

SpringREIT

Spring Real Estate Investment Trust
春泉產業信託

Stock Code : 01426



ANNUAL REPORT **2020**

Managed by
Spring Asset Management Limited



About Spring REIT

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

Spring REIT offers investors direct exposure to two premium office buildings strategically located in Beijing Central Business District ("**Beijing CBD**") through its ownership in China Central Place Office Tower 1 and 2 (and the relevant portion of the car park) (the "**CCP Property**"). Being the first Hong Kong REIT to make an acquisition in the United Kingdom, Spring REIT's core property portfolio is complimented by a portfolio of 84 separate commercial properties in the United Kingdom ("**UK Portfolio**") which are leased out on a triple-net basis.

About the Manager

Spring REIT is managed by Spring Asset Management Limited (as manager of Spring REIT, the "**Manager**"), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 31 December 2020, the Manager is 80.4% owned by Mercuria Investment Co., Limited ("**Mercuria**"), which is a private equity investment firm listed on the Tokyo Stock Exchange (Stock Code: 7190) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.



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Performance Highlights

Appraised Property Value

(RMB million)



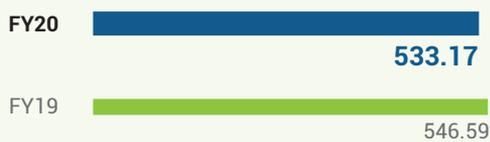
Net Asset Value

(RMB million)



Total Revenue

(RMB million)



Net Property Income

(RMB million)



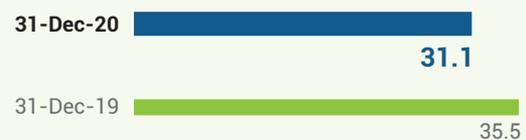
Net Property Income Margin

(%)



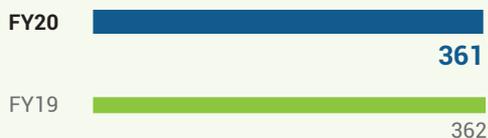
Gearing Ratio

(%)



Average Monthly Passing Rent*

(RMB per sqm per month)



Average Occupancy*

(%)



* 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

The board of directors (the "**Board**") of the Manager, for and on behalf of Spring REIT, has resolved to declare a final distribution for the period from 1 July 2020 to 31 December 2020 (the "**Reporting Period**", "**2H 2020**" or "**2020 Final Distribution Period**") of HK10.5 cents per Unit ("**2020 Final Distribution**") to unitholders of Spring REIT (the "**Unitholders**") whose names appear on the register of Unitholders on 19 April 2021 (the "**Record Date**"). However, this 2020 Final Distribution may be subject to adjustment in the event of any issuance of new Units between 24 March 2021 and 19 April 2021. Before any such adjustment and together with the interim distribution of HK9.5 cents per Unit, total distributions for the year ended 31 December 2020 ("**FY2020**", "**Reporting Year**") amounts to a total of HK20.0 cents per Unit (FY2019: HK18.9 cents per Unit), representing a payout ratio of 95%.

Based on the closing price of HK\$2.70 per Unit as at 31 December 2020, the Reporting Year Distribution per Unit ("**DPU**") represents a distribution yield of 7.4%. For details of the distribution, please refer to the section headed "Consolidated Statement of Distributions" in the financial information.

The presentation currency of Spring REIT is Renminbi ("**RMB**") and all distributions will be paid in Hong Kong Dollars ("**HK\$**"). The exchange rate adopted for the 2020 Final Distribution is HK\$1 = RMB0.8705, which represents the average of month-end central parity rates in the 2020 Final Distribution Period (as announced by the People's Bank of China).

The Manager confirms that the 2020 Final Distribution is composed only of consolidated profit after tax, before transactions with Unitholders and non-cash adjustments for the 2020 Final Distribution Period.

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

The Record Date for the 2020 Final Distribution will be 19 April 2021. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 16 April 2021 to 19 April 2021, both days inclusive, during which period no transfer of Units will be registered. The 2020 Final Distribution is expected to be payable on 29 April 2021 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2020 Final Distribution, all completed transfer forms in respect of transfer of Units (accompanied by the relevant Unit certificates) must be lodged for registration with Tricor Investor Services Limited, Spring REIT's unit registrar in Hong Kong, whose address is Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 15 April 2021.

CHAIRMAN'S STATEMENT



Toshihiro Toyoshima
Chairman and Non-executive Director

Chairman's Statement

Dear Unitholders,

On behalf of the Board of the Manager, I am pleased to present the financial results of Spring REIT for the financial year ended 31 December 2020. The unprecedented and extreme events during the year, mainly associated with the COVID-19 pandemic and continued tensions between China and the US, severely impacted global economic stability. I am therefore pleased to report that Spring REIT, although inevitably affected by these events, has bucked the general market trend to deliver 15.7% growth in distributable income and 5.8% growth in DPU, amounting to RMB268.72 million and HK20.0 cents respectively. Our encouraging results in such a challenging year bear testimony to the value of our business model, the quality of our assets, and the strategic decisions we have made in the past.

Performance Review

In the face of the pandemic, Spring REIT's DPU for 2020 increased by 5.8% year-on-year ("**YoY**"), thanks to a steady performance by Spring REIT's Beijing asset, coupled with growth largely driven by careful financial management initiatives, a low interest environment and a stronger RMB.

In terms of Spring REIT's performance in its primary market in Beijing, key macro factors affecting that market in 2020 included the outbreak of COVID-19, economic slowdown, and the ongoing trade tensions between China and the US. The latter in particular led to multinational companies becoming more conservative and more cost-conscious in relation to their China strategy, as they were waiting for clearer signs of stability. This has affected their readiness to expand in Beijing, and in some cases even to remain in the city. Such caution, combined with an influx of new office supply in Beijing CBD during the year, weighed heavily on the city's office leasing market. As a result, the Beijing CBD office vacancy rate as of 31 December 2020 rose to 18.6%, while average rents in the district fell by more than 10% YoY.

Although our CCP Property in Beijing did not exhibit growth in the challenging environment, it nonetheless remained resilient in a rather lacklustre market. Its performance bore witness to the fact that high quality buildings like our CCP Property hold a strong edge in Beijing's highly competitive leasing market. While leasing activities in the broader market came to a standstill due to the outbreak of COVID-19 in the first half of the year, we saw a gradual rebound in the second half. In the meantime, passing rent declined marginally throughout the year, despite recording a positive rental reversion in our CCP Property. As for occupancy rate, it declined to 90% in the second half of 2020 from 93% in the first half of 2020, reflecting a highly competitive market impacted by the downsizing and departure of a large number of small and medium-sized enterprises ("**SMEs**") from Beijing CBD throughout the year, according to Jones Lang LaSalle ("**JLL**").

In a year when new leasing activities were grinded to a standstill, we focused heavily on initiatives to retain existing quality tenants. Incentives were offered for expiring tenants to renew their leases, and leasing terms were particularly flexible in accommodating tenants' needs by helping them to adjust their new requirement for space. Much attention was also paid to ensuring the CCP Property was consistently spotlessly clean and hygienic, and at no point were any cases of COVID-19 reported in or associated with the building. This was a valuable reassurance for tenants at a difficult time. Other actions, such as the distribution of shopping coupons, were undertaken to generate goodwill with our tenants and emphasise the added value of doing business from the CCP Property.

Chairman's Statement (Continued)

Spring REIT's UK Portfolio, comprising 84 properties all occupied by the vehicle servicing company Kwik Fit (GB) Limited ("**Kwik Fit**"), continued to operate steadily throughout the year. Kwik Fit's operations were designated by the UK Government as one of the essential services allowed to continue operating throughout the COVID-19 lockdowns in that country. Towards the end of 2020, an agreement to dispose of a small parcel of unused land adjacent to one of the Kwik Fit sites, in Stirling in Scotland, was entered into with a local developer. While the transaction was financially insignificant, when it comes to completion, the buyer's plan to redevelop the site and bring in a well-known coffee drive-through operation should enhance the customer experience at the Kwik Fit shop next door, benefitting both the tenant and Spring REIT.

While the core real estate business at Spring REIT was affected by a soft macroeconomic environment, we took advantage of two macro factors in the year to enhance Spring REIT's balance sheet. One was the lower funding costs, as interest rates continued to decline. The other was China's success at controlling COVID-19, which led to a quicker recovery for the country than most of the rest of the world, with the side-effect of a stronger RMB.

Throughout the second half of 2020, Spring REIT continued to enjoy the fruits of the highly efficient capital structure put in place during the 2019 refinancing exercise and the subsequent bond conversion in February 2020. Interest rates on Spring REIT's loans have been kept well under control, with overall debt levels being lowered further as a result of the bond conversion. During the year, the Manager took advantage of low interest rates to fix the interest cost of 74.4% of all Spring REIT's US\$ floating rate exposure by entering into several interest rate swaps, helping ensure good financial stability. Its gearing ratio percentage stood in the low 30, at a very manageable level. Further, the strengthening of the RMB helped to reduce both Spring REIT's GBP and US\$ debt exposure and hence its gearing ratio. The stronger currency directly benefitted Spring REIT because our operations are denominated in RMB, while our loans and interest expenses are USD-denominated and our DPU is paid in HK\$. Overall, its strong and stable balance sheet has been instrumental in enabling Spring REIT to weather the various storms of 2020, and preparing it to face any potential volatility ahead.

At the annual general meeting held in May 2020, Spring REIT obtained a general mandate from the Unitholders to conduct unit repurchasing. Since then, we have been consistently buying back units in a move that will bring longer-term benefits to existing Unitholders. Following the outbreak of COVID-19 and a general decline in the stock market in early 2020, Spring REIT's Unit price has recovered strongly, ending the year at a level much closer to its pre-COVID price. In 2021, we intend to extend the buyback mandate in order to retain the flexibility to repurchase the Units as and when the opportunity arises.

