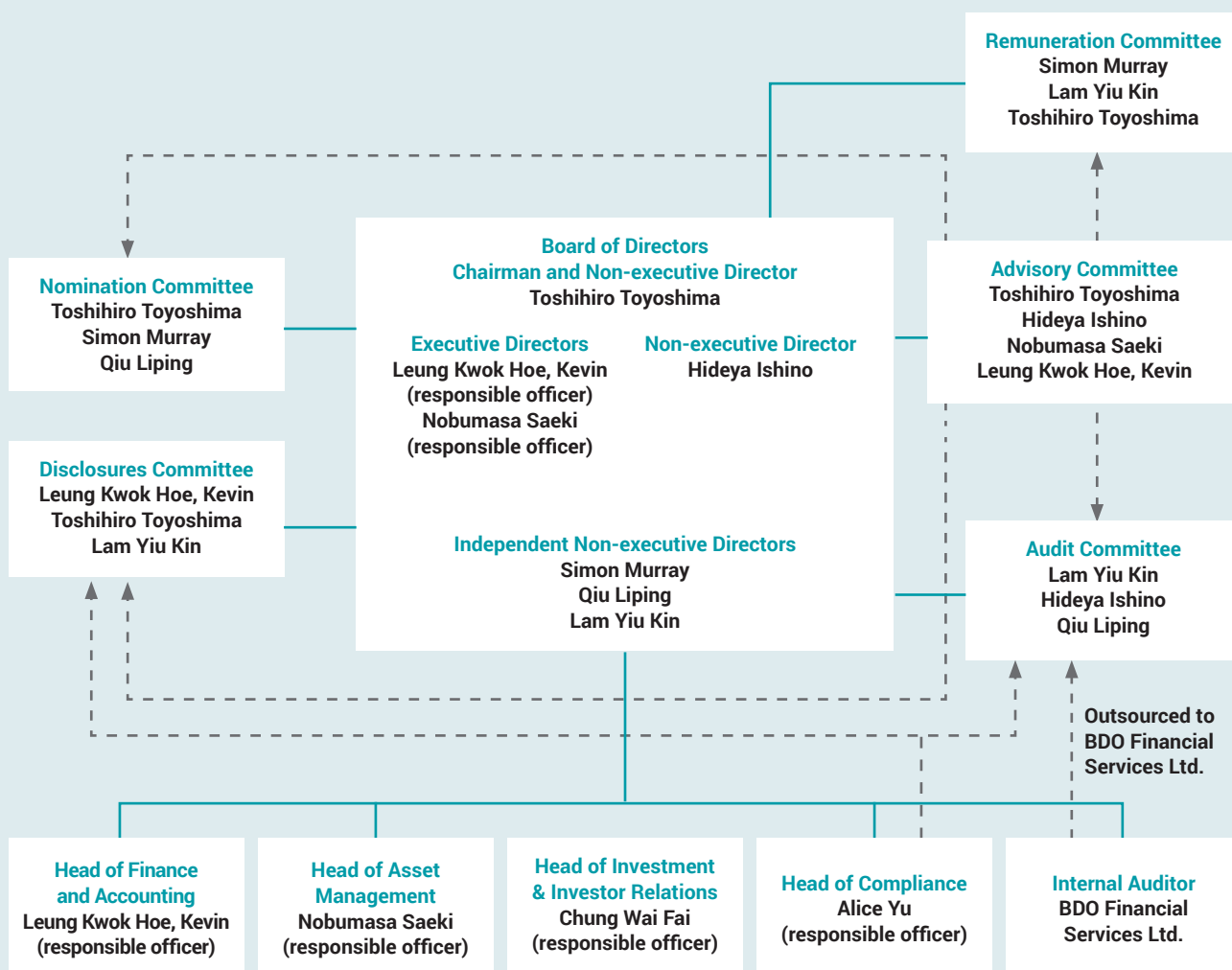
Roles of the Trustee and the Manager

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.

Corporate Governance (Continued)

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

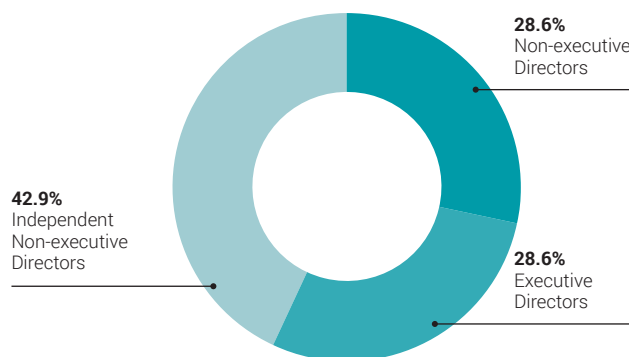
Toshihiro Toyoshima (*Chairman*)
Hideya Ishino

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.

Corporate Governance (Continued)

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, reviewed and approved the matters, among other things, relating to Spring REIT:

- (i) the declaration of 2018 final results and 2019 interim results of Spring REIT, as well as 2018 final distribution and 2019 interim distribution of Spring REIT.
- (ii) the change of presentation currency for reporting the financial statements of Spring REIT.
- (iii) the refinancing plan for Spring REIT by way of (a) new secured bank loan facilities and (b) issue of convertible bonds.

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.

Corporate Governance (Continued)

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.

Corporate Governance (Continued)

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. In addition to the four regular Board meetings, there were four additional meetings of the Board held physically or via conference calls and 28 separate written resolutions passed by all members of the Board during the year.

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	8/8	100%
Executive Directors		
Mr. Leung Kwok Hoe, Kevin	8/8	100%
Mr. Nobumasa Saeki	8/8	100%
Non-executive Director		
Mr. Hideya Ishino	8/8	100%
Independent Non-executive Directors		
Mr. Simon Murray	6/8	75%
Mr. Lam Yiu Kin	8/8	100%
Mr. Qiu Liping	8/8	100%

Corporate Governance (Continued)

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 not limited to the REIT Code, Trust Deed and Compliance Manual and recent publications of Spring REIT. Senior executives of the Manager will also provide the Directors with the necessary information in the form of special reports. Also, additional information will always be provided to the Directors upon request.

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

Based on the training records provided to the Manager by the Directors, the 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.

Corporate Governance (Continued)

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 59 to 64 of this report and in Note 24 to the consolidated financial statements of Spring REIT, no transactions, arrangements or contracts of significance subsisted 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.

Corporate Governance (Continued)

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. All Directors were re-elected at the annual general meeting of the Manager held in 2019.

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.

Corporate Governance (Continued)

Disclosure on Independent Non-executive Director Remuneration Arrangement

Pursuant to the announcement of the Manager dated 24 October 2014 (the “**Independent Non-executive Director Remuneration Announcement**”), the Manager has adopted an arrangement for the remuneration of its Independent Non-executive Directors, which would be 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 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	414,000	100%	121,000
Mr. Qiu Liping	414,000	100%	121,000
Mr. Lam Yiu Kin	450,000	100%	132,000

Notes:

- (i) The Independent Non-executive Director’s remuneration of Mr. Simon Murray and Mr. Qiu Liping had been increased by 15% and the Independent Non-executive Director’s remuneration of Mr. Lam Yiu Kin had been increased by 25% during the Reporting 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.

Corporate Governance (Continued)

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.

Corporate Governance (Continued)

During the Reporting Year, four physical meetings of the Audit Committee were held. Apart from the above four physical meetings of the Audit Committee, there were an additional meeting of the Audit Committee held via conference call and 7 separate written resolutions 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 (<i>Chairman</i>)	5/5	100%
Mr. Hideya Ishino	4/5	80%
Mr. Qiu Liping	5/5	100%

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

- (i) reviewed the audited financial statements, the final results announcement and annual report of Spring REIT for the year ended 31 December 2018;
- (ii) reviewed the unaudited financial statements, the interim results announcement and interim report of Spring REIT for the six months period ended 30 June 2019;
- (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 2018 and for the six months period ended 30 June 2019 which included, among others, the connected party transactions and continuing connected party transactions of Spring REIT;
- (vi) reviewed the risk update and risk management system;
- (vii) reviewed and approved the 2020 annual budget of the Group prepared by the Manager;
- (viii) reviewed and recommended to the Board on the change of presentation currency for reporting the financial statements of Spring REIT and the refinancing plan for Spring REIT by way of (a) new secured bank loan facilities and (b) issue of convertible bonds; and
- (ix) approved the engagement of external professional parties for giving advices on connected party transactions, change of presentation currency and refinancing plan, etc.

Corporate Governance (Continued)

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 RMB0.7 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.

Corporate Governance (Continued)

During the Reporting Year, two physical meetings of the Disclosures Committee were held. Apart from the above two physical meetings of the Disclosures Committee, there was an additional meeting of the Disclosures Committee held via conference call and 15 separate written resolutions 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 (<i>Chairman</i>)	3/3	100%
Mr. Toshihiro Toyoshima	3/3	100%
Mr. Lam Yiu Kin	3/3	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 2018 final distribution, annual report for the year ended 31 December 2018, 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 2019 interim distribution and interim report for the six months period ended 30 June 2019;
- (iii) reviewed and recommended to the Board on the draft notice convening the annual general meeting of Spring REIT and relevant draft proxy form to Unitholders;
- (iv) reviewed and recommended to the Board on the draft announcements in relation to unaudited operating statistics for the three months periods ended 31 December 2018, 31 March 2019, 30 June 2019 and 30 September 2019;
- (v) reviewed and recommended to the Board on the draft announcement in relation to the 2020 election of Manager's fees;
- (vi) reviewed and recommended to the Board on the drafts announcement in relation to continuing connected party transaction in relation to the PAG Lease and the property management agreement, further details of which are set out in Connected Party Transactions section of this report;
- (vii) reviewed and recommended to the Board on the draft announcement in relation to the change of presentation currency for reporting the financial statements of Spring REIT; and
- (viii) reviewed and recommended to the Board on the drafts announcements in relation to the refinancing plan by way of (a) new secured bank loan facilities and (b) issue of convertible bonds, and completion of convertible bonds issuance.

Corporate Governance (Continued)

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) monitoring and overseeing the implementation of INED Remuneration Arrangement, 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 were written resolutions 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 (<i>Chairman</i>)	1/1	100%
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. In addition to the physical meeting mentioned above, a conference call was arranged to discuss the remuneration package of a director.

Corporate Governance (Continued)

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 1 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 (<i>Chairman</i>)	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.

Board Diversity Policy Summary

The Manager recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Manager has established a Board Diversity Policy and it was approved by the Board in December 2018. The policy 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.

Corporate Governance (Continued)

Nomination Policy Summary

During the Reporting Year, the Manager has adopted a Nomination Policy for the Nomination Committee 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 but 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, 14 meetings were held by the Advisory Committee.

Company Secretary

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

Corporate Governance (Continued)

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 55 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 102 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 2020.

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 RMB’000
– Audit services PwC	1,851
– Other non-audit services PwC	629

Corporate Governance (Continued)

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 internal and external auditors, 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 55 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 2019, issued shares in the Manager were owned by Mercuria as to 90.2% and some of the Non-executive Directors of the Manager were and still are also directors and/or senior executives of Mercuria. Besides, RCA Fund, which is managed by Mercuria pursuant to a management agreement between Mercuria and RCA Fund (acting through its general partner, RCAC), held 27.48% interest in the Units of Spring REIT as at 31 December 2019. Mercuria can therefore exercise influence on RCA Fund and its exercise of rights as a Unitholder in respect of the affairs of Spring REIT (in particular, in relation to matters that are subject to voting by the Unitholders, on which RCA Fund is not required to abstain from voting), including in relation to the approval of significant corporate transactions, such as acquisitions and disposals. In addition, Mercuria has interest in the Units of Spring REIT directly or through various subsidiaries; including, in particular, the Manager which has received and will continue to receive Units of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

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

Corporate Governance (Continued)

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.

Corporate Governance (Continued)

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 apprised 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.

Corporate Governance (Continued)

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.

Except for an aggregate of 13,456,390 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.

Corporate Governance (Continued)

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.

Corporate Governance (Continued)

During the Reporting Year, an annual general meeting of Spring REIT was held on 23 May 2019, providing a forum for communications between the Board and the Unitholders. The attendance of individual Directors at the annual general meeting is as follows:

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

Representatives of the external auditor also attended the above annual general meeting of Spring REIT.

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 154 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.

Corporate Governance (Continued)

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.

Corporate Governance (Continued)

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, the Compliance Manual and the Manager's articles of association.

Review of Annual Report

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

Corporate Governance (Continued)

Changes in Information of Directors of the Manager

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

Director	Changes in Information
Mr. Nobumasa Saeki <i>Executive Director</i>	<ul style="list-style-type: none">– appointed as a director of Spring Treasury Limited, a special purpose vehicle of Spring REIT, with effect from 24 July 2019.– resigned as a director of RHZ01 Limited with effect from 30 September 2019.– resigned as a director of RUK01 Limited with effect from 31 October 2019.
Leung Kwok Hoe, Kevin <i>Executive Director</i>	<ul style="list-style-type: none">– appointed as a director of Spring Treasury Limited, a special purpose vehicle of Spring REIT, with effect from 24 July 2019.– resigned as a director of RHZ01 Limited with effect from 30 September 2019.– resigned as a director of HP501 with effect from 31 October 2019.
Lam Yiu Kin <i>Independent Non-executive Director</i>	<ul style="list-style-type: none">– appointed as an Independent Non-executive Director, Chairman of the audit committee and a member of the nomination committee and remuneration committee of Topsports International Holdings Limited (a company listed on the Stock Exchange, Stock Code: 6110), with effect on 26 September 2019.

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 2019.

Investments in Property Development and Relevant Investments

As at 31 December 2019, 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).

Corporate Governance (Continued)

Foreign Account Tax Compliance Act (“FATCA”)

Spring REIT met the criteria of “regularly traded on a recognized securities market” for the calendar year of 2018 and should therefore be excluded from maintaining “financial accounts” under FATCA for the calendar year 2019, except for those Unitholders who are registered on the book of Spring REIT (i.e. holding physical scripts of Spring REIT directly). Hence, Spring REIT was not required to perform account due diligence, reporting or withholding on most of its account holders (that are excluded from financial account holder definition) under FATCA for the calendar year 2019.

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

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

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

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

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.

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, and the Executive Directors 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.

Risk Governance Structure

Spring REIT's risk governance structure under its risk management system is shown below. The "Three Lines of Defence" model is adopted where each party is established with distinct and comprehensive role and responsibility.

Risk Governance Structure



Risk Management and Internal Control (Continued)

1st Line of Defence – Operational Management

Operational management consists of Function Heads, who are responsible for identifying and assessing risks associated with business activities in day-to-day operations. They are also responsible for implementing risk action plans to address the top risks identified from the risk assessment process.

2nd Line of Defence – Executive Directors

The Executive Directors supported by a Risk Management Coordinator monitor the overall effectiveness of the Group's risk management system. They resolve and align any risk management practices and activities of different functions that are inconsistent and review the results of the annual risk assessment, which is then submitted and reported to the Audit Committee. The Risk Management Coordinator also prepares a consolidated risk register of Spring REIT to the Executive Directors and Audit Committee for review.

3rd Line of Defence – Internal Audit Function

By carrying out independent reviews of key business processes and controls in accordance with the annual audit plan approved by the Audit Committee, the Internal Audit Function, as the third line of defence, provides independent review result to the Audit Committee on whether the risk management related internal controls within the business function properly. The Internal Audit Function periodically reports to the Audit Committee to evaluate and improve the effectiveness of controls and governance processes.

Risk Assessment Methodology



Ongoing communication, monitoring and review

Risk Management and Internal Control (Continued)

Risk Assessment Methodology

Spring REIT adopts the Committee of Sponsoring Organizations of Treadway Commission ("**COSO**") Enterprise Risk Management ("**ERM**") Framework in establishing its ERM system which illustrates the key components of any ERM system. Spring REIT's methodology for its risk assessment comprises four core stages as below. The process is performed as necessary to address changes in Spring REIT's business environment.

The Group's methodology for its risk assessment comprises four core stages as below. These processes are performed at least once a year to adapt to changes in the REIT's business environment.

(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 and summarised into a risk inventory by the Risk Assessment Coordinator, which is then reviewed by the Executive Directors.

(b) Risk Assessment

Risks are evaluated by Functional Heads using predefined risk assessment criteria. Risk scoring and prioritization process are performed. Key risks are prioritised and top risks are validated.

(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.

(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 Executive Directors 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 Executive Directors.

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

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.

Risk Management and Internal Control (Continued)

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 (Continued)

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 2019 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 Unitholder of Spring REIT ²	Leasing	2,419,691	742,757

Notes:

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

PAG Lease

PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) (“**PAG Investment**”) entered into a lease with fixed terms and for a fixed term of 3 years that commenced on 1 November 2016 (the “**PAG Lease**”) as a tenant in relation to certain office premises owned by the Group at China Central Place located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, People’s Republic of China. Based on disclosure of interests notification made by PAG Holdings Limited (“**PAG Holdings**”) (the holding company of PAG Investment), PAG Holdings increased its interest in Units to 10.02% on 9 March 2017. As a result, PAG Investment became a connected person of Spring REIT, and the leasing transaction under the PAG Lease became a continuing connected party transaction of Spring REIT on 9 March 2017. Further details in relation to the PAG Lease were disclosed in the announcement of Spring REIT dated 29 March 2017. The PAG Lease is scheduled to expire on 31 October 2019 and on 6 September 2019, Spring REIT and PAG Investment entered into an agreement to renew the PAG Lease for a further term of three years with effect from 1 November 2019. Based on the disclosure of interests notification made by PAG Holdings on 8 October 2019, PAG Holdings held or is deemed to have held 18.00% of the outstanding units of Spring REIT as of such date, and is therefore a significant holder of Spring REIT. Further details in relation to the PAG Lease were disclosed in the announcement of Spring REIT dated 9 September 2019.