Chairman's Statement (Continued)

The Manager has shown its commitment in the field of Environmental, Social and Governance ("**ESG**") through the establishment of a dedicated ESG taskforce. The taskforce will be responsible for monitoring ESG-related performances as well as setting certain prescribed ESG targets to be applied to properties and management companies associated with Spring REIT. This commitment to enhancing environmental standards was also seen in the accreditation achieved by the CCP Property in Beijing; it was awarded a 'Platinum' LEED rating on its certification in March 2020, the highest level. The high environmental quality of the CCP Property is good for tenants and adds a strong competitive edge to its positioning in the leasing market, especially among global tenants who are placing increasing emphasis on ESG commitments of the landlords.

An important step forward during the year was the conversion of the convertible bonds held by an investment consortium led by Sino Ocean Group Holding Limited ("**Sino Ocean Group**") in February 2020. This has resulted in Sino Ocean Group now holding a significant stake in Spring REIT. Sino Ocean Group has a wide involvement in and an extensive business network across the property sector in Mainland China and beyond. Its stake in Spring REIT therefore represents a vote of confidence in the prospects of Spring REIT and potentially a route to new, high quality investment opportunities. The restrictions brought about by COVID-19 have reduced our ability to pursue these opportunities actively during the year, but we are looking forward to the future as restrictions are eased. In mid-2020, Sino Ocean Group further strengthened its strategic relationship with Spring REIT by investing in a 9.8% stake in the Manager, a move which accentuates that Sino Ocean Group's belief in and commitment to Spring REIT and represents a significant and exciting step forward for us.

Just before the close of 2020, Huamao Property Holdings Limited ("**Huamao Property**") increased its interest in Units to more than 12%, making it a substantial Unitholder. Through it, Spring REIT is in a position to forge closer ties with Huamao Property which, through its subsidiary Beijing Guohua, owns a significant portion of the mixed-use development China Central Place in which Spring REIT's CCP Property is situated. We welcome Huamao Property's investment in Spring REIT and expect to see continued synergies for the entire China Central Place community, including office tenants, shoppers, retailers, residents, hotel operators and guests.

Chairman's Statement (Continued)

Outlook

Although 2020 brought considerable pressure to bear on the Beijing property market, the local government's handling of the pandemic there has meant that by year end, there is a sense that the worst is over and there is light at the end of the tunnel. Other factors are giving rise to a cautious optimism too. With the flood of new office supply in Beijing CBD that has appeared on the market in recent years almost over, limited new supply projected as land available for future development dries up. Further, statistics show that the Chinese economy is currently on a fast-track to recovery by comparison with the rest of the world, especially for the technology sector, which is likely to lead to rising office demand. While the trend is for domestic rather than international growth, Spring REIT is confident that the strong domestic information technology and financial sectors have the ability to take up much of the previous foreign demand. For Spring REIT, most of the major leases due to expire in the first half of 2021 have been secured for renewal. It will take time for the Beijing market to absorb the new office supply, which in the near term is expected to weigh on the rental levels, and occupancy rates across the market. The Manager will remain vigilant over Spring REIT's leasing operation for the upcoming year.

Another development for Spring REIT is the recent relaxation by the Securities and Futures Commission ("SFC") on certain investment restrictions previously in place under the Code of Real Estate Investment Trusts ("REIT Code"). Among other changes, the revised rules now allow higher borrowing limits as well as relaxed thresholds for a REIT's investment in minority-owned properties. For a relatively small REIT such as Spring REIT, these changes will bring more opportunities for investment in the future, giving us greater scope to acquire properties or part shares in properties. Spring REIT is currently actively looking to take advantage of them by seeking commercial properties for investment, especially now that more property companies are starting to deleverage by disposing surplus properties.

As we emerge from a difficult year and look ahead to 2021, a number of positive signs suggest that Spring REIT's core CCP Property in Beijing is in a strong position to be at the forefront of recovery. We expect it to deliver acceptable returns throughout the year, with additional steady returns being provided by the UK Portfolio. Our enhanced strategic relationship with Sino Ocean Group is paving the way for potential high-quality investment opportunities arising in the year ahead, and Spring REIT will be focused on ensuring any new acquisitions live up to the standards of quality and reliability of its existing assets.

The past year has been one in which Spring REIT and the Manager have benefitted immensely from the support and advice of many. I would like to extend our warm welcome to both Sino Ocean Group and Huamao Property to become significant Unitholders of Spring REIT and we thank them for their trust placed in the management team. I would also like to thank the sponsor, my fellow directors, the management team and each individual staff member. Thanks too to our Unitholders, who have supported strategic decisions and given the green light to new initiatives. The entire team has worked well together, with the shared goal of enhancing the value of our portfolio in ways that will deliver steady long-term distributions to Unitholders.

Toshihiro Toyoshima

Chairman and Non-executive Director

Spring Asset Management Limited

(as Manager of Spring REIT)

23 March 2021

MANAGEMENT DISCUSSION & 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

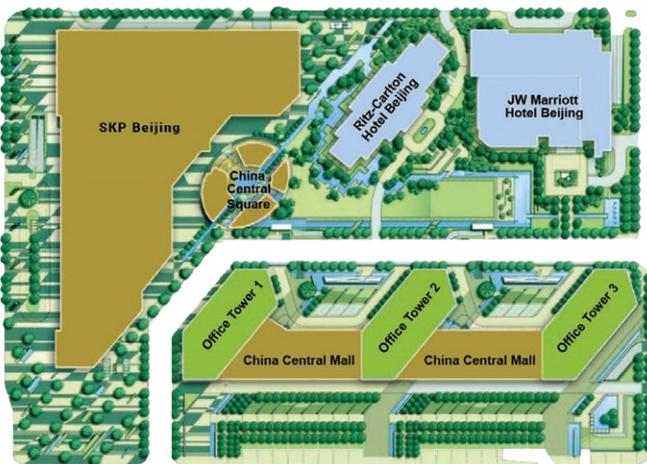
China Central Place is a prime mixed-use complex in Beijing CBD with well-recognized brand hotels and shopping centers.



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

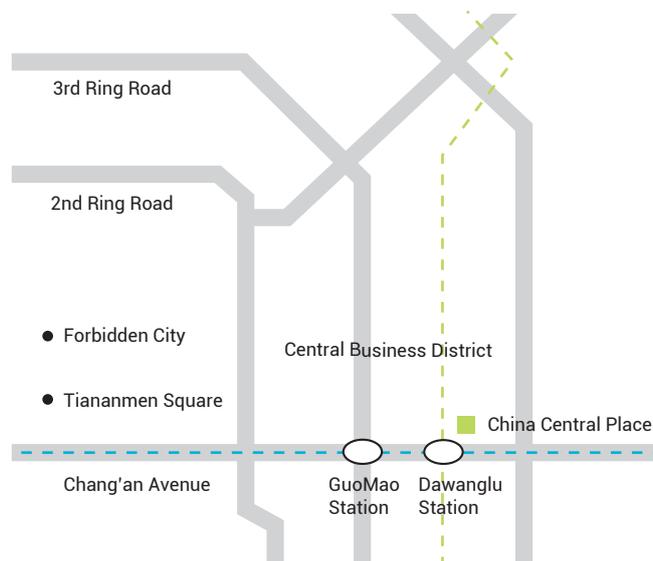
- SKP Beijing – one of the largest department stores in China by sales



RESIDENTIAL

Residential area

- Residential and serviced apartments with a clubhouse



HOTELS

Five-star luxury hotels

- Ritz-Carlton Hotel Beijing
- JW Marriott Hotel Beijing

- Subway Line 14
- Subway Line 1

Management Discussion & Analysis (Continued)

CCP Property Operation Review

Beijing office market overview

The Beijing CBD is home to tenants from a wide range of industries, including many from the finance and insurance, professional services, and manufacturing industries. It holds the largest amount of Grade-A office stock in Beijing, amounting to 2.59 million sqm as at the end of 2020, and accounting for 25.5% of the city's total Grade-A office space of 10.18 million sqm.

The effects of the economic downturn continued to depress new leasing demand in the second half of 2020. However, there was a rebound in net absorption due to rising relocation demand from companies looking to take advantage of the more favourable leasing environment, combined with the fact that a sizable amount of self-use space was reserved by building owners in new completions. Domestic companies continued to be a steady source of demand, with the finance and information technology industries being the main contributors. On the supply side, several projects continued to push back their completion dates, helping to mitigate supply pressure to an extent. Nonetheless, during the second half, one project was completed in the Beijing CBD core area. Soft demand environment increased pressure on landlords in the area, many have been compelled to offer aggressive rental concessions or to become more flexible in their leasing terms.

COVID-19 has intensified polarisation in the Beijing CBD, with high-quality projects standing out from the rest of the market. We are proud to report that the CCP Property has maintained stable rental and above-market occupancy rates over the year, bucking the general market trend. The quality of our tenant portfolio and of the building itself have been critical in weathering the many headwinds in 2020, and quality will remain one of our biggest assets.

Beijing Office Market Vacancy and Rental Rates in 2020

		Occupancy Rate ¹	YoY change	Average Rental Rate ² (RMB/sqm/month)	YoY change
CBD	Grade A	81.4%	-2.1 ppts	359	(10.4%)
	Premium Grade A	80.8%	-3.5 ppts	404	(11.4%)

¹ Data is as at 31 December 2020.

² YoY changes in average rental rate are on a chain-linked basis, to facilitate like-for-like comparison.

Source: JLL Research

A total of seven major office projects in Beijing are scheduled for completion in 2021. Most of these were originally due to be completed in 2020, but were delayed due to the uncertainties and disruption arising from COVID-19. The majority of these new projects are situated in the emerging area of Lize, while two projects are in the Beijing CBD area. As these come onto the market in the year ahead, owners of existing buildings in these areas may face some leasing challenges. After 2021, however, as new completions fill up and the supply surge comes to an end, supply pressure will hopefully alleviate and the market revert to its long-term uptrend.

Throughout the year we have been highly focused on retaining our current tenants, in particular by being accommodating in leasing negotiations. As a result, we have successfully secured renewals with most of our major tenants. Special efforts were also made to provide our tenants and visitors with a better, safer working environment, and at no point were any COVID-19 cases reported in the building. Encouragingly, we have seen an uptick in leasing enquiries since late last year. This, alongside positive economic data from China, give reasons to be optimistic about a smooth recovery in the economy and in the office market.

Management Discussion & Analysis (Continued)

CCP Property Operation Performance

(in RMB million)			
For the Year Ended 31 December	2020	2019	Change
Revenues			
– Rental income	474.78	484.10	(1.9%)
– Car park income	4.86	3.67	32.4%
– Other income (note i)	14.00	17.76	(21.2%)
	493.64	505.53	(2.4%)
Property Operating Expenses			
– Property management fee	(10.76)	(10.98)	(2.0%)
– Property taxes (note ii)	(59.87)	(58.58)	2.2%
– Withholding tax (note iii)	(49.83)	(50.33)	(1.0%)
– Other taxes (note iv)	(5.99)	(6.16)	(2.8%)
– Leasing Commission	(1.90)	(5.45)	(65.1%)
– Other expenses (note v)	(6.75)	(7.60)	(11.2%)
	(135.10)	(139.10)	(2.9%)
Net Property Income	358.54	366.43	(2.2%)

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 2020, the CCP Property reported a 2.4% decrease in revenue YoY, with rental income generated from the office space decreasing by 1.9% YoY.

Property operating expenses are mainly comprised of tax expenses, namely property taxes, withholding tax and other taxes. Tax expenses in aggregate accounted for 85.6% of the total property operating expenses. The property management fee, payable at 2.0% of total revenue, accounted for 8.0% of the total property operating expenses.

A 2.9% YoY decrease in property operating expenses was recorded, mainly because of a decrease in leasing commission due to the subdued leasing environment.

As a result, net property income fell by 2.2% which was roughly in line with the decrease in revenue.

Management Discussion & Analysis (Continued)

Rental Income

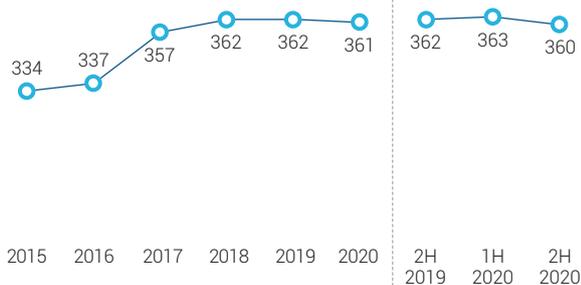
In 2H 2020, both passing rent and occupancy rate at the CCP Property declined, in sync with the wider market. Despite this, and encouragingly, these metrics continued to compare favourably with wider Beijing trends. The CCP Property registered an average occupancy of 89.5% in 2H 2020, and a total area of 27,360 sqm was leased out and renewed during the Reporting Year. Retention rate stood at 48% for the full year. Of the newly leased area, 42% was attributable to new lettings, with the remainder being renewals. Average passing rent (net of Value-Added Tax ("VAT")) stood at RMB360 per sqm for 2H 2020. Average rental reversion was 2.1% in the first half and 0.1% in the second half of 2020, resulting in a full year reversion of 0.7%. (FY2019: 2.1%).

We have paid close attention to rental arrears and as of 31 December 2020, the outstanding amount was RMB1.01 million, representing 2.5% of our total rental income receivable in December 2020. While 54% of the rental arrears as of end of December have been recovered within 30 days, we will remain diligent in monitoring the situation going forward.

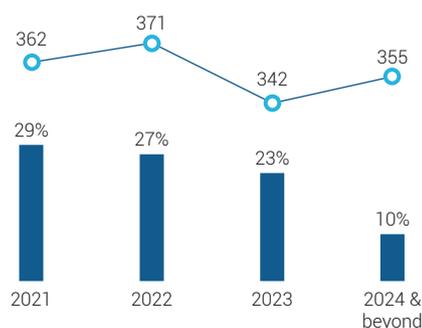
For the Six Months Ended	31-Dec-2020	Change	30-Jun-2020	Change	31-Dec-2019
Average Monthly Passing Rent (RMB/sqm) ¹	360	(0.8%)	363	0.3%	362
Average Occupancy ²	89.5%	-3.9 pts	93.4%	-0.8 pts	94.2%

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 specified period.
2. Occupancy rate is an average of the month-end figures throughout the specified period.

As at 31 December 2020, the weighted average lease expiry in terms of GFA was 610 days for the CCP Property. Leases expiring in the years ending 31 December 2021 and 31 December 2022 accounted for 29.3% and 27.4% of the total leasable GFA respectively, and the average unit rents for the expiring leases were RMB362 per sqm and RMB371 per sqm respectively.

Management Discussion & Analysis (Continued)

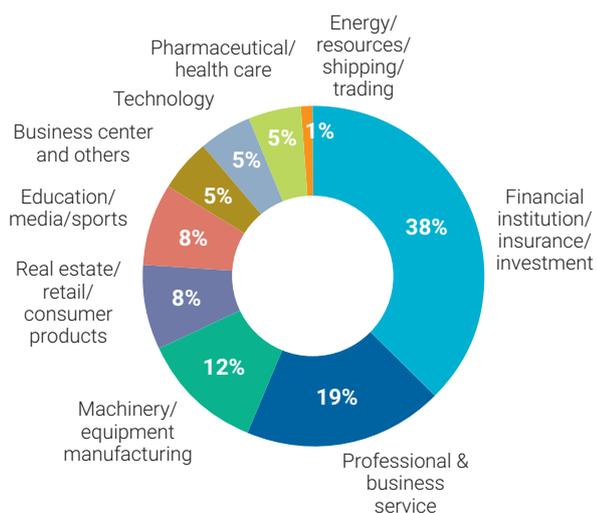
Tenancy base

The CCP Property had a total of 177 tenancies as at 31 December 2020. The top five tenants in terms of GFA accounted for 19.8% of the total revenue for the Reporting Year, and occupied 23.8% of total leased GFA as at 31 December 2020. Details of the top five tenants in terms of GFA are set out in the table below.

Tenants	Portion of total leased GFA
Epson	6.2%
Condé Nast	4.4%
Zhong De Securities	4.4%
Deutsche Bank	4.4%
Xinyuan	4.4%
Total	23.8%

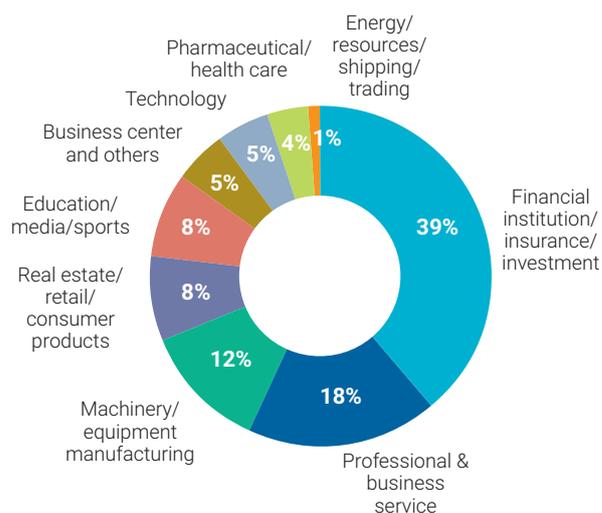
Tenants by Industry

As % of leased office GFA
(As of 31 December 2020)



Tenants by Industry

As % of monthly revenue
(For the month of December 2020)



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	10,756,002	85.0%
深圳市道遠商業不動產諮詢有限公司	Leasing Agency	377,709	3.0%
北京戴德梁行諮詢有限公司	Leasing Agency	321,300	2.5%
北京高力國際物業服務有限公司	Leasing Agency	284,745	2.3%
中房天下（北京）房地產經紀有限公司	Leasing Agency	262,370	2.0%
TOTAL		12,002,126	94.8%

¹ Beijing Hua-re Real Estate Consultancy Co. Ltd is 40% owned by Mercuria, which also holds a 80.4% shareholding in the Manager.

UK Portfolio Operation Review

Spring REIT completed its acquisition of the UK Portfolio in July 2017. Each of the UK Portfolio's 84 properties is under a long-term lease with the tenant Kwik-Fit, 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 pays all real estate taxes, building insurance, and maintenance (the triple "nets") on the properties in addition to any normal fees that are specified under the agreement (e.g. rent, utilities, etc.).

Management Discussion & Analysis (Continued)

Financial Results Highlights

For the Year Ended 31 December	2020	2019	Change
(in RMB millions unless otherwise specified)			
Revenue	533.17	546.59	(2.5%)
Property operating expenses	(135.69)	(139.77)	(2.9%)
Net property income	397.48	406.82	(2.3%)
Net property income margin	74.6%	74.4%	+0.2 ppt
G&A expenses	(72.07)	(67.35)	7.0%
Cash interest expenses	(95.78)	(151.93)	(37.0%)
(Loss)/profit after taxation	(189.92)	223.06	(185.1%)
Total distributable income	268.72	232.29	15.7%

Units Information	2020	2019	Change
DPU (HK cents)	20.0	18.9	5.8%
Payout ratio	95%	100%	-5.0 ppts
Net asset value per Unit (HK\$)	5.23	5.61	(6.8%)
Number of Units outstanding	1,460,872,865	1,285,813,315	13.6%

As at 31 December	2020	2019	Change
Property valuation	9,202.90	9,873.27	(6.8%)
Total assets	9,712.87	10,429.37	(6.9%)
Total borrowings	3,024.23	3,704.84	(18.4%)
Net asset value	6,432.90	6,447.78	(0.2%)
Gearing ratio	31.1%	35.5%	-4.4 ppts

Management Discussion & Analysis (Continued)

Financial Performance

Spring REIT's revenue for the Reporting Year was RMB533.17 million, 2.5% lower than that in 2019. After taking into account property operating expenses, net property income amounted to RMB397.48 million, representing a 2.3% decrease YoY and a net property income margin of 74.6% (FY2019: 74.4%).

General and administrative expenses amounted to RMB72.07 million. Meanwhile, a total finance income on interest-bearing borrowings of RMB66.77 million (FY2019: finance costs on interest-bearing borrowings of RMB192.42 million) was registered, which consisted of a non-cash foreign exchange gain of RMB172.13 million (FY2019: non-cash foreign exchange loss of RMB39.68 million) when US dollar bank borrowings were converted to RMB in the financial statements. Cash interest expenses amounted to RMB95.78 million, decreased by 37.0% as compared to RMB151.93 million in 2019. This was due to lower US\$ and GBP LIBOR rates, further amplified by the appreciation of the RMB.