Connected Party Transactions (Continued)

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 and associate of a director of the Manager ¹	Property management	10,975,933

Note:

1. Beijing Hua-re Real Estate Consultancy Co., Ltd. is 40% owned by Mercuria Investment Co., Limited, which in turn holds 90.2% shareholding in the Manager. Mr. Toshihiro Toyoshima, the chairman and Non-executive Director of the Manager is also director of Beijing Hua-re Real Estate Consultancy Co., Ltd.

Connected Party Transactions with Trustee Connected Persons

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income/(Expense) for the Reporting Year RMB
Leasing Transactions			
Deutsche Bank AG and its associated companies	Trustee Connected Persons	Leasing	45,223,420 ¹
Ordinary Banking and Financial Services			
Deutsche Bank AG	Trustee Connected Person	Interest income received/receivable on bank deposits	3,576,584
Deutsche Bank AG	Trustee Connected Person	Bank charges	(229,325)

Note:

1. As at 31 December 2019, a rental deposit of RMB6,839,825 was held by the Group from Trustee Connected Persons. A rental deposit by way of bank guarantee provided by Deutsche Bank (China) Co., Ltd. was held by RCA01 (a special purpose vehicle wholly owned and controlled by Spring REIT) as at 31 December 2019.

Connected Party Transactions (Continued)

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	23,788,641
Zhong De Securities	Trustee Connected Person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	21,434,779

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

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

Waivers from Strict Compliance

Waivers from strict compliance with the disclosure and approval requirements of Unitholders under Chapter 8 of the REIT Code in respect of certain connected party transactions entered into by Spring REIT and/or 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.

Connected Party Transactions (Continued)

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.

Connected Party Transactions (Continued)

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 RMB54.12 million. The Manager's fee paid in the form of Units amounted to HK\$46.75 million and the Manager's fee paid in the form of cash amounted to HK\$12.17 million. On 19 December 2018, the Manager had elected for the base fee to be paid in the form of Units entirely and the variable fee to be paid in the form of cash entirely for the Reporting Year.

During the Reporting Year, the fee payable to the Trustee under the Trust Deed was RMB1.72 million.

During the Reporting Year, approximately RMB2.06 million in aggregate was paid for services rendered to Spring REIT by JLL (the Principal Valuer). This included approximately RMB0.68 million which was the valuation fee incurred for services rendered by JLL in its capacity as the principal valuer of Spring REIT, the rest relate to a fee of RMB1.38 million paid for other services including market research services and agent commissions.

During the Reporting Year, approximately RMB0.30 million in aggregate was paid for services rendered to Spring REIT by Knight Frank Petty Limited (the retired Principal Valuer).

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

Name	Capacity/ Nature of Interest	As at 31 December 2019		As at 31 December 2018		Change in % of interest
		Number of Units interested in (Long Position)	Approximate % of interest ⁵	Number of Units interested in (Long Position)	Approximate % of interest ⁵	
The Manager						
Spring Asset Management Limited ¹	Beneficial owner/ Beneficial interest	20,603,838	1.60%	28,829,425	2.27%	-0.67%
Directors						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	900,000	0.07%	700,000	0.06%	+0.01%
Nobumasa Saeki	Beneficial owner/ Personal interest	400,000	0.03%	400,000	0.03%	0.00%
Hideya Ishino	Beneficial owner/ Personal interest	49,000	0.00%	49,000	0.00%	0.00%
Simon Murray ²	Beneficial owner/ Personal interest	569,000	0.04%	448,000	0.04%	0.00%
Qiu Liping ²	Beneficial owner/ Personal interest	569,000	0.04%	448,000	0.04%	0.00%
Lam Yiu Kin ²	Beneficial owner/ Personal interest	553,000	0.04%	421,000	0.03%	+0.01%
Senior Executive						
Alice Yu	Beneficial owner/ Personal interest	170,000	0.01%	170,000	0.01%	0.00%

Notes:

- During the Reporting Year, an aggregate of 13,456,390 new Units were issued to the Manager as payment of part of the Manager's fee. The Manager beneficially owned 20,603,838 Units as at 31 December 2019 (2018: 28,829,425 Units). Saving as disclosed above, Mercuria beneficially owned 35,597,477 Units as at 31 December 2019 (2018: 35,289,500 Units).

Disclosure of Interests (Continued)

- Each of Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin received these Units in lieu of cash pursuant to the Independent Non-executive Director Remuneration Arrangement. Please refer to the sub-section headed "Disclosure on the Independent Non-executive Director Remuneration Arrangement" in the section headed "Corporate Governance" on page 27 of this annual report for details. As at 31 December 2019, (i) the remuneration of each of Mr. Simon Murray and Mr. Qiu Liping had been increased by 15% and the remuneration of Mr. Lam Yiu Kin had been increased by 25%; and (ii) there had been no change to the annual election made by each Independent Non-executive Director.
- The percentages expressed herein are based on the total number of issued Units of 1,285,813,315 as at 31 December 2019 and 1,272,356,925 as at 31 December 2018 respectively.

Save as disclosed above, none of the Manager, the Directors, senior executives or officers of the Manager had beneficial interests (or were deemed to be interested) in any Units and underlying Units or held any short position in the Units as at 31 December 2019 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO or to the Manager only pursuant to the dealing policy set out in the Compliance Manual (as the case may be).

Interests Held by Significant Unitholders

As at 31 December 2019, based on the information available to the Manager, each of the following persons was considered as a "significant holder" and hence a "connected person" of Spring REIT within the meaning and for the purpose of the REIT Code. Their interests or short positions in the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

Name	Capacity / Nature of interest	As at 31 December 2019			As at 31 December 2018			Change in % of interest
		Number of Units interested in (Long Position)	Number of Underlying Units interested in (Long Position)	Approximate % of issued Units ¹	Number of Units interested in (Long Position)	Number of Underlying Units interested in (Long Position)	Approximate % of issued Units ¹	
RCAC ²	Interest of controlled corporation/corporate interests	353,304,000	N/A	27.48%	345,204,000	N/A	27.13%	+0.35%
Sumitomo Mitsui Banking Corporation ²	Person having a security interest in shares	N/A	415,243,109	32.29%	N/A	N/A	N/A	N/A
PAG Holdings Limited ^{3&4}	Interest of controlled corporation/corporate interests	230,830,089	N/A	17.95%	211,031,400	N/A	16.59%	+1.36%
Spirit Cayman Limited ⁵	Beneficial owner/Beneficial interest	166,820,089	N/A	12.97%	147,021,400	N/A	11.56%	+1.41%
Shining Path Limited ⁶	Interest of controlled corporation/corporate interests	N/A	160,626,029	12.49%	N/A	N/A	N/A	N/A
Skyland Union Holdings Limited ⁷	Interest of controlled corporation/corporate interests	N/A	160,626,029	12.49%	N/A	N/A	N/A	N/A
Sino-Ocean Group Holding Limited ⁸	Interest of controlled corporation/corporate interests	N/A	160,626,029	12.49%	N/A	N/A	N/A	N/A

Disclosure of Interests (Continued)

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,285,813,315 as at 31 December 2019 and 1,272,356,925 as at 31 December 2018 respectively.
2. These 353,304,000 Units (including 351,304,000 Units in short position) are beneficially owned by RCA Fund. Based on the information available to the Manager, RCAC is a general partner of RCA Fund. RCAC has exclusive rights to the management, control and operation of RCA Fund and is thus deemed to be interested in the Units held by RCA Fund. The interest of 351,304,000 Units in short position represents a pledge by RCA Fund to Sumitomo Mitsui Banking Corporation using the said Units of Spring REIT as collateral to secure the borrowing of a loan.
3. These 230,830,089 Units comprise the interests of (i) 64,010,000 Units directly held by BT Cayman Limited; and (ii) 166,820,089 Units directly held by Spirit Cayman Limited. Based on disclosure of interests notification made by PAG Holdings Limited filed on 8 October 2019, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 230,830,089 Units in which PAG Holdings Limited was interested.
4. Based on disclosure of interests notifications filed on 8 October 2019:
 - (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 166,820,089 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 230,830,089 Units, comprising 64,010,000 Units which it was deemed to be interested in as manager of SCREP V Management (Cayman), LLC and 166,820,089 Units which it was deemed to be interested in as manager of SCREP VI Management, LLC;
 - (d) PARE (Cayman) Limited was interested in 230,830,089 Units, comprising 64,010,000 Units which it was deemed to be interested in through its controlled corporation SCREP V Management (Cayman), LLC and 166,820,089 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 230,830,089 Units through its 100% controlled corporations PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd; and
 - (f) PAG Holdings Limited was interested in 230,830,089 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 8 October 2019.

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 166,820,089 Units were beneficially owned by Spirit Cayman Limited. Please refer to Note 4(b) above.
6. These 160,626,029 underlying Units represent the 160,626,029 potential Units which are issuable assuming full conversion of the principle amounts of HK\$585,000,000 1.75% convertible bonds due 2022 issued by a wholly-owned special purpose vehicle of Spring REIT pursuant to the terms and conditions of the said bonds. Shining Path Limited, though a 100% controlled corporation (Alpha Great Global Limited), indirectly holds these 160,626,029 underlying Units.
7. Skyland Union Holdings Limited holds 50% controlling interests in Shining Path Limited which in turn holds 100% controlling interests in Alpha Great Global Limited as referred to note 6 above. Accordingly, Skyland Union Holdings Limited is deemed to be interested in these 160,626,029 underlying Units.
8. Sino-Ocean Group Holdings Limited, through 100% controlled corporations, indirectly holds 50% controlling interests in Shining Path Limited which in turn holds 100% controlling interests in Alpha Great Global Limited as referred to note 6 above. Accordingly, Sino-Ocean Group Holdings Limited is deemed to be interested in these 160,626,029 underlying Units.

Save as disclosed above and based on the information available to the Manager, no other significant Unitholders had beneficial interests (or were deemed to be interested) in any Units or underlying Units or held any short position in the Units as at 31 December 2019 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

Disclosure of Interests (Continued)

Interests Held by Substantial Unitholders under the SFO

As at 31 December 2019, the interests and short position in the Units held by persons, other than the Manager, Directors or senior executives and officers of the Manager or significant Unitholders of Spring REIT, who were interested in 5% or more but below 10% of the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

Name	Capacity/ Nature of interest	As at 31 December 2019		As at 31 December 2018		Change in % 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	
Zeng Yuyu ²	Interest of controlled corporation/corporate interests	114,884,000	8.93%	114,884,000	9.03%	-0.10%
BT Cayman Limited ³	Beneficial owner/ Beneficial interest	64,010,000	4.98%	64,010,000	5.03%	-0.05%

Notes:

- The percentages expressed herein are based on the total number of issued Units of 1,285,813,315 as at 31 December 2019 and 1,272,356,925 as at 31 December 2018 respectively.
- 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.
- 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 2019 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

Interests Held by Other Connected Persons of Spring REIT

As at 31 December 2019, 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 Trustee and the Principal Valuer, who have interests (or deemed interests) in the Units or underlying Units were required to be notified to the Manager and the Stock Exchange pursuant to the REIT Code or pursuant to the Trust Deed.

Valuation Report

The Board of 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) Ltd
(as trustee of Spring Real Estate Investment Trust)
Level 52, International Commence Centre
1 Austin Road West
Kowloon, Hong Kong

Dear Sirs,

Re : Valuation of Office Towers 1 and 2 and approximately 600 underground car parking spaces of China Central Place located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, the People's Republic of China (the "PRC")

Instructions, Purpose and Valuation Date

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL" or "we") are delighted to be appointed by Spring Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Ltd. to value the captioned property held by RCA01 situated in the PRC.

In accordance with your instructions, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the captioned property as at 31 December 2019 (the "valuation date") for accounting and financing purposes.

The Property

China Central Place ("CCP"), completed in 2006, is a mixed-use commercial complex comprising a shopping mall, three office towers, two 5-star hotel buildings, various residential buildings, underground car parking spaces and other ancillary facilities.

Pursuant to the information provided by the Company, the property comprises the Office Towers 1 and 2 and approximately 600 underground car parking spaces of CCP located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, the PRC. The property has a gross floor area ("GFA") of approximately 145,372.54 sq.m. As at the valuation date, the property was held by RCA01 and was leased to various tenants for office and car parking spaces uses, the occupancy rate of the office portion of the property was about 95.1%.

Basis of Valuation

Our valuation is carried out on a market value basis. Market value is defined as "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."

Valuation Report (Continued)

Valuation Assumptions

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting 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.

We have made the following assumptions in the course of our valuation:

- We have been supplied with basic information likely to have an effect on the value of the property, and that the information supplied to us and summarized in this report is both completed and correct. We reserve the right to amend our assessment if other information further obtained which could effect on the value of the property.
- The leasing areas of the property we obtained are based on the information provided by the Company. We assume that the leasing area is correct and reserve the right to amend our assessment if the leasing area changed.
- The existing tenancy agreements of the property are legally binding and valid.
- The property can be freely transferred, leased or disposed without payment of any further land premium, penalty or transfer fees.
- The property will be maintained and managed appropriately in its residual term of use.

Valuation Standards

In valuing the property, we have complied with all the requirements contained in 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), the RICS Valuation - Global Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institution of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

Method of Valuation

We have adopted the income approach in our valuation by taking into account the net rental income of the property derived from the existing leases and/or achievable in existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

This analysis has then been cross-checked by the comparison approach assuming sale of the property in its existing state and by making reference to comparable sale transactions as available in the market.

Source of Information

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 tenure, the tenancy details of the property and all other relevant matters.

Valuation Report (Continued)

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material factors have been omitted from the information to reach an informed view and we have no reason to suspect that any material information has been withheld.

Document and Title Investigation

We have been shown copies of various title documents including a State-owned Land Use Rights Certificate and Building Ownership Certificates relating to the property and have made relevant enquiries. However, we have not examined the original documents and assumed that the copies of the documents obtained are consistent with their originals. If necessary, we recommend that a PRC legal opinion is sought to verify the existing titles to the property interest in the PRC.

Area Measurement and Inspection

We have not carried out detailed measurements to verify the correctness of the area in respect of the property but have assumed that the areas shown on the documents and official site plans handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property unless we have been otherwise instructed. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

The site inspection was carried out on 10 January 2020 by Ms. Corrina Li who has 13 year's property valuation experience in the PRC.

Currency

All monetary figures stated in this report are in Renminbi ("**RMB**").

Opinion of Valuation

Based on our analysis, we are of the opinion that the market value of the property in existing state subject to the existing tenancies as at the valuation date is in the amount of **RMB9,174,000,000 (RENMINBI NINE BILLION ONE HUNDRED AND SEVENTY FOUR MILLION)** assuming that the captioned property could be freely transferred.

Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the property and we are independent of Spring REIT, the Trustee and the Manager.
- We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of property.
- The valuations have been prepared on a fair and unbiased basis.

Valuation Report (Continued)

Remarks

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that after the valuation date, there has been an epidemic due to a novel coronavirus causing much disruption to economic activities around the world and especially in China. Such disruption has poised a downward risk towards the achievability of the rental/income projections, which was prepared without the assumptions of an epidemic, in our valuation. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the report date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result it causes volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property. Readers are reminded that we do not intend to provide an opinion of value as of any date after the valuation date in this report and are recommended to consult our latest opinion on the market for their real estate decisions.

Our valuation details are enclosed hereby for your attention.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu

MHKIS, MRICS, RPS(GP)

Senior Director

Our ref. : CON000468763RE-5

Valuation Report (Continued)

EXECUTIVE SUMMARY

The Property	Office Towers 1 and 2 and approximately 600 underground car parking spaces of China Central Place located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, the PRC.
Land Use Rights Term	Expiring on 28 October 2053 for office and car parking uses.
Total Site Area	Approximately 13,692.99 sq.m.
Total Gross Floor Area	Approximately 145,372.54 sq.m.
Building Completion Year	Completed in 2006
Occupancy Status	Pursuant to the information provided, as at the valuation date, the property was held by RCA01 and was leased to various tenants for office and car parking uses, the occupancy rate of the office portion of the property was about 95.1%.
Method of Valuation	Income Approach cross-checked by the comparison approach
Valuation Date	31 December 2019
Market Value	Based on our analysis, we are of the opinion that the market value of the property in existing state subject to the existing tenancies as at the valuation date is in the amount of RMB9,174,000,000 (RENMINBI NINE BILLION ONE HUNDRED AND SEVENTY FOUR MILLION) assuming that the captioned property could be freely transferred.
The Estimated Net Yield	4.0% (<i>see note</i>)

Note 1: The estimated net yield of the property is derived from the annual net property income as at 31 December 2019 of the property divided by the market value of the property as at the valuation date. The annual net property income is derived from the rental income excluding the valued-added tax of the property deducting property management fee, relevant taxes and commissions as well as other property operating expenses.

Valuation Report (Continued)

1 INTRODUCTION

1.1 Subject Property

China Central Place (“**CCP**”), completed in 2006, is a mixed-use commercial complex comprising a shopping mall, three office towers, two 5-star hotel buildings and various residential buildings, underground car parking spaces and other ancillary facilities.