Taking into account the decrease in the fair value of the CCP Property and the UK Portfolio of RMB672.68 million (FY2019: increase in fair value of RMB70.77 million), loss after taxation for the Reporting Year was RMB189.92 million (FY2019: profit after taxation of RMB223.06 million).

Spring REIT's total distributable income for the Reporting Period was RMB268.72 million, representing an increase of 15.7% YoY. Among other adjustments, the reported amount excludes the foreign exchange gain, gain on conversion of convertible bonds and the decrease in the fair value of the CCP Property and the UK Portfolio, which are non-cash in nature.

Financial Position

Spring REIT's principal valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or the "**Principal Valuer**"), performed the valuation of the Spring REIT portfolio as at 31 December 2020. The CCP Property was appraised at RMB8,553 million as at 31 December 2020, representing a 6.8% decrease in value compared to its valuation as at 31 December 2019. The valuation of the CCP Property was arrived at using the income capitalization approach, and cross-checked by the direct comparison approach. The decrease in valuation was attributable mainly to a decrease in the base rent. The capitalization rate/reversionary yield was 5.0% (30 June 2020: 5.0%; 31 December 2019: 5.0%).

The UK Portfolio was appraised at GBP72.9 million (equivalent to RMB649.90 million) as at 31 December 2020, representing a 3.7% decrease in GBP terms and a 7.1% decrease in RMB terms compared to its valuation as at 31 December 2019. The valuation of the UK Portfolio was arrived at using the income approach. The reversionary yield ranged from 4.6% to 8.5% (31 December 2019: 4.1% to 8.0%).

As at 31 December 2020, Spring REIT had in place aggregate debt facilities of approximately RMB3,024.23 million, comprising:

1. A secured term loan facility of US\$403.00 million and an uncommitted undrawn term loan facility of US\$80.00 million, totalling US\$483.00 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.
2. A facility of GBP50.00 million (equivalent to approximately RMB445.94 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.

Management Discussion & Analysis (Continued)

As at 31 December 2020, the gearing ratio, i.e. total borrowings to gross asset value, was 31.1%, compared with 35.5% at 31 December 2019.

In 2020, Spring REIT entered into multiple interest rate swaps (“**IRS**”) contracts, with a weighted average swap rate of 0.52% per annum with maturity in December 2024, in tandem with the date of loan maturity of the CCP Facilities. The aggregate notional amount of these IRS contracts is US\$300 million, representing 74.4% 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 RMB154.44 million as at 31 December 2020, compared with RMB124.99 million as at 31 December 2019. The Group also had total undrawn bank loan facilities of US\$80.00 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 2020, the gross asset value of the Group was RMB9,712.87 million, representing an decrease of 6.9% YoY.

Net Assets Attributable to Unitholders

As at 31 December 2020, net assets attributable to Unitholders stood at RMB6,432.90 million.

The net asset value per Unit as at 31 December 2020 was HK\$5.23 (30 June 2020: HK\$4.94; 31 December 2019: HK\$5.61). This represented a 93.7% premium to the closing price of the Units of HK\$2.7 as at 31 December 2020, the last trading day in the Reporting Year.

Capital Commitments

As at 31 December 2020, 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.



BOARD *of* **DIRECTORS**
and **SENIOR MANAGEMENT**



Board of Directors and Senior Management

Directors

Toshihiro Toyoshima

Chairman and Non-executive Director



Mr. Toshihiro Toyoshima, aged 58, was appointed as the Chairman of the Board and a Non-executive Director of the Manager on 29 January 2013. Mr. Toyoshima has been the chief executive officer of Mercuria since October 2008, and has been sitting on its board from its establishment in October 2005. Prior to joining Mercuria, he worked in Development Bank of Japan from April 1985 to October 2008. Between July 2001 and September 2004, Mr. Toyoshima also worked at the World Bank as a senior private sector specialist, in charge of the private sector policies in four African countries.

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

Hideya Ishino

Non-executive Director



Mr. Ishino, aged 57, was appointed as a Non-executive Director of the Manager on 10 April 2013. He has been working for Mercuria since June 2008 and has served as the chief operating officer of Mercuria since March 2010. Before joining Mercuria, Mr. Ishino co-founded Sports Vanguard Co., Ltd., a company which provides sports-related internet community services and trading platform, in March 2004. Mr. Ishino had also previously worked in Salomon Brothers (Tokyo) from April 1986 to March 2000.

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

Board of Directors and Senior Management (Continued)

Nobumasa Saeki

Executive Director

(resigned on 24 March 2021)



Mr. Saeki, aged 51, was appointed as an Executive Director of the Manager on 10 April 2013 and was one of the Responsible Officers of the Manager before his resignation on 24 March 2021. Mr. Saeki was principally responsible for supervising property management for Spring REIT, including: (i) formulating leasing strategy and authorizing all the lease terms to maximize the rental income of the Property; (ii) setting budgets and monitoring of maintenance activities related to the Property; (iii) overseeing day-to-day cash operations of the Property, together with local team members and the Property Manager; and (iv) procuring valuations of the Property and reviewing and analyzing appraisal reports. He was a senior vice president of Mercuria from September 2008 until January 2012 at which time he became a managing director of Mercuria. Prior to that, he was the group head of overseas investment group of Re-Plus Inc., a company listed on the Tokyo Stock Exchange, from July 2007 to September 2008. He was also a vice president of The Tokyo Star Bank, Limited from August 2004 to July 2007, an assistant vice president of GMAC Commercial Mortgage Japan K.K. from July 2002 to August 2004 and an associate director of UBS Warburg Securities Japan Ltd. from March 2000 to July 2002.

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

Leung Kwok Hoe Kevin

Executive Director



Mr. Leung, aged 50, was appointed as an Executive Director of the Manager in January 2017 and is one of the Responsible Officers of the Manager. Mr. Leung has over 23 years of experience in finance and treasury, investment and fund management fields.

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

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)

Chung Wai Fai, Michael
Executive Director



Mr. Chung, aged 39, was appointed as an Executive Director of the Manager on 24 March 2021, and is 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 17 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 and is a CFA charterholder.

Board of Directors and Senior Management (Continued)

Simon Murray
Independent Non-executive Director



Mr. Murray, aged 81, was appointed an Independent Non-executive Director of the Manager on 20 November 2013. He was the founder and chairman of GEMS (General Enterprise Management Services Limited) a private equity group in 1998 and has changed his role 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; a non-executive director of (ii) Greenheart Group Limited (Stock Code: 0094) since August 2010; (iii) 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 resigned as an independent non-executive director of IRC Limited (Stock Code: 1029) with effect from 20 March 2020.

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 (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.

Qiu Liping
Independent Non-executive Director



Mr. Qiu, aged 56, 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 66, 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) Global Digital Creations Holdings Limited (Stock Code: 8271) effective since July 2015; (iii) Shougang Concord Century Holdings Limited (Stock Code: 0103) effective since August 2015; (iv) COSCO Shipping Ports Ltd. (Stock Code: 1199) since August 2015; and (v) Nine Dragons Paper (Holdings) Limited (Stock Code: 2689) since March 2016; and (vi) WWPKG Holdings Company Limited (Stock Code: 8069) since December 2016; and (vii) CITIC Telecom International (Stock Code: 1883) since June 2017; and (viii) Bestway Global Holding Inc. (Stock Code: 3358) since November 2017; and (ix) Topsports International Holdings Limited (Stock Code: 6110) with effect from 26 September 2019. Mr. Lam ceased to act as an independent non-executive director of Mason Financial Holdings Limited (Stock Code: 0273) with effect from 24 May 2017 and Vital Innovations Holdings Limited (Stock Code: 6133) with effect from 31 October 2020.

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)

Alice Yu

Chief Compliance Officer



Ms. Yu, aged 56, 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 a Professional Member of International Compliance Association (MICA) since then. She undertook a corporate governance compliance training program and was awarded a certificate in directorship from the Hong Kong Baptist University in 2007.

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

Corporate Governance

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

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

During the Reporting Year, both the Manager and Spring REIT have in material terms complied with the provisions of the Compliance Manual including the corporate governance policy set out in Schedule 5 of the Compliance Manual, the Trust Deed, the 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 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 and Chief Executive Officer of the Manager), Mr. Nobumasa Saeki (Executive Director of the Manager), Mr. Chung Wai Fai, Michael (Alternate 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 and Chief Executive Officer of the Manager, was approved by the SFC as an approved person of the Manager pursuant to sections 104(2) and 105(2) of the SFO.

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)

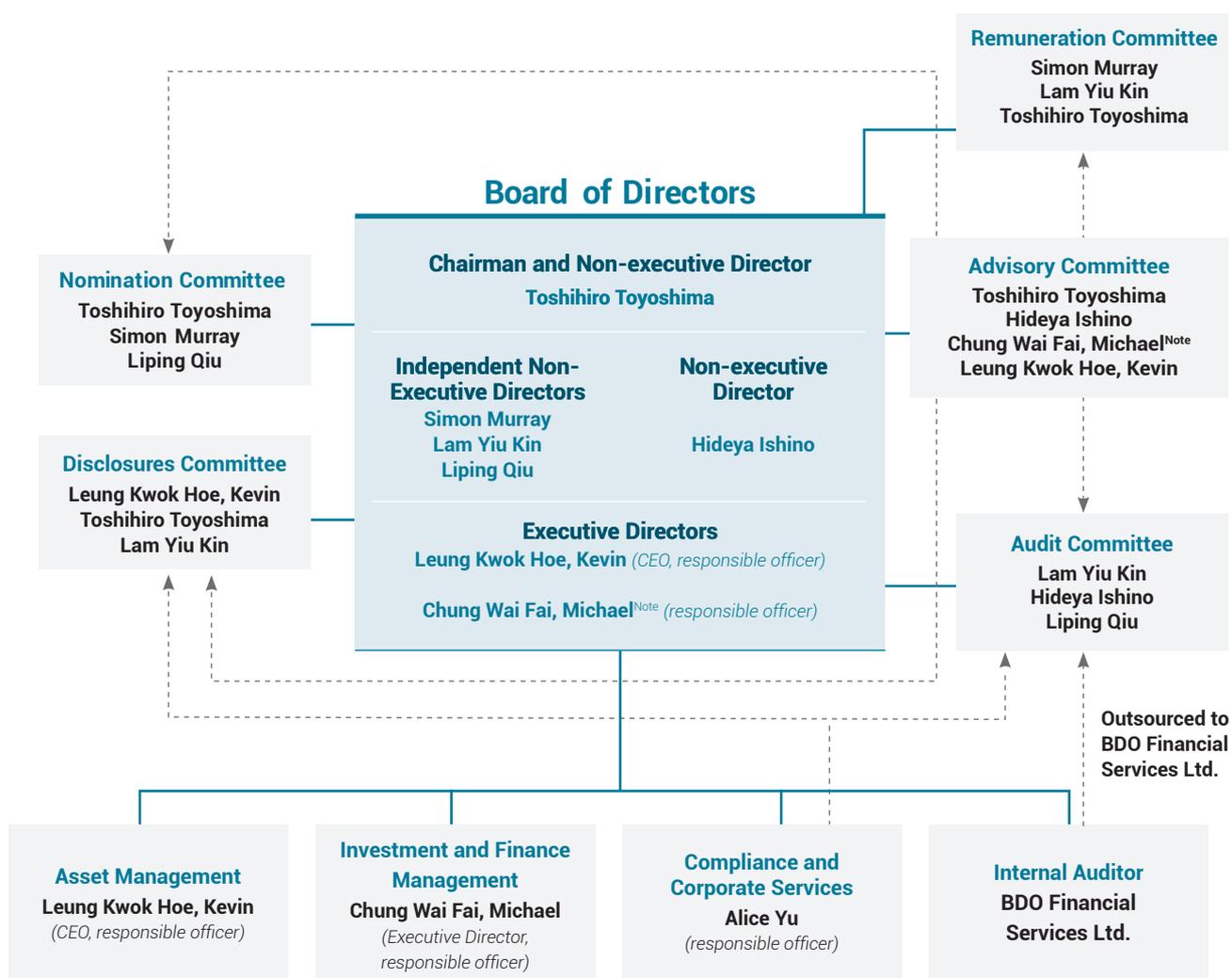
Roles of the Trustee and the Manager

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.

Note: Subsequent to the date of this report and as announced by the Manager, Mr. Nobumasa Saeki resigned as an Executive Director, managing Director, responsible officer and member of the Advisory Committee of the Manager and Mr. Chung Wai Fai, Michael ceased to act as alternate director to Mr. Nobumasa Saeki on 24 March 2021. Mr. Chung Wai Fai, Michael was appointed as Executive Director and member of the Advisory Committee of the Manager on 24 March 2021.

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, comprising two Executive Directors and five Non-executive Directors, of which three are Independent Non-executive Directors ("**Independent Non-executive Directors**"), and one Alternate Director to an Executive Director. The composition of the Board during the Reporting Year is set out below:

Non-executive Directors

Toshihiro Toyoshima (*Chairman*)
Hideya Ishino

Executive Directors

Leung Kwok Hoe, Kevin
(*appointed as Chief Executive Officer
of the Manager on 1 June 2020*)
Nobumasa Saeki^{Note}

Independent Non-executive Directors

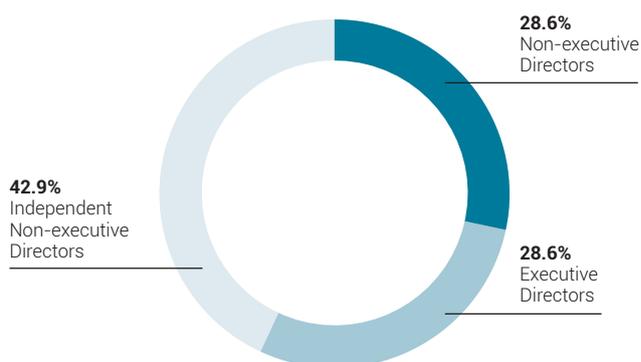
Simon Murray
Lam Yiu Kin
Qiu Liping

Alternate Director

Chung Wai Fai, Michael (*appointed as alternate Director to Nobumasa Saeki on 14 August 2020*)^{Note}

Biographical details of the above 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.

Note: Subsequent to the date of this report and as announced by the Manager, Mr. Nobumasa Saeki resigned as an Executive Director, managing Director, responsible officer and member of the Advisory Committee of the Manager and Mr. Chung Wai Fai, Michael ceased to act as alternate director to Mr. Nobumasa Saeki on 24 March 2021. Mr. Chung Wai Fai, Michael was appointed as Executive Director and member of the Advisory Committee of the Manager on 24 March 2021.



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, inter alia, the following matters, relating to Spring REIT:

- (i) the declaration of 2019 final results and 2020 interim results of Spring REIT, as well as 2019 final distribution and 2020 interim distribution of Spring REIT;
- (ii) the dealing restrictions of the buy-back mandate of Spring REIT;
- (iii) the issuance of new Units after conversion by the convertible bond holder;
- (iv) the termination and relocation leases of Mercuria Beijing, a connected party transaction;
- (v) the change of Unit registrar, transfer office and paying agent of Spring REIT;
- (vi) a partial disposal of a certain plot of a site at Stirling, within the UK portfolio;
- (vii) a potential investment opportunity.

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 Chief Executive Officer and Executive Director.

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 or Spring REIT'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. Besides, there were three additional meetings of the Board held physically or via conference calls and 31 separate written resolutions were 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	7/7	100%
Chief Executive Officer and Executive Director Mr. Leung Kwok Hoe, Kevin	7/7	100%
Executive Director Mr. Nobumasa Saeki	7/7	100%
Non-executive Director Mr. Hideya Ishino	7/7	100%
Independent Non-executive Directors Mr. Simon Murray	6/7	85%
Mr. Lam Yiu Kin	7/7	100%
Mr. Qiu Liping	7/7	100%
Alternate Director Mr. Chung Wai Fai, Michael (<i>appointed on 14 August 2020</i>)	2/2	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
Chief Executive Officer and Executive Director Mr. Leung Kwok Hoe, Kevin	A, B
Executive Director Mr. Nobumasa Saeki	A, B
Non-executive Director Mr. Hideya Ishino	A, B
Independent Non-executive Directors Mr. Simon Murray Mr. Lam Yiu Kin Mr. Qiu Liping	A, B A, B, C A, B
Alternate Director Mr. Chung Wai Fai, Michael	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 66 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) issuance 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 Chief Executive Officer of the Manager

The positions of Chairman (Mr. Toshihiro Toyoshima, who is a Non-executive Director) and Chief Executive Officer (Mr. Leung Kwok Hoe, Kevin who is an Executive Director) 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. The Chief Executive Officer together with an Executive Director are 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 Chief Executive Officer and the Executive Director 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 Chief Executive Officer and the Executive Director 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.

Further, Mr. Lam Yiu Kin, an Independent Non-executive Director, holds more than 7 directorships in companies listed in Hong Kong (including the directorship in the Company). It is nevertheless of the view that Mr. Lam has devoted sufficient time to the Board and its committees as illustrated by the fact that Mr. Lam has attended all meetings of the Board and its committees as well as the annual general meeting of the Company held during the Reporting Year and on the basis that all the directorships being held by Mr. Lam are of independent non-executive nature.

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 2020.

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 information 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 form of Units during the Reporting Year	Number of Units paid as remuneration during the Reporting Year ⁽ⁱⁱ⁾
Mr. Simon Murray	414,000	100%	161,000
Mr. Qiu Liping	414,000	100%	161,000
Mr. Lam Yiu Kin	450,000	100%	176,000

Notes:

- (i) The remunerations were 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 meetings of the Audit Committee were held. Apart from the above four meetings of the Audit Committee, there were two additional meetings of the Audit Committee held via conference call and Zoom facilities; and 5 separate written resolutions were passed by all members of the Audit Committee.

The attendance of individual Directors at such Audit Committee meetings is as follows:

Members of the Audit Committee	Number of meetings attended/ Number of meetings held during term of office within the Reporting Year	Attendance rate
Mr. Lam Yiu Kin (<i>Chairman</i>)	6/6	100%
Mr. Hideya Ishino	6/6	100%
Mr. Qiu Liping	6/6	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 2019;
- (ii) reviewed the unaudited financial statements, the interim results announcement and interim report of Spring REIT for the six months period ended 30 June 2020;
- (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 2019 and for the six months period ended 30 June 2020 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 the performance of hedging via IRS in FY2019;
- (viii) reviewed and approved the 2021 annual budget of the Group prepared by the Manager;
- (ix) approved the engagement of ESG adviser;
- (x) approved the write-off of the amount due from Spring Treasury Limited which was dissolved on 9 November 2020.

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 RMB0.6 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 and the Chief Executive Officer), 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, external 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 meetings of the Disclosures Committee were held and 18 separate written resolutions were passed by all members of the Disclosures Committee.