Pursuant to the information provided, the property comprises the Office Towers 1 and 2 and approximately 600 underground car parking spaces of CCP, having a total GFA of approximately 145,372.54 sq.m. As at the valuation date, the property was held by RCA01 and was leased to various tenants for office and car parking uses, the occupancy rate of the office portion of the property was about 95.1%.

1.2 Valuation Date

The valuation date is 31 December 2019.

1.3 Purpose of Valuation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited has been appointed to provide an opinion on the market value of the subject property as at the valuation date for accounting and financing purposes.

1.4 Basis of Valuation

Our valuation is carried out on a market value basis. Market value is defined as “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.”

2 MARKET OVERVIEW

2.1 Overview of Beijing

Beijing, as the capital of the PRC, is located at the north of China, bordering Hebei Province and Tianjin. It is the national political center, cultural center, international exchange center and science and technology center of China. As home to China’s central government and its decision-making bodies, Beijing is now one of the most influential cities in the world. Beijing has more Fortune Global 500 company headquarters than any other cities in the world with 56 firms setting up headquarter here (among which, 53 are Chinese invested).

Beijing’s resident population increased by 60 percent to 21.7 million from year 2000 to 2017, making it the fastest growing city in China. However, due to the policy to control the population, residential population growth showed a negative growth rate since 2017 and the population of Beijing was 21.54 million as of December 2019.

The GDP of Beijing showed a constant and robust increase since 2005. For the entire year of 2019, the GDP of Beijing reached RMB3,537 billion, which indicated a year on year (“**y-o-y**”) growth rate of 6.1% and the tertiary industries account for 83.5%. Compared to last year, the GDP growth rate of Beijing in 2019 edged down slightly by a 0.5 percentage point.

2 MARKET OVERVIEW (Continued)

2.1 Overview of Beijing (Continued)

Overall fixed asset investment (FAI) of Beijing recorded -2.4% y-o-y growth in 2019, as real estate investment registered -0.9% y-o-y growth for the same period. The fastest growing component of FAI was the leasing and business services sector, which recorded 157.7% y-o-y growth, while FAI for culture, sports, and entertainment grew by 77% y-o-y during the year.

Total retail sales grew by 4.4% y-o-y as of the end of 2019, faster by 1.7 percentage points compared to the 2.7% y-o-y rate recorded at end of 2018. Average income per capita continued to rise by 8.7% y-o-y for the entire year of 2019, while overall consumption increased by 8.0% y-o-y according to the National Bureau of Statistics of Beijing.

2.2 Beijing Office Market

2.2.1 Beijing Office Market Overview

After decades of development, Beijing's office market reaches maturity and forms several major business districts, like Beijing Central Business District ("CBD"), Wangjing, Olympic Area and the Third Embassy District in Chaoyang, Financial Street in Xicheng, East 2nd Ring and East Chang'an in Dongcheng and Zhongguancun in Haidian. Nearly half of the Grade A office spaces in Beijing are located in CBD and Finance Street. The CBD, in which the subject property is located, is the primary area clustered of finance, media, and business services in Beijing.

2.2.2 Demand and Supply of Beijing Grade A Office Market in 2019

In the last quarter of 2019, negative economic sentiment continued to spread in the market, causing tenants to act more conservatively during the quarter. According to JLL's Research, overall Grade A office leasing demand continued to contract due to the slowing economy. As a result, total transaction volume in the quarter (based on GFA) shrank by 25% from the same period last year. Although the leasing volume was restrained, the net absorption figure still reached an impressive 338,000 sq.m., the highest quarterly figure recorded since 2012. However, self-use space was a major component of the net absorption total, and leasable net absorption only accounted for 49,500 sq.m. (15%) of the total. Space leased by domestic firms grew 6.4% y-o-y, the finance industry remained a major occupier.

Since 2Q19, the overall rents continued to show a downward trend. The average monthly rent in 4Q19 was RMB379 per sq.m. registering -4.0% y-o-y growth. While the overall vacancy rate rose to 11.3% at the end of 2019 with the new supply in CBD driving up the figure.

For the supply side, five new completions (including China Zun) entered into the market in 4Q19, adding nearly 780,000 sq.m., pushing the supply for 2019 to 943,700 sq.m., the highest level in a decade. Apart from the new completion in Financial Street reaching 70% occupancy under policy support, the pre-leasing process for other areas was relative slow.

The total stock of Beijing Grade A office market was approximately 9,625,200 sq.m. by the end of 2019, which was estimated to reach 10,120,300 sq.m. by the end of 2020, and there will be no new supply until 2024 based on available information about future supply. New supply is concentrated in the CBD, and future supply is expected to be limited since no new projects planned after 2020.

2 MARKET OVERVIEW (Continued)

2.2 Beijing Office Market (Continued)

2.2.3 Market Trend of Beijing Grade A Office Market

A total of six projects will be completed in 2020, bringing more than 495,000 sq.m. of new supply to the market. With economic pressure showing no signs of easing in the short term, the combined pressure of new supply and unabsorbed space in 2019 will further push up the overall vacancy rate. According to JLL's Research, the overall vacancy rate in 2020 will reach the highest level in nearly a decade. Vacancy rates could backtrack marginally after 2021, when the first supply surge ends. The overall market is expected to see rents drop by another 5% in 2020, as competition among landlords intensifies. After 2021, rent growth is expected to slowly start rebounding from 2022, as economic conditions improve.

The lower-rent environment, new supply, and policy incentives will provide more upgrade opportunities for tenants. Despite the slowing economy, it is expected that leasing activity will pick up slightly in 2020 as lower rents and more options become available.

Despite the tough market situation, investors showed a much stronger interest in Beijing compared to other cities in 2019. Investment poured in which pushed Beijing to register a record transaction volume of around RMB80 billion in 2019, more than twice of the figure for the year 2018 and more than tripled the 2017. Office assets were the most popular sector, accounting for around 70% of transactions in 2019. It was expected that Beijing will continue to draw strong interest from investors in 2020 with many opportunities still being chased and deals under negotiation at end of 2019. Even during this period of slower economic growth, Beijing has remained a reliable and attractive investment destination due to its strong market fundamentals.

3 DESCRIPTIONS OF THE SUBJECT PROPERTY

3.1 Situation and Accessibility

The property is situated at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, the east edge of CBD. The area where the property is situated is one of the most developed business areas in Beijing with various Grade A office buildings and well-known shopping malls clustering in this area.

The accessibility of the property is quite well. The property is facing Jianguo Road, which is the extension of East Chang'an Street and the arterial road of the east-west axis of Beijing. The basement of CCP is connected to Dawang Road Station of the Metro Line 1. Various public bus lines are within approximately 5 minutes' walking distance to the property.

3.2 Details of the Subject Property

CCP, completed in 2006, is a mixed-use commercial complex comprising a shopping mall, three office towers, two 5-star hotel buildings, various residential buildings, underground car parking spaces and other ancillary facilities.

Valuation Report (Continued)

3 DESCRIPTIONS OF THE SUBJECT PROPERTY (Continued)

3.2 Details of the Subject Property (Continued)

Pursuant to the information provided, the property comprises Levels 4 to 28 of the Office Towers 1, Levels 4 to 32 of the Office Tower 2 and approximately 600 underground car parking spaces of CCP with a total GFA of approximately 145,372.54 sq.m. The property is also provided with two signages at the eastern and the western sides of the roof of Office Tower 1. Details of the GFA of the property are set out as follows:

Portion	GFA (sq m)	Car Parking Space (number of space)
Office Tower 1	56,068.32	
Office Tower 2	64,176.87	
Car Parking Space	25,127.35	600
Total:	145,372.54	600

As at the valuation date, the property was held by RCA01 and was leased to various tenants for office and car parking uses except for a portion of the office towers with a total lettable area of 5,941.11 sq.m. which was vacant.

3.3 Current Tenancies

Pursuant to various Tenancy Agreements, as at the valuation date, portions of Towers 1 and 2 of the property with a total lettable area of approximately 114,304.08 sq.m. were leased to various tenants for office purpose with a total effective monthly rent of approximately RMB41,498,456, exclusive of value-added tax ("VAT"), management fee, utility fee, water and electricity charges and other equipment and property management related outgoings. Majority of the tenancies will expire within 3 years, and the latest tenancy term will be expired on 31 May 2025.

Pursuant to a Tenancy Agreement, the car parking spaces of the property with a GFA of approximately 25,127.35 sq.m. were leased to a property management company for car parking space operating purpose with a term of one year expiring on 31 December 2020 at an annual rent of RMB4,400,000, inclusive of VAT.

Pursuant to 2 Tenancy Agreements and relevant supplementary agreements, the two signage of the property were leased to two independent third parties with terms expiring on 30 November 2021 and 31 December 2020 at a total annual rent of approximately RMB4,064,220, exclusive of VAT.

Valuation Report (Continued)

3 DESCRIPTIONS OF THE SUBJECT PROPERTY (Continued)

3.4 Existing Tenancy Profile

According to the information provided by the Company, our analysis of the existing tenancy profile (excluding the car parking spaces and the signage) is set out as follows:

Occupancy Profile

Type	Lettable Area (sq.m.)	% of Total
Leased	114,304.08	95.1
Vacant	5,941.11	4.9
Total:	120,245.19	100.0

Tenancy Expiry Profile

Expiry Date	Lettable Area (sq.m.)	% of Total	No. of Tenancies	% of Total
Before 2020/12/31	19,569.01	17.1	41	21.5
2021/1/1 to 2021/12/31	39,295.46	34.4	63	33.0
2022/1/1 to 2022/12/31	36,149.68	31.6	65	34.0
After 2023/1/1	19,289.93	16.9	22	11.5
Total:	114,304.08	100.0	191	100.0

Tenancy Duration Profile

Expiry Date	Lettable Area (sq.m.)	% of Total	No. of Tenancies	% of Total
Less than 3 years	8,074.76	7.1	20	10.5
3 years to 6 years	105,317.04	92.1	169	88.5
More than 6 years	912.28	0.8	2	1.0
Total:	114,304.08	100.0	191	100.0

Valuation Report (Continued)

3 DESCRIPTIONS OF THE SUBJECT PROPERTY (Continued)

3.5 Maintenance Condition

As at the inspection date, the property was maintained in a good condition, with all building facilities such as lifts and lighting systems performing well.

In accordance with the 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 parts of the property.

4 TITLE DOCUMENTS

We have been provided with copies of a State -owned Land Use Rights Certificate and various Building Ownership Certificates. The details are set out as follows:

- **Stated-owned Land Use Rights Certificate**

Pursuant to a State-owned Land Use Rights Certificate – Jing Chao Guo Yong (2010 Chu) Di No. 00118, the land use rights of the property with a site area of approximately 13,692.99 sq.m. have been granted to RCA01 for a term expiring on 28 October 2053 for office and car parking uses.

- **Building Ownership Certificates**

Pursuant to 56 Building Ownership Certificates, the buildings and car parking spaces of the property with a total GFA of approximately 145,372.54 sq.m. are owned by RCA01.

As advised by the Company, the property is subject to a mortgage.

5 VALUATION CONSIDERATIONS

5.1 Valuation Methodology

We have adopted the income approach in our valuation by taking into account the net rental income of the property derived from the existing leases and/or achievable in existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

This analysis has then been cross-checked by the comparison approach assuming sale of the property in its existing state and by making reference to comparable sale transactions as available in the market.

5.2 Valuation Considerations

We have valued the property by income approach by considering the current tenants mix and rents achievable. The main assumptions and perimeters considered in the valuation are summarized below:

Lettable area

According to the information provided by the Company, the lettable area of the office portion of the property is 120,245.19 sq.m.

Valuation Report (Continued)

5 VALUATION CONSIDERATIONS (Continued)

5.2 Valuation Considerations (Continued)

Income period

The whole income period of the property is based on the shorter term of the land use rights and building economic life. According to the information provided, the land use rights of the property will expire on 28 October 2053 for office and car parking uses. Therefore, the residual income period of the property is about 33.8 years.

Occupancy rate

As at the valuation date, the occupancy rate of the office portion of the property is about 95.1%. Based on the office market research in CBD and taking into account the differences in location, size and other characters between the comparable properties and the subject property, the allowed vacancy rates losses adopted in our valuation are 5% and 20% for office and car parking uses respectively.

Market Rent

We have considered the market rents of office units and car parking spaces of similar properties located in the same business circle and/or nearby within reasonable walking distance. The unit rent of the comparable properties are in the range of RMB420 to RMB450 per sq.m. per month for office use, and about RMB1,600 to RMB2,000 per space per month for car parking use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent. The adopted average market rent is RMB404 per sq.m. per month for office portion and RMB1,800 per space per month for car parking spaces in the course of valuation.

Yield

Based on our research on office and car parking markets and relevant market analysis of Beijing, the stabilized market yields for office properties ranges from 4.0% to 5.5% as at the valuation date. Considering the location and characteristics of the property, we have applied a reversionary yield of 5.0% for office portion and a reversionary yield of 3.5% for car parking spaces in the course of valuation.

6 VALUATION CONCLUSION

Based on our analysis, we are of the opinion that the market value of the property in existing state subject to the existing tenancies as at the valuation date is in the amount of **RMB9,174,000,000 (RENMINBI NINE BILLION ONE HUNDRED AND SEVENTY FOUR MILLION)** assuming that the captioned property could be freely transferred.

Valuation Report (Continued)

LIMITING CONDITIONS

1. No structural survey or engineering test has been made and no responsibility is assumed for the soundness of the structure or the condition of the services. We therefore are not able to report whether the property is free from rot, infestation or any other structural defects. No test was carried out on any of the utility services.
2. We have assumed that the conditions of the properties are consistent with the information provided to us. We take no responsibility for the accuracy of such information.
3. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation, with reference to the property described herein, unless prior arrangements have been made.
4. Our valuation is based upon various assumptions, some of which are of subjective and uncertain nature. Market conditions and assumptions where upon we based our valuation may vary from conditions and circumstances of real life transactions; therefore, it is reasonable that the transacted price in the real life market may vary from our valuation. No responsibility is accepted from any party for any subsequent effects arising from the difference between our valuation and the transacted price of the property.
5. We have not made enquiries into the titles and we are unable to accept any responsibility for it, or for any liabilities against the property which were unrecorded at the time of our inspection.
6. Any necessary interpretations that we have been obliged to make of the relevant leases are informal and our own, and without any liability.
7. As instructed, this report has been compiled for accounting and financing reference purpose and certain assumptions have been made which may not be confirmed upon external checking.
8. Reliance on this valuation report is permitted only:
 - a. by a party expressly identified by the report as being permitted to rely on it;
 - b. when the given party has received the report directly from JLL; and
 - c. for a purpose expressly identified by the report as being a permitted use of the report.

Valuation Report (Continued)

VALUER'S PROFESSIONAL DECLARATION

We, the following valuers, hereby certify, to the best of our knowledge and belief, that:

- Information in this report has been obtained from sources that are believed to be reliable.
All facts which have a bearing on the value concluded have been considered by the valuer and no important facts have been intentionally disregarded.
- The reported analysis, opinions, and conclusions are subject to the assumptions and limiting conditions as stated in the report and based on our personal, unbiased professional analysis, opinions, and conclusions.
- We are external valuers, independent from the client and the owners of the subject property interests and property related interests, their subsidiaries and jointly controlled entities (collectively, the “**Group**”) and their respective directors and controlling shareholder and that we do not have any direct or indirect material interest s in the securities or assets of the Group, its connected persons, or any associate of the Group and we have no bias with respect to the parties involved.
- Our professional fee is not contingent upon the amount of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The under mentioned persons provided professional assistance in the compilation of this report.

Eddie Yiu
Senior Director

Echo Li
Senior Director

Corrina Li
Director

Valuation Report (Continued)

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

Dear Sirs,

Valuation of 84 Vehicle Service Centres in the United Kingdom (the “Properties”)

In accordance with your instructions to value the property interests held by Spring Asset Management Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the United Kingdom (the “**UK**”), we confirm that we have carried out inspections, made relevant enquiries and searches 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 interests as at 31 December 2019 (the “**valuation date**”).

Reliance

This report is confidential to the parties to whom it is addressed.

If at any stage it is intended to include the valuation or report, or any reference thereto, in any Prospectus or Circular to shareholders or similar public document, our written consent will be required. No part of this report may be disclosed to any third parties without our prior written approval of the form and context in which it will appear.

Save in respect of our liability for death or personal injury caused by our negligence, or the negligence of its employees, agents or subcontractors or for fraud or fraudulent misrepresentation (which is not excluded or limited in any way):

- (a) we shall under no circumstances whatsoever be liable, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, for any loss of profit, loss of revenue or loss of anticipated savings, or for any indirect, special or consequential loss arising out of or in connection with this report; and
- (b) our total liability in respect of all losses arising out of or in connection with this report, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, shall not exceed £5,000,000. This amount shall be an aggregate cap on our liability to all relying parties together.

Valuation Report (Continued)

Instruction and Purpose of Valuation

In accordance with the letter dated 15 May 2019 (attached to Appendix 2) we are instructed to provide you with a report and valuation for regulated purposes (financial reporting). We are advised that you prepare your financial statements in accordance with the International Financial Reporting Standards (IFRS) and we confirm that this advice accords with these accounting requirements.