The attendance of individual Directors at such Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Number of meetings attended/ Number of meetings held during term of office within the Reporting Year	Attendance Rate
Mr. Leung Kwok Hoe, Kevin (<i>Chairman</i>)	2/2	100%
Mr. Toshihiro Toyoshima	2/2	100%
Mr. Lam Yiu Kin	2/2	100%

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

- (i) reviewed and recommended to the Board on the disclosure of the draft documents of Spring REIT, namely, announcement of date of Board meeting, final results announcement and 2019 final distribution, annual report for the year ended 31 December 2019, draft 2019 ESG report 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 2020 interim distribution and interim report for the six months period ended 30 June 2020;
- (iii) reviewed and recommended to the Board on the draft circular to Unitholders relating to buy-back of Units, draft notice convening the annual general meeting of Spring REIT, relevant draft proxy form to Unitholders and draft announcement of poll results of annual general meeting of Spring REIT;
- (iv) reviewed and recommended to the Board on the draft announcements in relation to unaudited operating statistics for the three months periods ended 31 December 2019, 31 March 2020, 30 June 2020 and 30 September 2020;
- (v) reviewed and recommended to the Board on the draft announcement in relation to the 2021 election of Manager's fees;
- (vi) reviewed and recommended to the Board on the draft announcement in relation to conversion of HK\$585,000,000 1.75% convertible bonds due 2022;
- (vii) reviewed and recommended to the Board on the draft announcement in relation to appointment of chief executive officer;
- (viii) reviewed and recommended to the Board on the draft announcement in relation to sale of shares in the Company and appointment of alternate director;

Corporate Governance (Continued)

- (ix) reviewed and recommended to the Board on the draft announcement in relation to change of Unit registrar, transfer office and paying agent of Spring REIT;
- (x) reviewed and recommended to the Board on the draft announcements in relation to unusual movements in prices and trading volumes; and
- (xi) reviewed and recommended to the Board on the draft announcements in relation to continuing connected party transaction in relation to Mercuria Beijing Lease.

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 meeting of the Remuneration Committee was held and 2 separate written resolutions were passed by all members of the Remuneration Committee.

The attendance of individual Directors at such Remuneration Committee meeting is as follows:

Members of the Remuneration Committee	Number of meetings attended/ Number of meeting held during term of office within the Reporting Year	Attendance rate
Mr. Simon Murray (<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 senior executives and senior staff and the existing arrangement for payment of remuneration of INED Remuneration Arrangement.

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 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; and reviewed the matters of retirement and re-election of 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, 12 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 2021.

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	1,788
– Other assurance services	2,238
– Other non-assurance services	681

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 2020, issued shares in the Manager were owned by Mercuria as to 80.4% 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 24.89% interest in the Units of Spring REIT as at 31 December 2020. 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 provide property management services including lease management services to the Beijing CCP Property. Besides, the Property Manager has delegated to Beijing Huamao Property Management Co., Ltd. (北京華貿物業顧問有限公司), responsible 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.

New Issue of Units

During the Reporting Year, an aggregate of 176,274,550 new Units were issued which comprised of the followings:

- (a) a total of 15,648,521 new Units were issued to the Manager as payment of part of the Manager's fees. Please refer to the announcements dated 17 April 2020, 29 April 2020, 6 August 2020 and 30 October 2020 for more details; and
- (b) 160,626,029 new Units were issued pursuant to the conversion of the HK\$585,000,000 1.75% guaranteed convertible bonds. Details of issuing of convertible bonds and conversion of such convertible bonds were set out in the announcements dated 25 November 2019, 27 November 2019 and 12 February 2020.

During the Reporting Year, the Manager (on behalf of Spring REIT) bought back a total of 1,215,000 Units on the Stock Exchange and all the Units bought back were cancelled prior to the financial year end. Please refer to the section headed "Purchase, Sale or Redemption of Units" for details.

The total number of Units in issue as at 31 December 2020 was 1,460,872,865 Units.

Corporate Governance (Continued)

Compliance with the Dealings Code

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

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

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

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

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

Corporate Governance (Continued)

Communications with Unitholders

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

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

During the Reporting Year, an annual general meeting of Spring REIT was held on 21 May 2020, 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
Chief Executive Officer and Executive Director Mr. Leung Kwok Hoe, Kevin	1/1
Executive Director 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.

Corporate Governance (Continued)

Notice of Unitholders' Meetings

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

Matters to be decided by Unitholders by way of Special Resolution

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

- (i) change in the Manager's investment policies and objectives of Spring REIT;
- (ii) disposal of any of Spring REIT's investment (which is in the nature of real estate or shares in any special purpose vehicle holding interests in real estate) prior to the expiry of two years from the time of Spring REIT's holding of such investment;
- (iii) any increase in the rate above the permitted limit or change in structure of the Manager's fees (other than any additional fee as allowed under the Trust Deed);
- (iv) any increase in the rate above the permitted limit or change in structure of the Trustee's fees (other than any additional fee as allowed under the Trust Deed);
- (v) any modification, variation, alteration or addition to the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed (save for issues that are required to comply with applicable regulatory requirements);
- (vi) removal of Spring REIT's external auditor and appointment of new external auditor;
- (vii) removal of the Trustee and appointment of a new Trustee;
- (viii) termination of Spring REIT; and
- (ix) merger of Spring REIT in compliance with applicable provisions of the Code on Takeovers and Mergers.

Quorum

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

Voting

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

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.

Details of the distribution policy of Spring REIT are set out in the section "Distribution" in this annual report.

Constitutional Documents

There was no change in the constitutional documents of Spring REIT, namely the Trust Deed and the Compliance Manual during the Reporting Year.

Review of Annual Results

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 agreed 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
Nobumasa Saeki <i>Executive Director</i>	– resigned as a director of Spring Treasury Limited, a special purpose vehicle of Spring REIT, dissolved on 9 November 2020.
Leung Kwok Hoe, Kevin <i>Executive Director</i>	– resigned as a director of Spring Treasury Limited, a special purpose vehicle of Spring REIT, dissolved on 9 November 2020.
Simon Murray <i>Independent Non-executive Director</i>	– resigned as an Independent Non-executive Director of IRC Limited (Stock Code: 1029) with effect from 30 March 2020
Lam Yiu Kin <i>Independent Non-executive Director</i>	– resigned as an Independent Non-executive Director of Vital Innovations Holdings Limited (Stock Code: 6133) with effect from 31 October 2020.

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.

As announced on 24 March 2021, Mr. Nobumasa Saeki resigned as an Executive Director of the Manager and Mr. Chung Wai Fai, Michael ceased to act as alternate Director to Mr. Nobumasa Saeki and Mr. Chung Wai Fai, Michael has been appointed as an Executive Director of the Manager with effect from 24 March 2021.

Purchase, Sale or Redemption of Units

During the Reporting Year, the Manager (on behalf of Spring REIT) bought back a total of 1,215,000 Units on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK\$3.3 million. Further details are set out as follows:

Month	Number of Units bought back	Purchase price per Unit		Approximate aggregate consideration (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
2020				
August	81,000	2.6200	2.4500	209
September	386,000	2.6500	2.4800	996
October	73,000	2.6600	2.5975	194
November	407,000	2.9150	2.5933	1,132
December	268,000	2.9121	2.8200	778

Corporate Governance (Continued)

All the Units bought back were cancelled prior to the financial year end. Unit buy-backs by the Manager during the Reporting Year were carried out pursuant to the general mandate to buy back Units granted by the Unitholders that was in force in the relevant time, and were made in the interest of Spring REIT and the Unitholders as a whole. The average cost (excluding expenses) of the Units bought back was approximately HK\$2.71 per Unit.

Save as disclosed above, there was no purchase, sale or redemption of the Units by Spring REIT or any of the special purpose vehicles that are owned and controlled 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 2020.

Investments in Property Development and Relevant Investments

As at 31 December 2020, 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).

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

The Inland Revenue (Amendment) (No. 3) Ordinance 2016 (the "**Amendment 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 Amendment 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 Amendment 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.

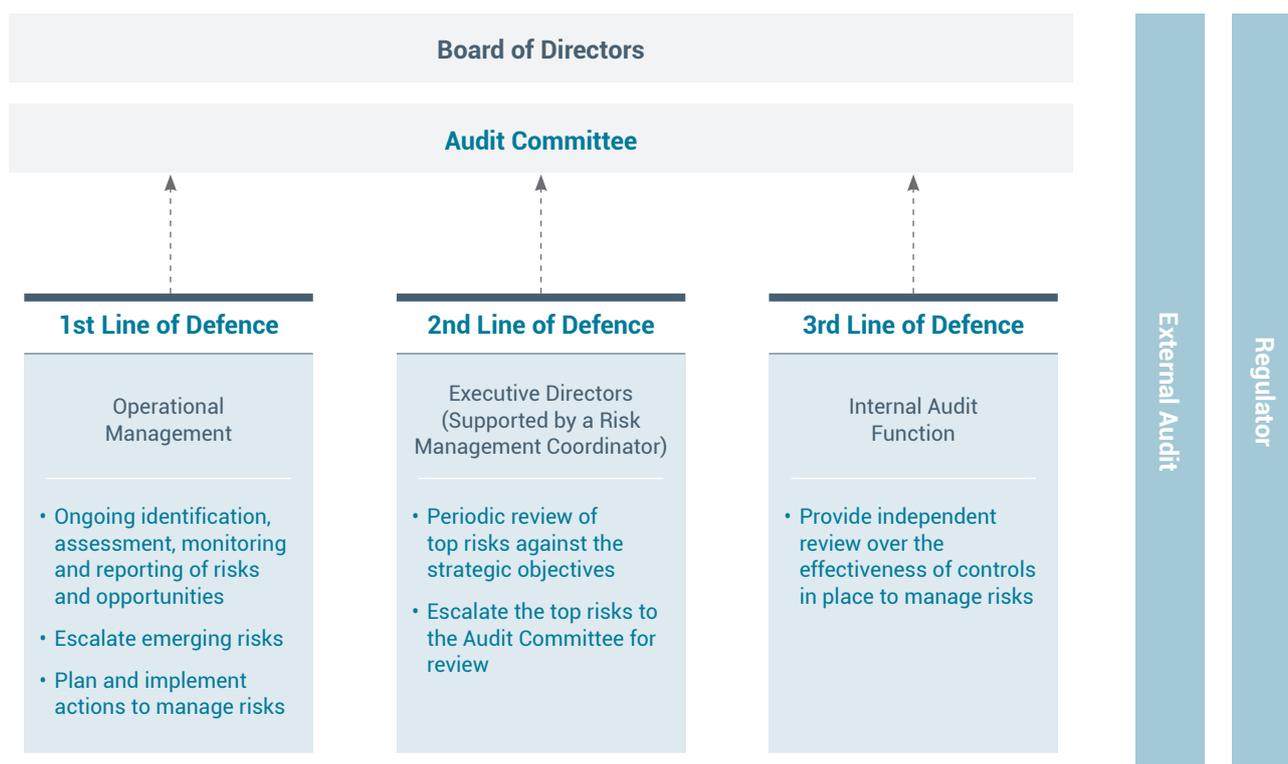
Spring REIT has developed a risk management system, which is defined and supported by its risk management policy (the "**RM Policy**"). The responsibility for maintaining an effective system of internal control and risk management is also included in the terms of reference of the Audit Committee.