Basis of Valuation

Our valuation has been prepared in accordance with the RICS Valuation – Global Standards 2017, incorporating the IVS, and the RICS Valuation – Global Standards 2017 UK national supplement (the RICS Red Book) published by the Royal Institution of Chartered Surveyors on the basis of the IFRS 13 definition of Fair Value defined as follows and in Appendix 3.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports which are attached in Appendix 2.

No allowance has been made for any expenses of realisation, or for taxation (including VAT) which might arise in the event of a disposal and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.

We have assumed that in the event of a sale of the properties, they would be marketed in an orderly manner and would not all be placed on the market at the same time if this were to lead to a discount to market value. A schedule of the individual values is attached in Appendix 1A.

Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the Properties and we are independent of Spring Real Investment Trust, the Trustee and the Manager.
- We are authorized to practice as valuer and have the necessary expertise and experience in valuing similar types of properties.
- The valuations have been prepared on a fair and unbiased basis.

Valuation Report (Continued)

Valuation Methodology

In valuing the property, we have adopted the income capitalisation approach in our valuation of the property cross-checked with the direct comparison method of valuation where applicable. The income capitalisation approach is based on the capitalisation of the fully leased, current passing rental income and potential reversionary income from the date of valuation at an appropriate investment yield to arrive at the capital value. Both the term income and the reversionary income are capitalised using the same capitalisation rate either on a perpetual basis (for freehold properties) or on the basis of the properties' remaining land tenure (for leasehold properties). The appropriate adjustments and deductions for rent free periods and ongoing vacancy voids/ marketing periods for the vacant space have been allowed for.

Source of Information

We have inspected the premises and carried out all the necessary enquiries with regard to rental and investment value, Rateable Value, planning issues and investment considerations. We have not carried out a building survey or environmental risk assessment. We have not measured the premises in accordance with the RICS Code of Measuring Practice and have relied on the floor areas provided.

We have not been supplied with and relied upon, Certificates of Title or other correspondence by your solicitor.

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

We have relied to a considerable extent on the information given by the Manager including previous valuation reports.

Inspection

The properties were inspected specifically for the 30th June 2019 valuation and we have been informed by the Group that there have been no significant changes since that date. All significant parts of the properties were inspected.

Disclosures

In our firm's preceding financial year the proportion of total fees payable by the client commissioning this valuation was less than 5% of the firm's total fee income.

It is not anticipated there will be a material increase in the proportion of fees payable to the firm by the client commissioning this valuation report since the end of the last financial year or in the next financial year.

Valuation Report (Continued)

Personnel

The valuations have been prepared by Matthew Lemin MRICS, Director.

We confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation – Global Standards 2017 and are RICS Registered Valuers.

Status

In preparing this valuation we have acted as External Valuers, subject to any disclosures made to you.

Assumptions

We have made no Special Assumptions.

Sources of Information

We have inspected the premises and carried out all the necessary enquiries with regard to rental and investment value, Rateable Value, planning issues and investment considerations. We have not carried out a building survey or environmental risk assessment. We have not measured the premises in accordance with the RICS Code of Measuring Practice and have relied on the floor areas provided.

We have not been supplied with and relied upon, Certificates of Title or other correspondence by your solicitor.

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

We have relied to a considerable extent on the information given by the Manager including previous valuation reports.

Exchange Rate

All monetary figures stated in this report are in British Pound (GBP).

Limiting Conditions

This report is subject to our standard Limiting Conditions as attached.

Valuation Standards

In valuing the property, we have complied with all the requirements contained in 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), the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

Valuation Report (Continued)

Caveats and Non-publication Clause

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed for the specific purposes to which it refers and no responsibility is accepted to any third party for use of or reliance on the whole or any part of its contents for any purpose.

Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

Yours faithfully,

Yours faithfully,

Matthew Lemin

MRICS

Director

For and on behalf of
Jones Lang LaSalle Limited

Eddie Yiu

MHKIS, MRICS, RPS(GP)

Senior Director

For and on behalf of
Jones Lang LaSalle Corporate Appraisal and
Advisory Limited

Draft Publication Statement

The company's freehold and leasehold properties were valued on 31 December 2019 by an external valuer, Jones Lang LaSalle. The valuations were in accordance with the requirements of the RICS Valuation – Global Standards 2017. The valuation of each property was on the basis of Fair Value.

The aggregate Fair Value reported, as at 31 December 2019 was £75,700,000 (Seventy Five Million Seven Hundred Thousand Pounds).

Valuation Report (Continued)

Executive Summary

Property	The Subject portfolio comprises Portfolio of 84 Vehicle Service Centres in the United Kingdom.
Floor Area	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 2019
Valuation Methodology	Income capitalisation approach
Market Value in Existing Status	£75,700,000 (Seventy Five Million Seven Hundred Thousand Pounds)

Valuation Report

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2019	Estimated Net Property Yield
84 Vehicle Service Centres in the United Kingdom	<p>The Properties comprise 84 vehicle service centres leased to Kwik-Fit (GB) Limited ("Kwik-Fit") situated across the UK, in England, Scotland and Wales with detailed addresses listed in the Property Schedule attached as Appendix 1A.</p> <p>The Properties have a total gross internal area (GIA) of approximately 505,381 sq ft. Details of the Properties are listed in the Property Schedule attached as Appendix 1A.</p> <p>We understand that 62 of the Properties are held freehold (known as heritable interests in Scotland), with the remaining 22 held, partly or wholly, long leasehold.</p>	<p>We noted from our site that 78 of the Properties are trading as Kwik-Fit service centres. The remainder are trading under different brands, either subsidiary companies or partial or complete sublettings.</p> <p>There are no vacant Properties in this portfolio, and 99% of the Properties are let for a further 12 years and 3 months.</p> <p>(Please refer to the Property Schedule attached for details)</p>	<p>£75,700,000</p> <p>(Seventy Five Million Seven Hundred Thousand Pounds)</p> <p>(Please refer to the Property Schedule attached for details)</p>	<p>5.81%</p> <p>(See Note 1)</p>

Valuation Report (Continued)

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

Note 1: The estimated net yield of the property is derived from the annual net property income as at 31 December 2019 of the property divided by the market value of the property as at the valuation date. The annual net property income is derived from the rental income excluding the valued-added tax of the property deducting property management fee, relevant taxes and commissions as well as other property operating expenses.

APPENDIX 1A: Property Description

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Estimated Net Property Yield	Market Value (£)
1	ALLOA: 26 Clackmaman Road	FK10 1RR	8,879	Freehold	56,573	20/03/2007	19/03/2032	5.80%	£975,000
	Single storey steel framed industrial unit dating from the 1950s, brick walls with painted render and cladding to external elevations. Double pitched steel truss framed roof. Internal layout includes a customer reception, a workshop with six service bays, a tyre store adjacent to the workshop, staff room, wash room and customer and staff WC's. External concrete surfaced car park to the front for 4-6 vehicles.								
2	ALTRINCHAM: 1-3 Church Street	WA14 4DB	8,529	Freehold	80,635	20/03/2007	19/03/2032	5.82%	£1,385,000
	Single storey steel framed industrial unit solid brick walls exposed externally dating from the 1950s. Double pitched steel truss framed roof. Internal layout includes a reception area, a 7-bay workshop, tyre store, staff room and toilets. Externally there are 14 car parking spaces.								
3	AYR: 38 Fort Street	KA7 1DE	10,369	Freehold	36,517	20/03/2007	19/03/2032	6.04%	£605,000
	Single storey steel framed industrial unit dating from the 1950s on a site between, and abutting, two residential terraces. The walls are of solid brick with part painted render externally. Double pitched steel truss roof. The layout of the building is wider to the rear forming a T-shaped building. The premises trade as Tyre City. Internally there is parking for 9 cars, a customer reception, workshop with 6 service bays, tyre storage, offices and stores, staff room and WC's. The building fronts the pavement and there are no external parking spaces.								
4	AYR: 26 Maybole Road	KA7 2QA	3,970	Freehold	43,705	20/03/2007	19/03/2032	5.79%	£755,000
	Detached single storey industrial unit dating from the 1990s of steel portal framed structure with brick and block infill walls with profiled steel cladding above under a double pitched roof. Internal layout includes a customer reception, workshop with three bays (five service bays), tyre storage, store, staff room and customer and staff WC's. Large tarmac surfaced car park is to the front and south of the building for 20 vehicles. A telecoms mast is situated to the southern edge of the site.								
5	BISHOP AUKLAND: Cockton Hill Road	DL14 6JN	4,962	Leasehold expiring 2072	25,881	20/03/2007	19/03/2032	-0.75%	£25,000
	A modern detached two-storey steel portal frame unit, with brick and block elevations designed to blend in with the surrounding residential buildings. The ground floor layout includes a customer reception, a 5 bay workshop and tyre store. On the first floor is further tyre storage, a staffroom and staff WC's. Externally, fronting the building, is parking for ten vehicles								
6	BLYTH: Cowpen Road	NE24 5TT	5,707	Freehold	59,756	20/03/2007	19/03/2032	6.60%	£905,000
	Detached single storey industrial unit dating from the 1990s of steel portal framed structure with brick and block infill walls with profiled steel cladding above under a double pitched roof. Internal layout includes a customer reception, 5 bay workshop, tyre storage, store, staff room and customer and customer/staff WC's. Large tarmac surfaced car park for 18 vehicles.								
7	BRIDGWATER: 48-54 St. John Street	TA6 5HY	8,603	Freehold	63,886	20/03/2007	19/03/2032	5.83%	£1,095,000
	Detached two storey commercial property dating from the early 1900s with a later single storey industrial extension. The two-storey section has solid load bearing brick walls with a timber framed pitched roof. The workshop extension has a steel frame, brick walls and a pitched steel truss roof. The ground floor includes 8 workshop bays, tyre stores, customer and staff WC's and a staffroom. The first floor has a further tyre store and meeting room. Externally there is a 10 space car park.								
8	BRIDLINGTON: 32-36 St. John's Street	YO16 7JS	15,514	Freehold	115,927	20/03/2007	19/03/2032	6.10%	£1,900,000
	Two adjoining single storey units dating from the 1950s; one to the front and one to the rear. Both are of brick and block construction with multi-pitch steel truss framed roof. Internal layout includes a customer reception, a 6 bay workshop, tyre store, staffroom and customer/staff WC's. The rear unit was formerly occupied as a gym and is currently vacant and somewhat dilapidated.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Estimated Net Property Yield	Market Value (£)
9	BURNLEY: Active Way	BB11 1AL	3,489	Leasehold expiring 2108	32,460	20/03/2007	19/03/2032	5.69%	£570,000
	Detached single storey brick built unit dating from the 1980s of steel-portal framed construction beneath a pitched roof. Ground floor layout includes a customer reception area, 6-bay workshop, staffroom and WCs. Externally there is a parking for 23 cars.								
10	CARMARTHEN : Pensarn Road	SA31 2BS	4,895	Freehold	52,413	20/03/2007	19/03/2032	6.06%	£865,000
	A detached single storey industrial unit dating from the 1950s with steel frame and solid brick walls. The roof has a barrel vault design supported on arched steel trusses and clad in corrugated steel. Internally the layout includes a customer reception, 5 bay workshop, tyre store, staffroom and staff/customer WCs. Externally there is parking for 12 vehicles.								
11	CASTLEFORD: 92 Bridge Street	WF10 4LA	3,595	Freehold	25,040	20/03/2007	19/03/2032	5.76%	£465,000
	A single storey unit of block construction under a part pitched steel framed roof, and part concrete framed flat roof. Internally the layout includes two workshops with a total of five bays, tyre store, staff room and customer/staff WCs. Externally there is parking for 5 cars plus 2 marked for disabled customers.								
12	CHAPEL ALLERTON: 232 Harrogate Road	LS7 4QD	12,358	Freehold	108,000	20/03/2007	19/03/2032	5.32%	£2,030,000
	Two adjoining single storey units dating from the 1930s of brick and block construction beneath pitched steel truss framed profiled roof, with part flat roof to the smaller unit. The internal layout includes seven bays, inspection pit, tyre storage, staffroom and customer/staff WCs. Externally there is parking for 12 vehicles.								
13	CHELMSFORD: 103 New London Road	CM2 0PP	24,218	Freehold	197,077	20/03/2007	19/03/2032	5.06%	£3,895,000
	The property is a refurbished and very impressive Kwik-Fit Plus facility. The unit is the amalgamation of several small industrial units dating from the 1930s with solid brick walls, steel frame and steel truss framed roof. The refurbished building provides one of the largest and best operations in the Kwik-Fit UK network. The internal layout includes 13 service bays, customer reception, stores, offices and customer/staff WCs. There is a substantial amount of internal parking space in addition to external parking for 6 vehicles.								
14	CLEVEDON: 119-121 Kern Road	BS21 6JE	2,562	Freehold	30,104	20/03/2007	19/03/2032	6.02%	£500,000
	A detached two storey unit dating from the 1960s of traditional brick construction with a timber framed pitched roof, 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. There is a large external car park for 17 vehicles.								
15	COATBRIDGE: 320 Main Street	ML5 3RX	4,085	Freehold	36,733	20/03/2007	19/03/2032	5.25%	£700,000
	A detached single storey steel portal framed commercial unit dating from the 1980s with blockwork walls under a pitched and hipped tiled roof. Internally the layout includes a reception, workshop with five service bays, tyre store, staffroom and customer and staff WCs. Externally there is parking for 15 vehicles.								
16	CONGLETON : West Road	CW12 4EU	4,275	Freehold	34,270	20/03/2007	19/03/2032	5.76%	£595,000
	A detached single storey steel framed unit dating from the 1950s with solid brick walls and a double pitched steel truss framed roof. Internally the layout includes a customer reception, workshop, staffroom and toilets. Externally there is parking for 4 vehicles.								
17	CROYDON: 3 Mitcham Road	CR0 3RU	4,393	Freehold	81,656	20/03/2007	19/03/2032	4.51%	£1,810,000
	A detached purpose built workshop of steel portal frame construction with brick elevations and a pitched roof. Internal layout includes 5 bay workshop, customer reception area, tyre store and ancillary space. Externally, there is parking to the front and side for 21 vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Estimated Net Property Yield	Market Value (£)
18	DONCASTER: Wheatley Hall Road	DN2 4LP	2,988	Leasehold expiring 2110	26,878	20/03/2007	19/03/2032	6.15%	£315,000
	A detached single storey steel framed commercial unit dating from the 1970s with brick and block infill walls under a corrugated steel flat roof supported on steel truss beams. Internal layout includes a customer reception, workshop with 6 bays, office, tyre store, staffroom and customer and WC's. Externally there is parking for 15 vehicles.								
19	DUMFRIES: 40 LaurieKnowe	DG2 7AJ	2,168	Freehold	16,799	20/03/2007	19/03/2032	6.86%	£245,000
	A semi-detached single storey steel framed industrial unit dating from the 1950s with brick/block infill walls under a double pitched steel truss framed roof. Internally the layout includes a 3 bay workshop, tyre stores, store, staffroom and staff/customer WC. Externally a small concrete yard provides parking for five vehicles.								
20	EDINBURGH: 69B Saughton Mains Street	EH12 7JB	3,410	Freehold	40,050	20/03/2007	19/03/2032	5.80%	£690,000
	A detached single storey industrial unit dating from the 1980s with brick elevations beneath a pitched steel framed roof encompassing a large central roof light. Internally the layout includes a customer reception area, 5 bay workshop, staffroom and toilets. Externally there is parking for 13 vehicles.								
21	EDINBURGH: 19 Corstorphine Road	EH12 6DD	7,590	Freehold	81,149	20/03/2007	19/03/2032	5.52%	£1,470,000
	The property is a detached two storey building with a single storey dating from the 1970s. It is of steel frame construction with brick elevations beneath a flat roof. Internally the layout includes reception area, 7-bay workshop, staffroom and toilets. At first floor is office accommodation and a boardroom, largely surplus to requirements. Externally there is parking for 10 vehicles.								
22	EDINBURGH: 81-91 Dundee Street	EH11 1AW	4,466	Leasehold expiring 2861	51,762	20/03/2007	19/03/2032	5.82%	£890,000
	A single storey detached industrial unit dating from the 1990s. It is of steel portal frame construction beneath a pitched roof. Internally the accommodation includes office, workshops, staffroom and toilets. It is currently not occupied by Kwik-Fit as it is surplus to requirements.								
23	EDINBURGH: 107-109 Dundee Street	EH11 1AW	9,628	Leasehold expiring 2104	111,638	20/03/2007	19/03/2032	5.20%	£1,940,000
	A single storey detached industrial unit dating from the 1990s. It is of steel portal frame construction beneath a pitched roof. Internally the layout includes 5 bay workshop, staff room, customer reception and WC's. Externally there is parking for 10 vehicles.								
24	ELLESMERE PORT: 116 Whitby Road	CH65 0AQ	4,490	Freehold	38,974	20/03/2007	19/03/2032	5.77%	£675,000
	A detached, single storey unit dating from the early 2000s of brick and steel portal frame construction under a pitched roof. Internally the layout includes a five bay workshop, customer reception, WC and staff facilities. Externally there is parking for six vehicles.								
25	ELTHAM: 727 Sidcup Road	SE9 3AQ	4,723	Leasehold expiring 2053	41,807	20/03/2007	19/03/2032	3.87%	£810,000
	A concrete framed building with brick walls and a pitched steel framed roof arranged over ground and basement levels. At ground floor level is a customer reception and 5 bay workshop. The basement is a tyre and parts storage area. Externally there is parking for six vehicles.								
26	FORFAR: Queenswell Road	DD8 3JA	2,875	Freehold	26,878	20/03/2007	19/03/2032	5.43%	£495,000
	A detached single storey steel framed industrial unit dating from the 1980s with brick and block infill walls with cladding under a double pitched steel truss framed roof. Internally the layout includes a customer reception, workshop with four bays, tyre store, staff room and WC's. There is an external car park to the east of the property for 20 vehicles.								
27	GLASGOW: 381 Pollokshaws Road	G41 1QZ	4,999	Freehold	50,428	20/03/2007	19/03/2032	5.28%	£955,000
	A detached single storey steel framed industrial unit dating from the early 2000s with brick infill walls with cladding above under a slightly pitched steel truss framed roof. The internal layout includes a customer reception, workshop with five bays, tyre store, office, staffroom and WC's. Externally there is a car park for 12 vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Estimated Net Property Yield	Market Value (£)
28	GLENROTHES: Fullerton Road	KY7 5QR	4,500	Freehold	52,167	20/03/2007	19/03/2032	5.49%	£950,000
	A detached single storey industrial unit dating from the early 2000s with a steel portal frame, brick elevations and a pitched roof. Internally the layout includes customer reception, 5 bay workshop, staffroom and toilets. Externally there is parking for 17 cars.								
29	GOOLE: 142-148 Boothferry Road	DN14 6AG	4,082	Freehold	38,033	20/03/2007	19/03/2032	5.81%	£655,000
	A detached single storey steel portal framed industrial unit with brick and block walls. The accommodation includes a customer reception, workshop with four service bays, tyre store, staff room and WCs. Externally there is a parking to the front for 15 vehicles.								
30	GREAT YARMOUTH: 90 North Quay	NR30 1JT	5,314	Freehold	58,464	20/03/2007	19/03/2032	6.03%	£970,000
	A two storey commercial unit dating from the late 1890s with a single storey side extension built in the 1950s. The main building is of load bearing brick construction with a timber framed, slate clad roof. The single storey addition has a steel frame and mono-pitched steel framed roof. Internally the layout includes a 4 bay workshop, customer reception, WCs and tyre store with further tyre store on the first floor. Externally there is a small area to the front of the building with parking for 3 cars.								
31	HELENSBURGH: 3 Charlotte Street	G84 7PH	2,950	Freehold	34,807	20/03/2007	19/03/2032	7.10%	£490,000
	A semi-detached single storey steel framed industrial unit with rendered brick walls under a double pitched roof. Internally the layout includes a customer reception, workshop with four service bays, staff room and WCs. Tyre stores are provided within the workshop and on a mezzanine level. There is no parking on the property, however there is on-street parking in the vicinity.								
32	HORNCHURCH: Ardleigh Green Road	RM11 2ST	3,641	Freehold	46,371	20/03/2007	19/03/2032	4.76%	£975,000
	A detached single storey steel framed industrial unit from the 1950s with a multi-pitched steel truss roof structure. The internal layout includes a 4 bay workshop, customer reception, tyre store, staff room and WCs. There is a small car park to the front for 7 vehicles.								
33	HUDDERSFIELD: Lockwood Road	HD1 3QU	5,206	Freehold	34,942	20/03/2007	19/03/2032	5.78%	£605,000
	A detached two storey concrete framed industrial unit from the 1960s with brick and block walls under a flat roof. Internally at ground level the layout includes a reception, workshop with six bays, office, staffroom and WCs. The first floor is used as a tyre store. There is a car park to the rear for 5 vehicles.								
34	HYDE: 26-28 Manchester Road	SK14 2BD	5,134	Freehold	39,995	20/03/2007	19/03/2032	6.01%	£665,000
	A two storey end terrace unit from the 1970s with steel frame, brick walls and a steel framed flat roof. Internally the layout includes a customer reception area, 6-bay workshop, staffroom and WCs. At first floor is a tyre store. To the rear (north) there is parking for circa 15 cars.								
35	ISLINGTON: 379 Camden Road	N7 0SH	4,327	Leasehold expiring 2024	69,884	20/03/2007	19/03/2032	21.13%	£330,000
	A terraced single storey industrial unit from the 1950s with a steel frame and steel truss framed pitched roof. Internally the layout includes a 5 bay workshop, customer reception, staff room and WCs. There is a car park to the front for 9 vehicles.								
36	KEIGHLEY: South Street	BD21 1AE	3,576	Leasehold expiring 2084	33,598	20/03/2007	19/03/2032	5.84%	£575,000
	A detached single storey steel framed commercial unit from the 1970s with brick and block walls with cladding above to part under a mono-pitched steel framed roof. The internal layout includes a 5 bay workshop, office, tyre store, staff room and WCs. Externally a concrete surfaced car park fronts the property with spaces for 11 vehicles.								
37	KEVINSHAM: Ashton Way	BS31 2UF	3,214	Freehold	33,619	20/03/2007	19/03/2032	5.80%	£580,000
	A detached single storey industrial unit from the 1960s of steel portal frame construction with block elevations beneath a pitched roof. Internally the layout includes a customer reception, 4 bay workshop, tyre store, staff room and WCs. Externally there is a small car park for 7 vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Estimated Net Property Yield	Market Value (£)
38	KIDDERMINSTER: 20 Churchfields	DY10 2JL	3,849	Leasehold expiring 2076	28,982	20/03/2007	19/03/2032	6.84%	£365,000
	A detached single storey industrial unit from the 1980s of steel portal frame construction with brick walls. The internal layout includes a 6 bay workshop, tyre store, staffroom and WCs. A small first floor staff room and WC are excluded from the measured survey referred to below. There is an external car park for 8 vehicles.								
39	KILMARNOCK: 32-36 Low Glencairn Street	KA1 4DD	3,622	Freehold	55,101	20/03/2007	19/03/2032	5.51%	£1,000,000
	A detached single storey industrial unit from the 1980s of steel portal frame construction with brick and block walls with profile cladding above. Internally the layout includes a customer reception, 6 service bays workshop, tyre store, office, store, staff room and WCs. There is a car park to the front of the property for 11 vehicles.								
40	KIRKCALDY: 188 The Esplanade	KY1 1RE	5,818	Freehold	46,903	20/03/2007	19/03/2032	6.34%	£740,000
	A single storey industrial unit from the 1970s with a shallow pitched steel portal frame and brick walls. Internally the layout includes a customer reception, 4 bay workshop, staff room and WCs. The car park at the front has spaces for 5 vehicles.								
41	LEVEN: The Promenade	KY8 4PJ	4,850	Freehold	34,942	20/03/2007	19/03/2032	6.30%	£555,000
	A single storey industrial unit from the 1950s of concrete frame construction with brick walls and a beneath a pitched truss framed roof. The internal layout includes a customer reception, workshop, staff room and WCs. Externally there is a car park for 5 vehicles.								
42	LINCOLN: 148 Newark Road	LN5 8QJ	4,819	Freehold	38,839	20/03/2007	19/03/2032	5.98%	£650,000
	A single storey end of terrace industrial unit from the 1960s with a concrete frame brick walls and a flat roof. The internal layout includes a 5 bay workshop, customer reception, tyre store and ancillary areas. Externally, to the front, there is a car park for 9 vehicles.								
43	LIVERPOOL: 232 Aigburth Road	L17 9PJ	4,095	Freehold	45,457	20/03/2007	19/03/2032	6.02%	£755,000
	Single storey double span industrial unit dating from the 1950s. Brick and block walls, steel truss framed roof. Internally, the layout includes a workshop with 4 bays, customer reception, staffroom and WCs. Externally there is a car park for 5 vehicles.								
44	LLANDUDNO: Conway Road	LL30 1DE	11,137	Leasehold expiring 2920	86,946	20/03/2007	19/03/2032	5.19%	£1,670,000
	A detached single storey industrial unit from the 1950s. Steel framed with brick and block walls and a steel truss supported pitched roof. Internally, the layout includes a customer reception, tyre storage area, staffroom, WCs and a large workshop accommodating ten bays. The building is branded as 'Kwik Fit Plus' with parking for 22 vehicles.								
45	LOUGHBOROUGH: 28 The Rushes	LE11 5BG	6,177	Freehold	75,353	20/03/2007	19/03/2032	5.31%	£1,420,000
	A purpose built detached single storey quick repair building from the early 2000s having steel portal framed construction and brick and profile clad elevations. Internally the layout includes a customer reception, tyre store and five workshop bays. There is a very large external car park with 40 parking spaces. The site is shared with a third party occupier, by way of a sub-lease from Kwik Fit.								
46	MIDDLESBOROUGH: 258 Longlands Road	TS4 2LW	5,255	Freehold	79,022	20/03/2007	19/03/2032	6.61%	£1,195,000
	A detached L-shaped industrial unit on ground and mezzanine floors from the 1980s. Steel framed construction with brick and block walls beneath a steel-framed pitched roof with a skylight at its apex. The ground floor layout includes a 6 bay workshop, staffroom and customer WCs, with tyre storage and ancillary staff rooms at mezzanine level. It is in generally good cosmetic order with the latest branding and fit-out. Externally there is parking for 13 vehicles.								
47	MONTROSE: 34 George Street	DD10 8EW	2,726	Freehold	24,728	20/03/2007	19/03/2032	6.51%	£380,000
	A detached single storey steel framed industrial unit from the 1980s with brick walls under a steel framed flat roof. Internally the layout includes a customer reception, two bay workshop, tyre store, store, staff room and customer WCs. A car park fronts the property for 10 vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Estimated Net Property Yield	Market Value (£)
48	MOTHERWELL: 99A Airbles Road	ML1 2TJ	6,220	Freehold	55,645	20/03/2007	19/03/2032	5.30%	£1,050,000
	A semi-detached single industrial unit from the 1960s with brick and block walls under a part flat, part pitched roof. The internal layout includes a customer reception, 6 bay workshop, tyre store, office, staff room and WCs. There is parking to the west of the property for 11 vehicles.								
49	NORTHWICH: Leicester Street	CW9 5LH	7,825	Freehold	63,164	20/03/2007	19/03/2032	5.82%	£1,085,000
	A group of four, mainly single storey, detached industrial building from the 1980s. Steel framed construction under a pitched roof. It has brick and block walls with steel cladding above. The ground floor layout includes a workshop with 5 bays, staff room and WCs. One of the buildings has ancillary accommodation at first floor level. There is parking on site for approximately 15 cars.								
50	OBAN: Market Street	PA34 4HR	5,134	Freehold	38,488	20/03/2007	19/03/2032	5.79%	£665,000
	A detached single storey steel framed industrial unit from the 1950s with painted rendered brick walls under a steel truss pitched roof. Internally the layout includes a customer reception, 4 bay workshop, store, staff room and WCs. A tyre store is provided on a mezzanine level. There is no parking provision on site, although there is on-street parking.								
51	OLDHAM: Huddersfield Road	OL1 3HR	4,411	Freehold	41,661	20/03/2007	19/03/2032	5.48%	£760,000
	A detached single storey steel portal framed industrial unit from the 1990s with brick and block walls with steel cladding above. The internal layout includes a customer reception, 5 bay workshop, office, tyre store, staff room and WCs. There is a car park at the front of the property for 12 vehicles.								
52	OLDHAM: Lansdowne Road, Chadderton	OL9 9EG	4,819	Leasehold expiring 2071	35,614	20/03/2007	19/03/2032	7.93%	£405,000
	A detached two storey industrial unit from the 1960s with brick walls under a flat roof. Internally the layout includes a customer reception, 5 bay workshop, office, store, staff room and WCs. A tyre store is on the first floor. There is a car park to the front of the property for 11 vehicles.								
53	OTLEY: Bondgate	LS21 3AB	6,247	Leasehold expiring	44,052	20/03/2007	19/03/2032	5.67%	£750,000
	A detached single-storey steel framed industrial unit from the 1950s. Brick walls partially clad with local stone to the lower section and with profiled metal sheet above beneath a pitched steel truss framed roof. The internal layout includes a customer reception, 4 bay workshop, tyre store, staff room and WCs. There is parking to the front for 10 vehicles.								
54	PLYMOUTH: 125-129 Alexandra Road	PL4 7EG	9,725	Freehold	77,947	20/03/2007	19/03/2032	5.51%	£1,415,000
	A detached single storey industrial unit from the 1970s of steel framed construction with brick and block walls under a steel truss framed pitched roof. Internally the layout includes a 7 bay workshop, tyre store, staff room and WCs. There is parking to the front for 17 vehicles.								
55	PONTYPRIDD: Broadway	CF37 1BA	4,718	Freehold	42,898	20/03/2007	19/03/2032	5.50%	£780,000
	A detached single storey industrial unit from the 1960s of concrete framed construction, brick block walls and a flat roof. Internally the layout includes a 5 bay workshop, tyre store, staff room and WCs. There is parking to the front, side and rear of the building for 15 vehicles.								
56	PORTSMOUTH: Durham Street	PO1 1JY	5,927	Freehold	63,164	20/03/2007	19/03/2032	5.82%	£1,085,000
	A detached two storey unit with brick/block load bearing walls and a flat roof. Internally the layout includes a 6 bay workshop, customer reception, staff room and WCs. At first floor level is a large tyre and parts store. There is parking to the front and side for 8 vehicles.								
57	PRESTON: 76 Market Street	PR1 2HP	14,643	Leasehold expiring 2069	86,946	20/03/2007	19/03/2032	6.76%	£1,000,000
	A complex of six interconnecting buildings of various ages on a sloping site. One building is two storeys. Construction varies but is mainly solid brick walls and pitched truss frame roofs. The two storey building has a timber framed pitched and tiled roof. A substantial portion of the property is unused and somewhat dilapidated. The section occupied by the Kwik Fit operation is single storey and incorporates a 5 bay workshop, customer reception, staff facilities, WCs and a rear tyre store. There is parking to the front of the site for 11 vehicles. There is an area of rough ground to the rear used as staff car parking.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Estimated Net Property Yield	Market Value (£)
58	RADCLIFFE: Bury Road	M26 2UG	3,074	Leasehold expiring 2877	26,663	20/03/2007	19/03/2032	7.30%	£365,000
	A single-storey industrial building from the 1970s of concrete frame construction with brick walls and a flat roof. Internally the layout includes a 4-bay workshop, customer reception, staff room and WCs. There is parking to the front and side for approximately 15 vehicles.								
59	RUTHERGLEN: 273 Main Street	G73 3AA	4,952	Freehold	42,468	20/03/2007	19/03/2032	5.78%	£735,000
	A detached steel portal framed industrial unit on ground and mezzanine levels from the 1980s with brick walls under a shallow pitched roof. Internally the layout includes a customer reception, 5 bay workshop office, store, staffroom and WC. The mezzanine has a tyre store, staff rooms and a staff WC. There is parking to the front of the building for 11 vehicles.								
60	SHEFFIELD: 726 City Road	S2 1GJ	4,391	Leasehold expiring 2064	48,446	20/03/2007	19/03/2032	7.85%	£575,000
	A detached single storey steel portal framed industrial unit from the 1990s with brick and block walls with cladding above. Internally the layout includes a customer reception, 6 bay workshop, office, tyre store, staff room and WCs. There is parking at the front and side of the building for 10 vehicles.								
61	SHEFFIELD: Townhead Street	S1 1YG	7,479	Leasehold expiring 2134	57,188	20/03/2007	19/03/2032	5.80%	£985,000
	A semi-detached industrial unit from the 1930s of steel framed construction with solid brick walls under a part "north light" style steel truss roof, extensively glazed, and part flat roof. Internally the layout includes a customer reception, 6 bay workshop, office, tyre store, store, staff room and WCs. A first floor above the reception provides storage accommodation. The property includes a dilapidated industrial building to the rear that is unused. There is parking to the front for 8 vehicles.								
62	SHIPLEY: 58 Briggate	BD17 7BT	4,834	Freehold	42,059	20/03/2007	19/03/2032	5.80%	£725,000
	A detached single storey steel framed industrial unit from the 1950s with brick and block walls with cladding above under a part flat and part steel truss framed pitched roof. Internally the layout includes a customer reception, 5 bay workshop, tyre store, store, staff room and WCs. There is parking to the front of the building for six vehicles. There is an additional tyre store to the rear with a separate access.								
63	SKEGNESS: 50 Roman Bank	PE25 2SP	7,343	Freehold	59,132	20/03/2007	19/03/2032	7.17%	£825,000
	A semi-detached industrial unit on two levels dating from the 1950s with brick walls and a steel truss pitched roof. To the front is a 5 bay workshop, customer reception and WC. To the rear on a lower level is a tyre storage area, a small office mezzanine and an MOT bay. To the front there is parking for 8 vehicles.								
64	SOUTH CROYDON: 453 Brighton Road	CR2 6EW	6,544	Freehold	124,027	20/03/2007	19/03/2032	5.32%	£2,330,000
	A detached single storey industrial building from the 1990s with steel portal frame, brick and block walls and steel cladding above. Internally, there is an 11 bay workshop, customer reception, tyre store, staff room and WCs. To the front there is parking for 19 vehicles.								
65	SOUTHPORT: 8 Ash Street	PR8 6JH	3,875	Freehold	26,084	20/03/2007	19/03/2032	5.93%	£440,000
	A terraced single storey unit from the 1950s with a steel frame, brick walls and a steel truss supported pitched roof. Internally the layout includes a 3 bay workshop, customer reception, tyre store, mezzanine storage and WCs. There is parking to the front for 6 vehicles.								
66	STIRLING: Craigs Roundabout, Burghmuir Road	FK7 7PE	4,980	Freehold	57,964	20/03/2007	19/03/2032	4.77%	£1,215,000
	A detached single storey steel framed industrial unit from the 1960s with painted rendered brick walls with steel cladding above under a truss framed pitched roof. The internal layout includes a customer reception, 6 bay workshop, tyre store, store, staff room and WCs. There is a large site to the front with parking for 75 vehicles. An element of hope value relating to a possible sale of this part of the property is included in the valuation.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Estimated Net Property Yield	Market Value (£)
67	STONEHAVEN: 110 Barclay Street	AB39 2AP	5,998	Freehold	46,371	20/03/2007	19/03/2032	5.80%	£800,000
	A semi-detached single storey industrial unit with painted rendered brick walls under a steel truss framed pitched roof. The internal layout includes a reception, 4 bay workshop, office, tyre store, staff room and WCs. There is parking for 2 vehicles to the front with on-street parking available.								
68	SUNDERLAND: Monk Street	SR6 0DB	7,938	Freehold	56,225	20/03/2007	19/03/2032	5.28%	£1,065,000
	A detached single storey steel framed industrial unit from the 1960s with adjoining two storey concrete framed office building. The industrial unit has brick walls and a steel truss framed pitched roof. The office building has a concrete frame, brick and concrete walls and a flat roof. The internal layout includes a 6 bay workshop, customer reception, staff room and WCs. There is parking on site for 9 vehicles.								
69	THORNBURY : 13-14 Mead Court, Cooper Road	BS35 3UW	3,579	Leasehold expiring 2113	29,352	20/03/2007	19/03/2032	6.05%	£485,000
	A detached single storey industrial unit with mezzanine from the 1980s. It has a steel frame and a steel mono pitched roof. The internal layout includes a 4 bay workshop, tyre stores, staff room and WCs, together with stores in the mezzanine. There is parking on site for 10 vehicles.								
70	TOTTENHAM: 32 Monument Way	N17 9NX	5,451	Freehold	107,245	20/03/2007	19/03/2032	5.31%	£2,020,000
	A detached single storey industrial unit from the 1980s with a steel portal frame and brick and block walls. Internally, there is an 8 bay workshop, customer reception, tyre store, staff facilities and WC. There is parking for 22 vehicles to the front and side of the site.								
71	TRURO: Hightertown	TR1 3PY	9,626	Freehold	83,468	20/03/2007	19/03/2032	5.84%	£1,430,000
	A detached single storey industrial unit from the 1950s with brick walls and a pitched steel truss framed roof. The internal layout includes a 5 bay workshop, tyre stores, staff room and WCs. Part is sub-let to Brandon Tool Hire who have a trade counter, office and stores. There is parking to the front of the building for 18 vehicles with further space to the rear.								
72	WARRINGTON: Priestly Street	WA5 1TE	5,721	Leasehold expiring 2071	44,748	20/03/2007	19/03/2032	5.52%	£680,000
	A single storey unit from the 1980s of concrete frame construction with brick and block walls beneath a flat steel truss supported roof. The internal layout includes a customer reception, 5 bay workshop, staff room and WCs. There is parking for 12 vehicles on site.								
73	WIGAN: Wallgate	WN5 0XG	10,236	Leasehold expiring 2900	87,355	20/03/2007	19/03/2032	6.02%	£1,450,000
	A single storey steel portal framed industrial unit from the 1950s with brick walls. The unit has been split to accommodate Kwik Fit (front section) and a sub-tenant (rear section). We did not inspect the rear portion of the building which was locked at the time of our inspection. The internal layout of the Kwik-Fit unit includes a 7 bay workshop, customer reception, tyre store, staff facilities and WC. There is a large parking area for 26 vehicles at the front, with a large service yard behind the rear section of the building.								
74	WORCESTER: 1 Carden Street	WR1 2AT	8,635	Leasehold expiring 2067	82,961	20/03/2007	19/03/2032	6.56%	£1,160,000
	A detached single storey industrial unit from the 1980s of steel portal framed construction with brick and block walls. Internally the layout includes an 8 bay workshop, tyre store, staff room and WCs. There is parking on site for 10 vehicles.								
75	YOKER: 2369 Dumbarton Road	G14 0NT	8,548	Freehold	63,760	20/03/2007	19/03/2032	5.82%	£1,095,000
	A detached single storey industrial unit from the 1950s with rendered brick walls under a double pitched steel truss framed roof. The internal layout includes a customer reception, a 6 bay workshop, MOT office, tyre store, staff room and WCs. There is car parking on site for 6 vehicles.								