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



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 (on the one side) and connected persons (as defined in 8.1 of the REIT Code) of Spring REIT (on the other side). Such transactions constitute connected party transactions of Spring REIT for the purposes of the REIT Code.

The REIT Code was amended on 4 December 2020 and such amendments include Chapter 8 which sets out the applicable connected party transaction rules.

Prior to the amendment of the REIT Code, connected persons (as defined in 8.1 of the REIT Code) of Spring REIT included, 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 was a substantial holder if it held 10% or more of the outstanding units of Spring REIT.
- (2) Holdings of an associate (in the case of a holder who is an individual) and holdings of a director, senior executive, officer, controlling entity, holding company, subsidiary or associated company (in the case of a holder who is an entity) were deemed holdings of a holder.

- (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).

With effect from 4 December 2020, connected persons (as defined in 8.1 of the REIT Code) of Spring REIT include, among others:

- (a) the Manager of Spring REIT;
- (b) the Trustee of Spring REIT;
- (c) a substantial holder;

Note:

- (1) A holder is a substantial holder if it is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of Spring REIT or any of its subsidiaries.

- (d) a director or chief executive of (i) the Manager of Spring REIT; (ii) the Trustee of Spring REIT; or (iii) any subsidiaries of Spring REIT;

Notes:

- (1) "Chief executive" is a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the board of directors for the conduct of the business of the relevant entity.
- (2) "Director" of the Manager or any of subsidiaries of Spring REIT also includes a person who was a director of the Manager or any subsidiaries of Spring REIT in the last 12 months.

- (e) an associate of the persons or entities in (a), (b), (c) or (d) above;
- (f) a "connected subsidiary" as defined in Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code); and

Connected Party Transactions (Continued)

(g) a person deemed to be connected by SFC.

Notes:

- (1) SFC has the power to deem any person to be a connected person.
- (2) In general, a "deemed connected person" under Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26) would be deemed as a connected person under this paragraph.

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

Connected Party Transactions – Income

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income for the Reporting Year RMB	Rental Deposit received as at 31 Dec 2020 RMB
MIBJ Consulting (Beijing) Co., Ltd.	An associate of the Manager and an associate of a director of the Manager ¹	Leasing	955,733	280,629
PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司)	An associate of a substantial holder of Spring REIT ²	Leasing	2,553,981	742,757

Notes:

1. MIBJ Consulting (Beijing) Co., Ltd. ("**Mercuria Beijing**") is wholly-owned by Mercuria Investment Co., Limited, which in turn holds 80.4% 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.
On 19 December 2017, the Group (through the Property Manager) as landlord and Mercuria Beijing as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of three years commencing from 1 January 2018. The tenancy agreement was subsequently terminated on 28 February 2020 and replaced by another tenancy agreement for another office premises owned by Spring REIT at the CCP Property for a term of ten months commencing from 1 March 2020 ("**Existing Mercuria Beijing Lease**"). On 29 December 2020, the Existing Mercuria Beijing Lease was renewed for a further term of 3 years with effect from 1 January 2021. Details of the transaction were set out in the announcement of Spring REIT dated 22 December 2017, 28 February 2020 and 29 December 2020.
2. PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) ("**PAG Beijing**") is a non-wholly owned subsidiary of PAG Holdings Limited, a substantial holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code.
On 6 September 2019, the Group (through its Property Manager) as landlord and PAG Beijing as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of three years commencing from 1 November 2019. Details of the transaction were set out in the announcement of Spring REIT dated 9 September 2019.

Connected Party Transactions (Continued)

On 24 December 2020, Beijing Guohua Real Estate Co., Ltd.* ("**Beijing Guohua**"), being an associate of Huamao Property Holdings Limited ("**Huamao Property**"), became a connected person of Spring REIT upon Huamao Property increasing its units to become a substantial unitholder of Spring REIT.

The Group (as lessor) has entered into a carpark master lease contract dated 1 January 2017 and subsequently renewed with last renewal on 9 February 2021 (the "**Carpark Master Lease**") with Beijing Huamao Property Consulting Co., Ltd. First Branch (the "**Carpark Operator**") (as lessee), who is an associate of Beijing Huamao Property Management Co., Ltd., who in turn is the building manager of the relevant common areas within China Central Place in Beijing, the PRC (the "**Development**") (the "**Building Manager**"), pursuant to which the Group's carpark spaces within the Development are master-leased to the Carpark Operator at a fixed rent, subject to an annual payment adjustment pursuant to the Carpark Management and Benefit Sharing Agreement (as described below). Each of the Building Manager and Carpark Operator is an independent third party of Spring REIT.

In relation to the Carpark Master Lease, the Group (through its Property Manager) and Beijing Huamao Asset Management Limited*, a subsidiary of Beijing Guohua, both as owners of their respective carpark spaces in the Development, have jointly entered into a carpark management and benefit sharing agreement dated 22 October 2020 and as supplemented by a supplemental agreement dated 9 February 2021 to (i) appoint the Carpark Operator for the provision of management services in respect of the relevant carpark spaces, and (ii) set out the basis for determining the amount of the net income (after deduction of carpark management fees) generated from the carpark and each owner's entitlement thereto (the "**Carpark Management and Benefit Sharing Agreement**") and together with the Carpark Master Lease, the "**Carpark Contracts**"). Since Beijing Guohua and its subsidiary became connected persons of Spring REIT with effect from 24 December 2020, the transactions under the Carpark Contracts became continuing connected party transactions of Spring REIT with effect from such date.

Under the Carpark Master Lease, the transaction amount for the period from 24 December 2020 to 31 December 2020 was RMB96,000. Under the Carpark Management and Benefit Sharing Agreement, (i) the Group's entitlement to the net income (after deduction of carpark management fees) for the period from 24 December 2020 to 31 December 2020 was RMB112,000, and (ii) the Group's share of the carpark management fees for the period from 24 December 2020 to 31 December 2020 was RMB36,000.

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.	An associate of the Manager and an associate of a director of the Manager ¹	Property management	10,756,002

Note:

1. Beijing Hua-re Real Estate Consultancy Co., Ltd. is 40% owned by Mercuria, which in turn holds 80.4% shareholding in the Manager. Mr. Toshihiro Toyoshima, the chairman and Non-executive Director of the Manager is also a director of the Property Manager.

On 30 August 2011, the Group and the Property Manager entered into a property management agreement (the “**Property Management Agreement**”) in relation to the provision of certain property management and lease management as well as marketing services by the Property Manager in respect of the CCP Property. Pursuant to the Property Management Agreement, a monthly property management fee equivalent to 2% of the CCP Property’s monthly total revenue will be payable to the Property Manager in consideration for the services provided. On 1 September 2019, the Property Management Agreement was automatically extended for a further term of two years expiring 31 August 2021. Details of the transaction were set out in the announcement of Spring REIT dated 19 July 2019.

The Group and Beijing Guohua, both as owners of their respective portion of the Development have jointly entered into a service contract, as renewed for a further period of 24 months on 31 December 2019, to appoint the Building Manager for the provision of maintenance and management services for the relevant common areas within the Development (the “**Common Area Service Contract**”). Since Beijing Guohua became a connected person of Spring REIT with effect from 24 December 2020, the transactions under the Common Area Service Contract became continuing connected party transactions of Spring REIT with effect from such date.

The Group is responsible for its portion of the management fee payable to the building manager, which is determined taking into account the Group’s proportional property area. Pursuant to the Common Area Service Contract, the management fee payable by the Group to the building manager is settled via deduction from the building management fees paid directly by the tenants of the Group to the building manager, and such management fee amount for the period from 24 December 2020 to 31 December 2020 was RMB72,000. The Building Manager is an independent third party of Spring REIT.

Connected Party Transactions (Continued)

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, prior to 4 December 2020, included the Trustee, any director, senior executive or officer of the Trustee, any associate of any such director, senior executive or officer and any controlling entity, holding company, subsidiary or associated company of the Trustee, and, with effect from 4 December 2020, includes the Trustee, any director or chief executive of the Trustee and any associate 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 associates	Trustee Connected Persons	Leasing ¹	45,218,611 ¹
Ordinary Banking and Financial Services			
Deutsche Bank AG	Trustee Connected Person	Interest income received/receivable on bank deposits	3,160,382
Deutsche Bank AG	Trustee Connected Person	Bank charges	41,217

Note:

- As at 31 December 2020, 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 2020.
On 1 November 2016, Spring REIT (through its Property Manager) as landlord and Deutsche Bank (China) Company Limited, a Trustee Connected Person, as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of 5 years commencing from 1 December 2016.
On 1 March 2016, Spring REIT (through its Property Manager) as landlord and Zhong De Securities Company Limited, a Trustee Connected Person, as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of 5 years commencing from 1 May 2016.
- It represents the interest income received on the bank deposits with the Trustee Connected Persons.
- It represents the bank charges charged by the Trustee Connected Persons for certain banking services.

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	23,783,832
Zhong De Securities	Trustee Connected Person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	21,434,779

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 Period.

Waivers from Strict Compliance

Waivers from strict compliance with the disclosure and Unitholders' approval requirements 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 Unitholders' 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. 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 REIT Code, services provided by the Manager and the Trustee to Spring REIT (and, prior to 4 December 2020, the Principal Valuer) 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 interim 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 RMB50.8 million. The Manager's fee paid in the form of Units amounted to HK\$39.1 million and the Manager's fee paid in the form of cash amounted to HK\$21.2 million. Based on the election made by the Manager dated 10 December 2019 in relation to the Manager's elections for the Base Fee payable in the form of cash as to 20% and in the form of units as to 80%, and for Variable Fee payable in the form of cash entirely, arising from any real estate of Spring REIT for the year ending 31 December 2020 in accordance with the Trust Deed.

During the Reporting Year, the fee payable to the Trustee under the Trust Deed was RMB1.76 million.