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Estimated Net Property Yield	Market Value (£)
76	GLoucester: Unit 3, Northbrook Road	GL4 3DP	16,814	Freehold	68,397	20/03/2007	19/03/2032	6.03%	£1,135,000
	A detached single storey industrial unit with a small first floor office dating from the 1970s. The building has a steel portal frame with brick walls. The premises trade as Central Tyres, together with a former training centre for Kwik-Fit. The Central Tyres unit layout includes reception area, 6 bay workshop, stores, WCs and staffroom, and mezzanine tyre storage. There is a large car park on site for 50 vehicles.								
77	STIRLING: 1 Whitehouse Road	FK7 7SS	5,425	Freehold	37,028	20/03/2007	19/03/2032	5.79%	£640,000
	A detached single storey industrial unit with office extension dating from the 1960s with brick and block walls and a steel portal frame to the workshop and flat roof to the offices. The internal layout includes customer reception, workshop, store and WC's. There is parking on site for 15 vehicles.								
78	BARRHEAD: 17 Cross Arthurlie Street	G78 1QY	3,856	Freehold	35,221	20/03/2007	19/03/2032	5.77%	£610,000
	A detached single storey industrial unit from the 1950s. It has a steel frame with brick walls under a pitched steel truss supported roof. The internal layout includes a customer reception, 4 bay workshop, tyre store, office, staff room and WCs. There is parking on site for 8 vehicles.								
79	BIRMINGHAM: 902 Coventry Road	B10 0UA	5,977	Leasehold expiring 2035	46,371	20/03/2007	19/03/2032	28.42%	£135,000
	A detached single storey industrial building from the 1950s with two storey offices to the front. The industrial unit has brick walls and a steel truss supported pitched roof. The offices are concrete framed with a flat roof. The internal layout includes a 4 bay workshop, tyre store, WCs and additional storage in the first floor offices. There is parking on site for 8 vehicles.								
80	EDINBURGH: 40 Portobello Road	EH8 7EL	4,006	Freehold	46,371	20/03/2007	19/03/2032	5.49%	£845,000
	A recently purpose built car repair workshop of steel portal frame with brick/block walls clad externally above. The unit has been sublet to the Salvation Army who utilise it as a retail warehouse style charity shop. The internal layout includes warehouse, staff office, kitchenette and single WC. There is parking on site for circa 20 vehicles.								
81	LICHFIELD: 8-9 Europa Way	WS14 9TZ	1,835	Freehold	15,804	20/03/2007	19/03/2032	5.85%	£270,000
	A single storey mid-terraced unit from the 1990s of steel portal frame construction, brick and block walls with external steel cladding above. The internal layout includes customer reception, 4-bay workshop, tyre store and WCs. There is allocated parking near the unit for circa 6 vehicles.								
82	NELSON: 130 Leeds Road	BB9 9XB	4,645	Leasehold expiring 2972	36,334	20/03/2007	19/03/2032	7.27%	£505,000
	A semi-detached two storey building from the 1960s with concrete frame, brick and block walls and flat roofs. The internal layout includes a customer reception area, 6 bay workshop, staff room and WCs. On the first floor is a tyre store. There is parking on site for circa 15 vehicles.								
83	THORNABY ON TEES: 212 Thornaby Road	TS17 8AA	5,169	Freehold	41,661	20/03/2007	19/03/2032	5.48%	£755,000
	A modern detached two storey steel portal frame unit with brick and block walls beneath a pitched roof. The internal layout includes a 3 bay workshop, tyre store, customer reception and WCs. The first floor is a tyre store with staff rooms and goods lift. There is parking on site for 10 cars.								
84	WESTON SUPER MARE: Winterstoke Road	BS23 3YE	2,849	Freehold	31,609	20/03/2007	19/03/2032	5.96%	£525,000
	A detached, two storey commercial unit from the 1950s converted to industrial use. Load bearing brick walls under a flat roof. The internal layout includes a 3 bay workshop, tyre store, staff room and WCs. The first floor is used as a tyre store. There is parking on site for 5 vehicles.								
TOTALS					£4,546,728			5.86%	£75,700,000

Valuation Report (Continued)

APPENDIX 1B: Right of Use Values

Ref	Trading Name	Address	Town	Postcode	Tenure	Head Lease Expiry	Head Rent	IFRS 16 Value
SR05	Kwik Fit	Cockton Hill Road	BISHOP AUKLAND	DL14 6JN	LH	31/10/2072	£26,069	£370,000
SR09	Kwik Fit	Active Way	BURNLEY	BB11 1AL	LH	19/06/2108	£0	£0
SR18	Kwik Fit	Wheatley Hall Road	DONCASTER	DN2 4LP	LH	01/06/2110	£7,500	£105,000
SR22	Kwik Fit	81-91 Dundee Street	EDINBURGH	EH11 1AW	LH	14/05/2861	£0	£0
SR23	Kwik Fit	107-109 Dundee Street	EDINBURGH	EH11 1AW	LH	31/12/2104	£10,795	£190,000
SR25	Kwik Fit	727 Sidcup Road	ELTHAM	SE9 3AQ	LH	10/10/2053	£11,500	£145,000
SR35	Kwik Fit	379 Camden Road	ISLINGTON	N7 0SH	LH	28/09/2024	£150	£0
SR36	Kwik Fit	South Street	KEIGHLEY	BD21 1AE	LH	13/03/2084	£1	£0
SR38	Kwik Fit	20 Churchfields	KIDDERMINSTER	DY10 2JL	LH	31/07/2076	£4,000	£55,000
SR44	Kwik Fit	Conway Road	LLANDUDNO	LL30 1DE	LH	24/12/2920	£300	£5,000
SR52	Kwik Fit	Lansdowne Road, Chadderton	OLDHAM	OL9 9EG	LH	31/03/2071	£3,500	£40,000
SR53	Kwik Fit	Bondgate	OTLEY	LS21 3AB	FH/LH	01/01/2999	£1,500	£25,000
SR57	Kwik Fit	76 Market Street	PRESTON	PR1 2HP	LH	13/08/2069	£19,300	£260,000
SR58	Kwik Fit	Bury Road	RADCLIFFE	M26 2UG	LH	24/03/2877	£33	£0
SR60	Kwik Fit	726 City Road	SHEFFIELD	S2 1GJ	LH	06/09/2064	£3,300	£45,000
SR61	Kwik Fit	Townhead Street	SHEFFIELD	S1 1YG	LH	11/10/2134	£53	£5,000
SR69	Kwik Fit	13-14 Mead Court, Cooper Road	THORNBURY	BS35 3UW	LH	13/06/2113	£0	£0
SR72	Kwik Fit	Priestly Street	WARRINGTON	WA5 1TE	LH	07/02/2071	£7,200	£110,000
SR73	Kwik Fit	Wallgate	WIGAN	WN5 0XG	LH	01/01/2900	£13	£0
SR74	Kwik Fit	1 Carden Street	WORCESTER	WR1 2AT	LH	31/05/2067	£6,862	£100,000
SR79	Tyre City	902 Coventry Road	BIRMINGHAM	B10 0UA	LH	29/09/2035	£8,000	£310,000
SR82	Kwik Fit	130 Leeds Road	NELSON	BB9 9XB	LH	20/09/2972	£0	£0
22 Properties								Aggregate
							£110,076	£1,765,000

Valuation Report (Continued)

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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 2019 to 31 December 2019

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 2019 to 31 December 2019.

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

Hong Kong, 20 March 2020

Independent Auditor's Report



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 107 to 150, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in net assets attributable to the Unitholders for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of distributions for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountant ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report (Continued)

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
<p><i>Valuation of Investment Properties</i></p> <p>Refer to note 2(e), 4(a) and 13 to the consolidated financial statements</p> <p>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 RMB9,873.3 million as at 31 December 2019 and the fair value gain of investment properties for the year ended 31 December 2019 was RMB70.8 million.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The existence of significant estimation uncertainty on the key assumptions warrants specific audit focus in this area.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Independent Auditor's Report (Continued)

Other Information

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditor's Report (Continued)

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. Wong Hung Nam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Notes	Year ended 31 December	
		2019	2018
		RMB'000	(Restated) RMB'000
Revenues	5	546,592	558,831
Property operating expenses	6	(139,772)	(138,637)
Net property income		406,820	420,194
General and administrative expenses	7	(67,349)	(118,368)
Fair value gain of investment properties	13	70,767	82,822
Fair value gain of right-of-use assets	14	138	–
Other gains/(losses), net	8	3,657	(29,091)
Operating profit		414,033	355,557
Finance income		3,582	3,886
Finance costs on interest-bearing borrowings	9	(192,417)	(329,117)
Profit before taxation and transactions with Unitholders		225,198	30,326
Income tax expense	10	(2,136)	(337)
Profit for the year, before transactions with Unitholders (note i)		223,062	29,989
Distributions paid to Unitholders:			
– 2017 final distribution		–	(117,425)
– 2018 interim distribution		–	(133,191)
– 2018 final distribution (note ii)		(78,635)	–
– 2019 interim distribution (note ii)		(116,757)	–
		27,670	(220,627)
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		39,606	(187,452)
Amount arising from exchange reserve movements regarding translations of financial statements		(11,936)	(33,175)
		27,670	(220,627)

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) 2019 interim distribution and 2018 final distribution of RMB116,757,000 and RMB78,635,000 respectively were paid during the year ended 31 December 2019. Total distribution for the year ended 31 December 2019 is presented in the statement of distributions.

The notes on pages 114 to 150 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	Before transactions with Unitholders RMB'000	Transactions with Unitholders (note i) RMB'000	After transactions with Unitholders RMB'000
For the year ended 31 December 2019				
Profit for the year		223,062	(234,998)	(11,936)
Other comprehensive income:				
<i>Items that may be reclassified to consolidated income statement</i>				
Exchange gains on translation of financial statements		1,421	–	1,421
<i>Items that may not be reclassified to consolidated income statement</i>				
Exchange gains on translation of financial statements of Spring REIT		10,515	–	10,515
Total comprehensive income for the year	ii	234,998	(234,998)	–
For the year ended 31 December 2018 (Restated)				
Profit for the year		29,989	(63,164)	(33,175)
Other comprehensive income:				
<i>Items that may not be reclassified to consolidated income statement</i>				
Exchange gains on translation of financial statements of Spring REIT		33,175	–	33,175
Total comprehensive income for the year	ii	63,164	(63,164)	–

Notes:

- (i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB195,392,000 (2018: RMB250,616,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is an increase of RMB39,606,000 (2018: a decrease of RMB187,452,000).
- (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 114 to 150 are an integral part of these consolidated financial statements.

Statement of Distributions

For the year ended 31 December 2019

	2019 RMB'000	2018 (Restated) RMB'000
Profit for the year, before transactions with Unitholders	223,062	29,989
Adjustments:		
– Fair value gain of investment properties	(70,767)	(82,822)
– Fair value gain of right-of-use assets	(138)	–
– Change in fair values of derivative components of convertible bonds	(5,500)	–
– Net fair value losses of derivative financial instruments	3,737	332
– Manager's fee expenses in units in lieu of cash	41,455	42,127
– Amortisation of transaction costs for the bank borrowings	(36)	13,554
– Amortisation of transaction costs for host liability components of convertible bonds	2,856	–
– Unrealised foreign exchange losses	37,622	206,504
Distributable income for the year (note i)	232,291	209,684
Total distributions of the year (note ii)	232,291	205,490
Represented by:		
Interim distribution, paid (note iii)	116,757	133,191
Final distribution, to be paid (note iv)	115,534	72,299
Total distributions of the year (note ii)	232,291	205,490
Percentage of total distribution over distributable income for the year	100%	98%
Distributions per unit to Unitholders		
– Interim distribution per unit, paid (note iii)	HK10.0 cents	HK12.0 cents
– Final distribution per unit, to be paid (note iv)	HK8.9 cents	HK7.2 cents
Distribution per unit for the year (note v)	HK18.9 cents	HK19.2 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 2019 was calculated based on the interim distribution of RMB116,757,000 for the period and 1,278,916,863 units in issue. The interim distribution was paid to Unitholders on 20 September 2019.
- (iv) Subsequent to the year ended 31 December 2019, on 12 February 2020, a total of 160,626,029 new units (representing approximately 11.1% of the 1,446,439,344 units in issue immediately after such issue) were issued upon the conversion of the convertible bonds.
Accordingly, the final distribution per unit of HK8.9 cents for the year ended 31 December 2019 is calculated based on the final distribution to be paid to Unitholders of RMB115,534,000 for the second half of the financial year and 1,446,439,344 units in issue as at 27 March 2020, being the date of declaration of the final distribution, rounded to the nearest HK0.1 cents.
The final distribution for the year ended 31 December 2019 is expected to be paid to Unitholders on 29 April 2020. Such final distributions per unit, however, may be subject to adjustment upon the issuance of new units between 27 March 2020 (being the date of the declaration of the final distribution) and 17 April 2020 (the "Record Date"), if any.
The final distribution per unit of HK7.2 cents for the year ended 31 December 2018 was calculated based on the final distribution paid to the Unitholders of RMB72,299,000 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 HK0.1 cent. The final distribution for the year ended 31 December 2018 was paid to Unitholders on 30 April 2019.
- (v) All distributions to Unitholders are determined and paid in Hong Kong dollar.

The notes on pages 114 to 150 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	As at 31 December 2019 RMB'000	December 2018 (Restated) RMB'000	As at 1 January 2018 (Restated) RMB'000
Assets				
Investment properties	13	9,873,265	9,764,060	9,682,514
Right-of-use assets	14	16,304	–	–
Derivative financial instrument	15	–	438	–
Restricted bank balances	17	382,115	383,811	473,053
Trade and other receivables	16	32,693	28,527	29,447
Cash and cash equivalents	17	124,992	107,094	138,660
Total assets		10,429,369	10,283,930	10,323,674
Liabilities, excluding net assets attributable to Unitholders				
Interest-bearing borrowings	19	3,199,602	3,654,535	3,562,336
Convertible bonds	20	505,239	–	–
Lease liabilities	14	12,072	–	–
Derivative financial instruments	15	4,102	702	–
Rental deposits	18	155,410	154,533	158,504
Trade and other payables	18	102,998	110,127	90,308
Income tax payable		2,171	598	3,097
Total liabilities, excluding net assets attributable to Unitholders		3,981,594	3,920,495	3,814,245
Net assets attributable to Unitholders		6,447,775	6,363,435	6,509,429
Units in issue ('000)	21	1,285,813	1,272,357	1,275,706
Net assets value per unit attributable to Unitholders				
In RMB		5.01	5.00	5.10
In HK\$		5.61	5.69	6.22

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

The notes on pages 114 to 150 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2019

	Reserves (note) RMB'000	Net assets attributable to Unitholders RMB'000
As at 31 December 2018, restated	–	6,363,435
Adjustment on adoption of IFRS 16	–	3,543
As at 1 January 2019	–	6,366,978
Profit after taxation and before transactions with Unitholders	–	223,062
Exchange gains on translation of financial statements	11,936	–
Amount arising from exchange reserve movements	(11,936)	11,936
Distributions paid to Unitholders:		
– 2018 final distribution	–	(78,635)
– 2019 interim distribution	–	(116,757)
Change in net assets attributable to Unitholders for the year ended 31 December 2019, excluding issuance of new units	–	39,606
Issuance of units (note 21)	–	41,191
As at 31 December 2019	–	6,447,775

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 114 to 150 are an integral part of these consolidated financial statements.

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

For the year ended 31 December 2019

	Reserves (note) (Restated) RMB'000	Net assets attributable to Unitholders (Restated) RMB'000
As at 1 January 2018	–	6,509,429
Profit after taxation and before transactions with Unitholders	–	29,989
Exchange gains on translation of financial statements	33,175	–
Amount arising from exchange reserve movements	(33,175)	33,175
Distributions paid to Unitholders:		
– 2017 final distribution	–	(117,425)
– 2018 interim distribution	–	(133,191)
Change in net assets attributable to Unitholders for the year ended 31 December 2018, excluding issuance of new units	–	(187,452)
Issuance of units	–	41,458
As at 31 December 2018	–	6,363,435

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 114 to 150 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	Year ended 31 December	
		2019	2018
		RMB'000	(Restated) RMB'000
Cash flows from operating activities			
Cash generated from operations	22	373,174	347,297
Interest received		3,582	3,886
Income tax paid		(604)	(2,810)
Net cash generated from operating activities		376,152	348,373
Cash flows from investing activities			
Additions to investment properties		(3,237)	(483)
Net cash used in investing activities		(3,237)	(483)
Cash flows from financing activities			
Payment of lease liabilities		(1,104)	–
Proceeds from issuance of convertible bonds, net of transaction cost		510,473	–
Proceeds from borrowings, net of transaction cost		–	541,278
Repayment of borrowings		(517,774)	(639,880)
Interest paid		(151,926)	(127,893)
(Increase)/decrease in restricted bank balances		(775)	91,969
Distributions to Unitholders		(195,392)	(250,616)
Net cash used in financing activities		(356,498)	(385,142)
Net increase/(decrease) in cash and cash equivalents		16,417	(37,252)
Cash and cash equivalents at the beginning of the year		107,094	138,660
Exchange gain on cash and cash equivalents		1,481	5,686
Cash and cash equivalents at end of year		124,992	107,094

The notes on pages 114 to 150 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 Renminbi ("RMB"). The functional currency of Spring REIT is Hong Kong dollars ("HK\$"), the distribution of Spring REIT is determined and paid in HK\$.

2 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 to all the years presented.

(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.

During the year, the Group has changed its presentation currency from US dollars ("US\$") to RMB for the presentation of its financial statements. Having considered the principal activities of the Group are mainly conducted in the People's Republic of China ("PRC") and the functional currency of the subsidiary in the PRC is denominated in RMB, the directors of the Manager considered that the change would result in a more appropriate presentation of the Group's transactions in the financial statements.

The change in presentation currency has been applied retrospectively. Thus, the comparative figures in these consolidated financial statements were translated from US\$ to RMB using applicable average rates that approximated to actual rates for items in the consolidated statement of profit or loss and consolidated statement of comprehensive income and applicable closing rates for assets and liabilities in the consolidated statement of financial position. In addition, the Group has changed the presentation of the consolidated statement of financial position by adopting the liquidity basis as it is considered to be more relevant and meaningful to readers based on the timing of their realisation or settlement of assets and liabilities as justified by the market situation. The change in the presentation has been applied retrospectively and comparative figures have been reclassified accordingly.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments and derivative components of convertible bonds, 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.

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 2019.

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

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

The adoption of these 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, except IFRS 16.

IFRS 16 “Leases” – Impact of adoption

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

IFRS 16 “Leases” – Impact of adoption (Continued)

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018 (Restated) Discounted using the incremental borrowing rates	53,542 (42,027)
Lease liabilities recognised as at 1 January 2019	11,515
Of which are expected to be settled:	
Within 1 year	115
After 1 year	11,400
	11,515

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

The recognised right-of-use assets relate to UK lands are GBP1,800,000 (approximately RMB15,275,000) as at 1 January 2019. The right-of-use assets that related to investment properties are measured at fair value.

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

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

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by RMB15,275,000
- lease liabilities – increase by RMB11,515,000
- prepayment – decrease by RMB217,000

The net fair value change impact on retained earnings on 1 January 2019 was an increase of RMB3,543,000.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

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

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

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

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

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

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

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

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

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 1 and IAS 8 Amendments	Definition of Material	1 January 2020
IAS 39, IFRS 7 and IFRS 9 Amendments	Interest Rate Benchmark Reform	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
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of Spring REIT and its subsidiaries as at 31 December 2019 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

2 Summary of significant accounting policies (Continued)

(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. Revenue is recognised when or as the control of the good or service is transferred to the customer.

(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 land, 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. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs.

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

(f) Derivative financial instruments

Derivatives are initially 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

2 Summary of significant accounting policies (Continued)

(g) Trade and other receivables

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.

(i) Convertible bonds

The fair value of derivative components of the convertible bonds must be determined first at inception of the contract. The host liability components is measured as the residual amount that results from deducting the fair value of the derivative components from the initial fair value of the convertible bonds as a whole. This is recognised and included in liability and subsequently measured at amortised cost.

Transaction costs relating to the debt component are included in the carrying amount of the host debt portion and amortised over the period of the convertible bond using the effective interest method.

(j) 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

2 Summary of significant accounting policies (Continued)

(k) Borrowing costs

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

(l) 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 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.

(m) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

2 Summary of significant accounting policies (Continued)

(n) 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\$ and the consolidated financial statements are presented in RMB.

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 remeasured. 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(o) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

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's Republic of China (the "PRC") and the United Kingdom (the "UK") with functional currency in Renminbi ("RMB") and British Pound Sterling ("GBP") respectively. It is therefore exposed to foreign exchange risk arising from commercial transactions, and from 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 2019, if US\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, profit for the year would have been decreased/increased by RMB172,448,000 (2018: decreased/increased by RMB164,727,000) 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 2019, if GBP had strengthened/weakened by 5% against the USD with all other variables held constant, profit for the year would have been decreased/increased by RMB10,324,000 (2018: decreased/increased by RMB11,339,000) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

3 Financial risk and capital risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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.

During the year ended 2019 and 2018, the Group has 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 2019, if interest rates had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been RMB11,196,000 (2018: RMB10,676,000) 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

3 Financial risk and capital risk management (Continued)

3.1 Financial risk factors (Continued)

(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 19) 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.

The table below analyses the Group's financial assets into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity dates.

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2019				
Restricted bank balances	–	–	382,115	–
Trade and other receivables	32,693	–	–	–
Cash and cash equivalents	124,992	–	–	–
At 31 December 2018 (Restated)				
Restricted bank balances	–	380,827	2,984	–
Derivative financial instrument	–	438	–	–
Trade and other receivables	28,527	–	–	–
Cash and cash equivalents	107,094	–	–	–

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2019				
Trade and other payables	33,042	–	–	–
Rental deposit	31,037	51,631	69,822	2,920
Interest payable on borrowings and convertible bonds	126,356	102,600	274,206	–
Convertible bonds	522,816	–	–	–
Derivative financial instruments (net settled)	9,308	5,786	–	–
Interest-bearing borrowings	–	–	3,268,035	–
Lease liabilities	1,043	2,085	2,085	66,313
At 31 December 2018 (Restated)				
Trade and other payables	31,850	–	–	–
Rental deposit	51,263	27,316	75,864	90
Interest payable on borrowings	179,638	59,090	14,130	–
Derivative financial instruments (net settled)	655	227	–	–
Interest-bearing borrowings	–	3,219,138	438,734	–

The convertible bonds have been fully converted to new units on 12 February 2020, details was set out in note 20.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

3 Financial risk and capital risk management (Continued)

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 and convertible bonds divided by total assets.

	As at 31 December	
	2019	2018
	RMB'000	(Restated) RMB'000
Total borrowings and convertible bonds (note 19 and 20)	3,704,841	3,654,535
Total assets	10,429,369	10,283,930
Gearing ratio	35.5%	35.5%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2019 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).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

3 Financial risk and capital risk management (Continued)

3.3 Fair value estimation (Continued)

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

At 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Derivative financial instruments	–	4,102	–	4,102
Convertible bonds – derivative components	–	83,226	–	83,226

At 31 December 2018 (Restated)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Asset				
Derivative financial instrument	–	438	–	438
Liability				
Derivative financial instruments	–	702	–	702

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 2019 and 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 2019, the level 2 convertible bonds are not traded in an active market. The fair values of convertible bonds are determined using valuation techniques.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

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 values 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/convertible bonds

Fair values have been arrived at using valuations provided by the counterparty banks/valuer 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 2019, revenue of RMB505,530,000 (2018: RMB520,269,000) is attributable to tenants from the PRC investment properties and RMB41,062,000 (2018: RMB38,562,000) is attributable to tenants from the UK investment properties. As at 31 December 2019, investment properties of RMB9,174 million (2018: RMB9,096 million) is located in the PRC and RMB699 million (2018: RMB668 million) is located in the UK.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

5 Revenue and segment information (Continued)

An analysis of revenues of the Group is as follows:

	Year ended 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Revenues		
Rental income	529,625	542,193
Car park income	3,670	3,454
Other income (note i)	13,297	13,184
	546,592	558,831

Note:

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

6 Property operating expenses

	Year ended 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Property management fee	11,523	11,968
Property taxes (note i)	58,583	60,923
Other taxes (note ii)	6,156	6,976
Withholding tax (note iii)	50,328	53,046
Leasing commission	5,445	3,676
Reinstatement costs	6,573	–
Others	1,164	2,048
	139,772	138,637

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

7 General and administrative expenses

	Year ended 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Manager's fee (note i)	54,120	54,726
Trustee fee	1,724	1,962
Valuation fee (note ii)	903	786
Auditor's remuneration		
– Audit services	1,851	1,454
– Non-audit services:		
– Acquisition related professional fees (note ii)	–	3,597
– Others	629	607
Legal and other professional fee (note ii)	6,789	51,890
Others	1,333	3,346
	67,349	118,368

Notes:

- (i) The breakdown of the Manager's fee was set out in note 11.
- (ii) For the year ended 31 December 2018, the amounts include:
 - valuation fee, auditor's fee, legal and other professional fee of approximately RMB22.1 million in relation to a proposed acquisition of a commercial property in Huizhou, the PRC; and
 - professional fees to legal advisors and financial advisors for additional work scopes mainly in relation to the voluntary general takeover offer on the Spring REIT of approximately RMB21.4 million.

8 Other gains/(losses), net

	Year ended 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Net fair value losses on derivative financial instruments at fair value through profit or loss	(3,737)	(332)
Change in fair values of derivative components of convertible bonds (note 20)	5,500	–
Foreign exchange gains/(losses)	2,060	(28,474)
Other miscellaneous losses	(166)	(285)
	3,657	(29,091)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

9 Finance costs

	Year ended 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Interest expenses on bank borrowings (note i)	146,230	146,149
Interest expenses on convertible bonds (note 22(b))	3,724	–
Interest expenses on lease liabilities	983	–
Foreign exchange losses on bank borrowings (note ii)	39,682	178,030
Other borrowing costs	1,798	4,938
	192,417	329,117

Notes:

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

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	
	2019	2018 (Restated)
	RMB'000	RMB'000
Current income tax	2,136	337

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

10 Income tax expense (Continued)

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	
	2019	2018 (Restated)
	RMB'000	RMB'000
Profit before income tax and transactions with Unitholders	225,198	30,326
Exclude profit from the PRC operation which is not subjected to income tax (note 6(iii))	(263,974)	(131,725)
	(38,776)	(101,399)
Tax calculated at the Hong Kong profit tax rate at 16.5% (2018: 16.5%)	(6,398)	(16,731)
Effect on different taxation rate on overseas operations	888	229
Income not subject to tax	(4,104)	(4,944)
Expenses not deductible for tax purposes	11,750	21,783
	2,136	337

11 Manager's fee

	Year ended 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Base fee	41,804	42,120
Variable fee	12,316	12,606
	54,120	54,726

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

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

Based on the election made by the Manager dated 19 December 2018 and 4 December 2017 in relation to the Manager's elections for the Base Fee to be paid to the Manager in the form of units 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 2019 in accordance with the Trust Deed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

12 Earnings per unit

	2019 RMB'000	2018 (Restated) RMB'000
Profit for the year, before transactions with Unitholders	223,062	29,989
Adjustment for dilutive convertible bonds	(1,776)	–
Profit for the year, before transactions with Unitholders for calculating diluted earnings per unit	221,286	29,989
Weighted average number of units for the year for calculating basic earnings per unit	1,279,052,306	1,264,874,858
Adjustment for dilutive contingently units issuable in respect of the Manager's fee and dilutive convertible bonds	164,222,791	3,456,904
Weighted average number of units for the year for calculating diluted earnings per unit	1,443,275,097	1,268,331,762
Basic earnings per unit based upon profit before transactions with Unitholders	RMB17.44 cents	RMB2.37 cents
Diluted earnings per unit based upon profit before transactions with Unitholders	RMB15.33 cents	RMB2.36 cents

Convertible bonds issued during the year are considered to be potential units and have been included in the determination of diluted earnings per unit from their date of issue. The convertible bonds have not been included in the determination of basic earnings per unit. Details relating to the convertible bonds are set out in note 20.

13 Investment properties

	Year ended 31 December 2019 RMB'000	2018 (Restated) RMB'000
At beginning of the year	9,764,060	9,682,514
Additions	3,237	483
Exchange differences recognised in other comprehensive income	35,201	(1,759)
Changes in fair value recognised in consolidated income statement	70,767	82,822
At end of the year	9,873,265	9,764,060

Notes:

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

In the PRC, the investment properties comprise 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 properties have been granted to RCA01 for a 50-year term expiring on 2 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

13 Investment properties (Continued)

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

As at 31 December 2019 and 31 December 2018, the investment properties were pledged to secure the Group's bank borrowings (note 19).

Valuation process

The Group's investment properties were valued by an independent 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 2019, the fair values of the investment properties have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (2018: Knight Frank Petty Limited). The independent valuer adopted the income capitalisation approach and cross-checked by the direct comparison approach for the valuation where applicable.

Valuation techniques

(i) PRC investment 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 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).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

13 Investment properties (Continued)

Fair value hierarchy

	Fair value measurements using		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
As at 31 December 2019	–	–	9,873,265
As at 31 December 2018 (Restated)	–	–	9,764,060

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 2019 valuation, a capitalisation rate of 5.0% (2018: 5.8%) is used in the income capitalisation approach.

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The average gross monthly office unit base rent of RMB404 (2018: RMB418) 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 2019 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 4.1% to 8.0% (2018: 4.3% to 9.3%).

(b) Base rent

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

As at 31 December 2019, if the market value of investment properties had been 5% higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been RMB494 million (2018: RMB488 million) higher/lower.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

14 Leases

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

	Year ended 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Right-of-use assets		
At beginning of the year	–	–
Adjustment on adoption of IFRS 16	15,275	–
Exchange differences recognised in other comprehensive income	891	–
Changes in fair value recognised in consolidated income statement	138	–
At end of the year	16,304	–

	Year ended 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Lease liabilities , expected to be settled:		
Within 1 year	136	–
After 1 year	11,936	–
	12,072	–

For adjustments recognised on adoption of IFRS 16 on 1 January 2019, details was set out in note 2(a).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

15 Derivative financial instruments

	As at 31 December	
	2019	2018
	RMB'000	(Restated) RMB'000
Asset		
Fair value of the interest rate swap	–	438
Liability		
Fair value of the interest rate swaps	4,102	702

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

The Group recorded net fair value losses on interest rate swap for the year ended 31 December 2019 amounting to RMB3,737,000 (2018: RMB332,000) (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.

The carrying amounts of interest rate swaps are expected to be settled as below:

	As at 31 December	
	2019	2018
	RMB'000	(Restated) RMB'000
Within 1 year	4,102	–
After 1 year	–	264
	4,102	264

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

16 Trade and other receivables

	As at 31 December 2019	2018 (Restated)
	RMB'000	RMB'000
Rent receivables	156	424
Deferred rent receivables (note iv)	28,187	24,104
Prepayment	4,323	3,598
Other receivable	27	401
	32,693	28,527

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 18).
- (iii) As at 31 December 2019 and 2018, the rent receivables and all future rent receivables in the PRC were pledged to secure the Group's bank borrowings in the PRC (note 19).
- (iv) Deferred rent receivables represent the accumulated difference between effective rental revenue and actual rental receipts.
- (v) The carrying amounts of trade and other receivables are expected to be recovered within the next twelve months.

17 Restricted bank balances and cash and cash equivalents

	As at 31 December 2019	2018 (Restated)
	RMB'000	RMB'000
Restricted bank balances	382,115	383,811
Cash and cash equivalents	124,992	107,094
	507,107	490,905

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

17 Restricted bank balances and cash and cash equivalents (Continued)

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

	As at 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
US\$	239,980	210,863
RMB	228,543	225,548
HK\$	17,756	37,825
GBP	20,828	16,669
	507,107	490,905

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

The carrying amounts of restricted bank balances and cash and cash equivalents are expected to be recovered after 1 year and within the next twelve months, respectively.

18 Rental deposits and trade and other payables

	As at 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Rental deposits (note i)	155,410	154,533
Trade and other payables:		
Rental receipts in advance	46,850	45,363
Provision for other taxes (note ii)	50	20
VAT payable	2,176	1,678
Accrued expenses and other payables	53,922	63,066
	102,998	110,127

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

18 Rental deposits and trade and other payables (Continued)

Note:

(i) The ageing analysis based on the terms of agreement is as follows and the carrying amount is expected to settle as below:

	As at 31 December 2019	2018 (Restated)
	RMB'000	RMB'000
Within 1 year	31,037	51,263
After 1 year	124,373	103,270
	155,410	154,533

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

The carrying amounts of trade and other payables approximate its fair values and is expected to be settled within twelve months.

19 Interest-bearing borrowings

The carrying amounts of bank borrowing is expected to be settled as below:

	As at 31 December 2019	2018 (Restated)
	RMB'000	RMB'000
Bank borrowings		
Within 1 year	–	–
After 1 year	3,199,602	3,654,535
	3,199,602	3,654,535

Bank borrowings are denominated in the following currencies:

	As at 31 December 2019	2018 (Restated)
	RMB'000	RMB'000
US\$	2,741,416	3,220,982
GBP	458,186	433,553
	3,199,602	3,654,535

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

19 Interest-bearing borrowings (Continued)

The exposure of the Group's 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	
	2019	2018
	RMB'000	(Restated) RMB'000
6 months or less	3,199,602	3,654,535

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

In January 2018, the Group, refinanced its facilities:

- (i) entered into a GBP50.0 million (approximately RMB446.3 million) secured term loan facility. The borrowing is repayable in full on 26 January 2022 and bears an interest rate of 3-month GBP LIBOR plus 2.20% per annum; and
- (ii) utilised a US\$18.0 million (approximately RMB123.8 million) revolving loan under the existing US dollar secured loan facility. Together with the previously drawn down of US\$450.0 million (approximately RMB3,095.3 million) term loan from the same secured loan facility, the entire US dollar borrowing of US\$468.0 million (approximately RMB3,214.4 million) is repayable in full on 29 April 2020. The term loan facility bears an interest rate of 3-month US dollar LIBOR plus 1.65% per annum.

In December 2019, the Group early repaid part of the US dollar borrowing of an amount of US\$75.0 million, reducing the outstanding principal amount to US\$393.0 million in total. On 23 December 2019, the Group amended and extended the existing US dollar secured loan facility. The new secured loan facilities are denominated in US\$ for an amount up to US\$555.0 million, comprising a committed term loan facility of US\$475.0 million and an uncommitted term loan facility of US\$80.0 million. The borrowings bears interest of 1.55% per annum above 3-month US\$ LIBOR. The Group drawn down a US\$10.0 million term loan under the new facility and the entire US dollar borrowing of US\$403.0 million will be repayable in full on 24 December 2024.

As at 31 December 2019 and 31 December 2018, the Group's investment properties (note 13) derivative financial instruments (note 15), rent receivables and all future rent receivables (note 16), restricted bank balances (note 17), interests in certain subsidiaries of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's loan borrowings. In addition, the Trustee (in its capacity as trustee of Spring REIT) has provided guarantee for all the loan facilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

20 Convertible bonds

On 27 November 2019, the Group issued HK\$585 million convertible bonds at 1.75% per annum due on 27 November 2022. These bonds are convertible into new units at an initial conversion price of HK\$3.642 per unit at the option of the bond holder.

	Carrying value RMB'000
Host liability components	
At 1 January 2019	–
Issuance of convertible bonds	421,320
Finance costs	2,856
Exchange difference recognised in other comprehensive income	(2,163)
<hr/>	
At 31 December 2019	422,013
Derivative components	
At 1 January 2019	–
Issuance of convertible bonds	89,153
Change in fair value (note 8)	(5,500)
Exchange difference recognised in other comprehensive income	(427)
<hr/>	
At 31 December 2019	83,226
<hr/>	
At 31 December 2019	505,239

The effective interest rate of the convertible bonds, excluding derivative components, at the reporting date was 3.36%.

On 12 February 2020, the holder of the convertible bonds has converted all of the bonds based on the initial conversion price of HK\$3.642 per unit, and 160,626,029 new units has been issued and allotted to the bond holder.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

21 Units in issue

	Number of units As at 31 December	
	2019	2018
Balance as at beginning of the year	1,272,356,925	1,257,705,732
New units issued for Manager's fee	13,456,390	14,651,193
Balance as at end of the year	1,285,813,315	1,272,356,925

- (i) Traded market value of the units as of 31 December 2019 was HK\$3.22 (2018: HK\$3.46) per unit. Based on 1,285,813,315 (2018: 1,272,356,925) units, the market capitalisation was HK\$4,140 million (2018: HK\$4,402 million) (approximately RMB3,700 million (2018: approximately RMB3,866 million)).

22 Notes to statements of cash flows

(a) Cash generated from operating activities

	Year ended 31 December	
	2019	2018 (Restated)
	RMB'000	RMB'000
Profit before tax, before transactions with Unitholders	225,198	30,326
Fair value gain of investment properties	(70,767)	(82,822)
Fair value gain of right-of-use assets	(138)	–
Net fair value losses on derivative financial instruments	3,737	332
Net fair value gains on convertible bonds	(5,500)	–
Manager's fee expenses in units in lieu of cash	41,455	42,127
Interest income	(3,582)	(3,886)
Finance costs (note 9)	192,417	329,117
Foreign exchange (gains)/losses	(2,060)	28,474
(Increase)/decrease in trade and other receivables	(2,332)	34,865
Increase/(decrease) in rental deposits	877	(3,971)
Decrease in trade and other payables	(6,131)	(27,265)
	373,174	347,297

Material non-cash movement:

- (i) For the year ended 31 December 2019, the Manager's fee amounting RMB41,455,000 (2018: RMB42,127,000) was settled by issuance of new units.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

22 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) RMB'000	Interest-bearing borrowings RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2019 (Restated)	24,050	3,654,535	-	-	3,678,585
<i>Cash flows in financing activities</i>					
Proceeds from issuance of convertible bonds, net of transaction cost	-	-	510,473	-	510,473
Repayment of borrowings	-	(517,774)	-	-	(517,774)
Payment of lease liabilities	-	-	-	(1,104)	(1,104)
Interest paid	(151,926)	-	-	-	(151,926)
Changes in fair values of derivative components of convertible bonds (note 8)	-	-	(5,500)	-	(5,500)
Interest expense on bank borrowings (note 9)	145,940	290	-	-	146,230
Interest expense on convertible bonds (note 9)	-	-	3,724	-	3,724
Interest expense on lease liabilities (note 9)	-	-	-	983	983
Other borrowing cost (note 9)	1,798	-	-	-	1,798
Exchange difference recognised in profit and loss	(327)	39,682	-	-	39,355
Exchange difference recognised in other comprehensive income	(3)	22,869	(2,590)	678	20,954
Adjustment on adoption of IFRS 16	-	-	-	11,515	11,515
Accrued interest expense	(2,385)	-	(868)	-	(3,253)
As at 31 December 2019	17,147	3,199,602	505,239	12,072	3,734,060

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

22 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) (Restated) RMB'000	Interest-bearing borrowings due within 1 year (Restated) RMB'000	Interest-bearing borrowings due after 1 year (Restated) RMB'000	Total (Restated) RMB'000
As at 1 January 2018	18,530	325,380	3,236,956	3,580,866
<i>Cash flows in financing activities</i>				
Proceeds from borrowings, net of transaction cost	–	–	541,278	541,278
Repayment of borrowings	–	(322,571)	(317,309)	(639,880)
Interest paid	(127,893)	–	–	(127,893)
Interest expense on bank borrowings (note 9)	132,854	215	13,080	146,149
Other borrowing cost (note 9)	2,300	–	2,637	4,937
Exchange difference recognised in profit and loss	(1,714)	–	178,030	176,316
Exchange difference recognised in other comprehensive income	(27)	(3,024)	(137)	(3,188)
As at 31 December 2018	24,050	–	3,654,535	3,678,585

23 Future minimum rental receivables

As at 31 December 2019, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December 2019 RMB'000	2018 (Restated) RMB'000
Within 1 year	527,001	480,960
After 1 year, but within 5 years	814,280	797,986
After 5 years	300,980	321,638
	1,642,261	1,600,584

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

24 Connected party transactions and related party transactions and balances

As at 31 December 2019, RCA01 Fund L.P. is the immediate and ultimate holding company of the Group.

For the year ended 31 December 2019, the Group entered into the following transactions with related parties at mutually agreed terms in the normal course of its business.

(a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties, as defined in the REIT Code/IAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 31 December 2019:

Connected/related party	Relationship with the Group
DB Trustees (HK) Ltd.*	The Trustee of Spring REIT
Spring Asset Management Limited*	The Manager of Spring REIT
RCA Fund 01 L.P. ("RCA Fund")*	Significant Unitholder of Spring REIT
PAG Investment Consulting (Beijing) Co., Limited# ("PAG Beijing")*	Subsidiary of a Significant Unitholder of Spring REIT
Mercuria Investment Co., Limited ("Mercuria")*	Parent company of the Manager and Subsidiary of a Significant Unitholder of Spring REIT
MIBJ Consulting (Beijing) Co., Ltd. ("MIBJ")*	An associated company of the Manager and associate of a director of the Manager
Beijing Hua-re Real Estate Consultancy Co., Ltd. ("HuaRe")*	An associated company of the Manager and associate of a director of the Manager
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	The Principal Valuer
Knight Frank Petty Limited	Previously the Principal Valuer
Deutsche Bank AG and its subsidiaries (excluding the Trustee) ("DBAG")*	Trustee Connected Persons
Zhong De Securities ("ZDS")*	Trustee Connected Persons

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

The Company has no official English name. The above unofficial English translation is for identification purpose only. Please refer to Chinese version of annual report for official Chinese name.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

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

(b) Income from connected/related parties

	Note	Year ended 31 December	
		2019	2018
		RMB'000	(Restated) RMB'000
Rental revenue from MIBJ	(i)	967	967
Rental revenue from DBAG and ZDS	(i)	45,223	45,251
Rental revenue from PAG Beijing	(i)	2,420	2,397
Interest income from DBAG	(ii)	3,577	3,879

(c) Expenses to connected/related parties

	Note	Year ended 31 December	
		2019	2018
		RMB'000	(Restated) RMB'000
Property management fee to HuaRe	(iii)	10,976	11,419
Trustee's fee paid and payable to the Trustee	(iv)	1,724	1,962
Manager's fee to Spring Asset Management Limited	(v)	54,120	54,726
Valuation fee to the Principal Valuer	(vi)	903	786
Other professional fee to the Principal Valuer	(vi)	180	–
Bank charges to DBAG	(vii)	229	345

(d) Balances with connected/related parties

	Note	As at 31 December	
		2019	2018
		RMB'000	(Restated) RMB'000
Lease deposit from MIBJ	(viii)	289	289
Lease deposit from DBAG and ZDS	(viii)	6,840	6,840
Lease deposit from PAG Beijing	(viii)	743	717

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

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

Notes:

- (i) Rental revenue was charged in accordance with the terms of the relevant agreements with the connected/related parties.
- (ii) Interest income received on bank deposits, bank charges and settlement of a financial instrument were charged in accordance with the terms of the relevant agreements with DBAG.
- (iii) Property management services fees were charged based on mutually agreed terms between the parties.
- (iv) The Trustee is entitled to, in each financial period, an ongoing fee of not more than 0.025% of the value of the deposited property payable semi-annually or quarterly in arrears, subject to a minimum of RMB672,000 per annum.
- (v) Fee to the Manager was charged in accordance with the Trust Deed.
- (vi) Valuation fee and other professional fee were charged based on mutually agreed terms between the parties. Valuation fee for the year ended 31 December 2019 paid and payable to Jones Lang LaSalle Corporate Appraisal and Advisory Limited and valuation fee for the year ended 31 December 2018 paid and payable to Knight Frank Petty Limited.
- (vii) Bank charges was charged in accordance with the terms of the relevant agreements with DBAG.
- (viii) Lease deposits were received in accordance with the terms of the relevant lease agreements.

No transaction was entered with the directors of the Manager (being the key management personnel) for the year ended 31 December 2019 (2018: Nil).

25 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%
RUK01 Limited	Jersey, limited liability	Investment holding	1 of GBP1 each	100%
Spring Treasury Limited	British Virgin Islands, limited liability	Financing	1 of US\$1 each	100%
Indirectly held:				
Hawkeye Properties 501 Limited	Jersey, limited liability	Property investment	2 of GBP1 each	100%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2019

26 Financial instruments by category

	Notes	Year ended 31 December	
		2019	2018
		RMB'000	(Restated) RMB'000
Financial assets			
<i>Financial assets at amortised cost:</i>			
Trade and other receivables	16	156	424
Restricted bank balances	17	382,115	383,811
Cash and cash equivalents	17	124,992	107,094
<i>Financial asset at fair value through profit and loss:</i>			
Derivative financial instrument	15	–	438
		507,263	491,767
Financial liabilities			
<i>Financial liabilities at amortised cost:</i>			
Trade and other payables	18	53,922	63,066
Rental deposits	18	155,410	154,533
Borrowings	19	3,199,602	3,654,535
Convertible bonds – host liability components	20	422,013	–
<i>Financial liabilities at fair value through profit and loss:</i>			
Derivative financial instruments	15	4,102	702
Convertible bonds – derivative components	20	83,226	–
		3,918,275	3,872,836

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.

27 Subsequent events

On 12 February 2020, the holder of the convertible bonds has converted all of the bonds based on the initial conversion price of HK\$3.642 per unit, and 160,626,029 new units has been issued and allotted to the bond holder.

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the epidemic development of the COVID-19 outbreak and perform further assessment of its financial impacts.

28 Approval of the consolidated financial statements

The consolidated financial statements were authorised for issue by the Manager on 27 March 2020.

Performance Table

As at 31 December	2019	2018
Net assets attributable to Unitholders	RMB6,447.78 million	RMB6,363.44 million
Net assets per unit attributable to Unitholders	HK\$5.61	HK\$5.69
Total borrowings as a percentage of gross assets	35.5%	35.5%
Market capitalisation ¹	RMB3,700.22 million	RMB3,866.44 million
Units issued	1,285,813,315	1,272,356,925

For the year ended 31 December	2019	2018
Highest traded unit price	HK\$3.72	HK\$4.85
Highest premium of the traded unit price to net assets per unit	N/A	N/A
Lowest traded unit price	HK\$3.14	HK\$2.99
Highest discount of the traded unit price to net assets per unit	44.0%	47.5%
Distributions per unit ²	HK18.9 cents	HK19.2 cents
Net yield per unit ²	5.9%	5.5%

Notes:

- 1 Market capitalisation 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 distributions per unit for each period to the closing price as at the end of each period.

Corporate Information

The Manager

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Tel: +852 3100 0300
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Board of Directors of the Manager

Chairman and Non-executive Director

Mr. Toshihiro Toyoshima

Executive Directors

Mr. Nobumasa Saeki
Mr. Leung Kwok Hoe, Kevin

Non-executive Director

Mr. Hideya Ishino

Independent Non-executive Directors

Mr. Simon Murray
Mr. 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
Certified Public Accountants
Registered Public Interest Entity Auditor

Internal Auditor

BDO Financial Services Limited

Trustee

DB Trustees (Hong Kong) Limited

Principal Valuer

Jones Lang LaSalle Corporate Appraisal and
Advisory Limited

Legal Advisors

Baker & McKenzie

Unit Registrar

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

Mr. Chung Wai Fai
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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

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Spring Asset Management Limited

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