During the Reporting Year, approximately RMB1.26 million in aggregate was paid for services rendered to Spring REIT by JLL (the Principal Valuer). This included approximately RMB0.83 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 RMB0.43 million paid for other services including market research services and agent commissions.

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.

- * 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.

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 2020, 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 2020		As at 31 December 2019		Change in % of interest
		Number of Units interested in (Long Position)	Approximate % of interest ¹	Number of Units interested in (Long Position)	Approximate % of interest ¹	
The Manager						
Spring Asset Management Limited ²	Beneficial owner/ Beneficial interest	8,364,647	0.57%	20,603,838	1.60%	-1.03%
Directors						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	1,100,000	0.08%	900,000	0.07%	+0.01%
Nobumasa Saeki	Beneficial owner/ Personal interest	400,000	0.03%	400,000	0.03%	0.00%
Hideya Ishino	Beneficial owner/ Personal interest	115,000	0.01%	49,000	0.00%	+0.01%
Leung Kwok Hoe, Kevin	Beneficial owner/ Personal interest	759,000	0.05%	0	0%	+0.05%
Simon Murray ³	Beneficial owner/ Personal interest	730,000	0.05%	569,000	0.04%	+0.01%
Qiu Liping ³	Beneficial owner/ Personal interest	730,000	0.05%	569,000	0.04%	+0.01%
Lam Yiu Kin ³	Beneficial owner/ Personal interest	729,000	0.05%	553,000	0.04%	+0.01%
Senior Executive						
Alice Yu	Beneficial owner/ Personal interest	170,000	0.01%	170,000	0.01%	0.00%

Disclosure of Interests (Continued)

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,460,872,865 as at 31 December 2020 and 1,285,813,315 as at 31 December 2019 respectively.
2. During the Reporting Year, an aggregate of 15,648,521 new Units were issued to the Manager as payment of part of the Manager's fee. The Manager beneficially owned 8,364,647 Units as at 31 December 2020 (2019: 20,603,838 Units).
3. 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 2020, there had been no change to the annual election made by each Independent Non-executive Director.

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 2020 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 2020, based on the information available to the Manager, each of the following persons was considered as a "**substantial 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 2020			As at 31 December 2019			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	363,654,000	N/A	24.89%	353,304,000	N/A	27.48%	-2.59%
Sumitomo Mitsui Banking Corporation ²	Person having a security interest in shares/other interests	415,243,109	N/A	28.42%	415,243,109	N/A	32.29%	-3.87%
Mercuria Investment Co., Ltd. ³	Interest of controlled corporation/corporate interests	404,039,445	N/A	27.66%	N/A	N/A	0%	+27.66%
PAG Holdings Limited ^{4&5}	Interest of controlled corporation/corporate interests	233,562,089	N/A	15.99%	230,830,089	N/A	17.95%	-1.96%
Spirit Cayman Limited ⁶	Beneficial owner/ Beneficial interest	169,552,089	N/A	11.61%	166,820,089	N/A	12.97%	-1.36%

Disclosure of Interests (Continued)

Name	Capacity/ Nature of interest	As at 31 December 2020			As at 31 December 2019			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	
Huamao Property ⁷	Interest of controlled corporation & beneficial owner/corporate interests & beneficial interests	185,249,742	N/A	12.68%	N/A	0	0%	+12.68%
Fang Chao ⁷	Interest of controlled corporation/corporate interests	185,249,742	N/A	12.68%	N/A	0	0%	+12.68%
Lin Minghan ⁷	Interest of controlled corporation/corporate interests	185,249,742	N/A	12.68%	N/A	0	0%	+12.68%
Chia Seok Eng ⁷	Interest of controlled corporation/corporate interests	185,249,742	N/A	12.68%	N/A	0	0%	+12.68%
Shining Path Limited ⁸	Interest of controlled corporation/corporate interests	162,096,029	N/A	11.10%	N/A	160,626,029	12.49%	-1.39%
Skyland Union Holdings Limited ⁹	Interest of controlled corporation/corporate interests	160,626,029	N/A	11.00%	N/A	160,626,029	12.49%	-1.39%
Sino Ocean Group ¹⁰	Interest of controlled corporation/corporate interests	176,408,678	N/A	12.08%	N/A	160,626,029	12.49%	-0.41%

Notes:

- The percentages expressed herein are based on the total number of issued Units of 1,460,872,865 as at 31 December 2020 and 1,285,813,315 as at 31 December 2019 respectively.
- These 363,654,000 Units (including 361,654,000 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 361,654,000 Units in short position represents a pledge by RCA Fund to Sumitomo Mitsui Banking Corporation using the said Units as collateral to secure the borrowing of a loan.
- These 404,039,445 Units comprise the interests of (i) 32,020,798 Units (including 32,020,798 Units in short position) directly held by a 100% controlled entity (SR Target, L.P.); (ii) 8,364,647 Units directly held by a 80.40% controlled entity (the Manager); and (iii) 363,654,000 Units (including 361,654,000 Units in short position) directly held by a 41.45% controlled entity (RCA Fund). Please refer to Note 2 above for details of interests of RCA Fund.
- These 233,562,089 Units comprise the interests of (i) 64,010,000 Units directly held by BT Cayman Limited; and (ii) 169,552,089 Units directly held by Spirit Cayman Limited. Based on disclosure of interests notification made by PAG Holdings Limited filed on 2 December 2020, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 233,562,089 Units in which PAG Holdings Limited was interested.

Disclosure of Interests (Continued)

5. Based on disclosure of interests notifications filed on 2 December 2020:
- each of PARE (Cayman) Limited (as controlling entity 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 (as general partner of Secured Capital Real Estate Partners V, L.P. and SCREP V Feeder B, L.P.), SCREP V Feeder B, L.P. (as limited partner and controlling entity of Secured Capital Real Estate Partners V, L.P. as to 70.87%) and Secured Capital Real Estate Partners V, L.P. (as controlling entity 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 4(i) above;
 - each of PARE (Cayman) Limited (as controlling entity of SCREP VI Management, LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP VI Management, LLC), SCREP VI Management, LLC (as general partner of SCREP VI, L.P. and SCREP VI Feeder A, L.P.), SCREP VI Feeder A, L.P. (as limited partner and controlling entity of SCREP VI, L.P. as to 75.33%), SCREP VI, L.P. (as controlling entity of SCREP VI Holdings L.P. as to 100%) and SCREP VI Holdings L.P. (as controlling entity of Spirit Cayman Limited as to 100%) was deemed to be interested in 169,552,089 Units, being the same parcel of Units directly held by Spirit Cayman Limited as referred to in Note 4(ii) above;
 - PAG Investment Advisors Pte. Ltd. was interested in 233,562,089 Units, comprising 64,010,000 Units which it was deemed to be interested in as manager of SCREP V Management (Cayman), LLC and 169,552,089 Units which it was deemed to be interested in as manager of SCREP VI Management, LLC;
 - PARE (Cayman) Limited was interested in 233,562,089 Units, comprising 64,010,000 Units which it was deemed to be interested in through its controlled corporation SCREP V Management (Cayman), LLC and 169,552,089 Units which it was deemed to be interested in through its controlled corporation SCREP VI Management, LLC;
 - PAG Real Estate Limited was interested in 233,562,089 Units through its 100% controlled corporations PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd.; and
 - PAG Holdings Limited was interested in 233,562,089 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 2 December 2020.
6. These 169,552,089 Units were beneficially owned by Spirit Cayman Limited. Please refer to Note 5(b) above.
7. These 185,249,742 Units comprise the interests of (i) 56,500,742 Units directly held by Huamao Property; and (ii) 128,749,000 Units directly held by a 100% controlled entity (China Orient Stable Value Fund Limited). The following disclosure of interests notifications filed are related to the same batch of Units interested and deemed to be interested by Huamao Property:
- according to the notifications filed on 24 December 2020, each of RCA02 (as controlling entity of Huamao Property as to 41.84%), Diligent Glory Investments Limited (as controlling entity of RCA02 as to 100%), Risun Holdings Limited (as controlling entity of Diligent Glory Investments Limited as to 100%) and Fang Chao (as controlling person of Risun Holdings Limited as to 80%) was deemed to be interested in those 185,249,742 Units, being the same parcel of Units directly and indirectly held by Huamao Property.
 - according to the notifications filed on 7 January 2021, each of Siberite Limited (as controlling entity of Huamao Property as to 40.48%) and Li Minghan (as controlling person of Siberite Limited as to 50%) was deemed to be interested in those 185,249,742 Units, being the same parcel of Units directly and indirectly held by Huamao Property.
 - according to the notifications filed on 7 January 2021, each of Siberite Limited (as controlling entity of Huamao Property as to 40.48%), Pebblebay Capital Corp (as controlling entity of Siberite Limited as to 50%) and Chia Seok Eng (as controlling person of Pebblebay Capital Corp as to 100%) was deemed to be interested in those 185,249,742 Units, being the same parcel of Units directly and indirectly held by Huamao Property.
8. These 162,096,029 Units comprise the interests of (i) 160,626,029 Units (which were issued upon the conversion of convertible bonds on 12 February 2020) directly held by a 100% controlled entity (Alpha Great Global Limited); and (ii) 1,470,000 Units held directly by a 100% controlled entity (Pure Sage Investments Limited).
9. 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 8(i) above. Accordingly, Skyland Union Holdings Limited is deemed to be interested in these 160,626,029 Units.
- Based on the notification filed by Shining Path Limited, the Manager was aware that Skyland Union Holdings Limited was deemed to be interested in a total of 162,096,029 Units which was indirectly held by Shining Path Limited as at 31 December 2020 as referred to Note 8 above.
10. Sino Ocean Group was deemed to be interested in these 176,408,678 Units, comprising the interests of (i) 162,096,029 Units indirectly held by Shining Path Limited which in turn was indirectly held 50% controlling interests by Sino Ocean Group through its 100% controlled corporations as referred to Note 8 above; and (ii) 14,312,649 Units directly held by Jade Wave Global Limited which in turn was indirectly held 34.3% effective interests by Sino Ocean Group through a number of 100% controlled corporations and a 49% controlled corporation, Fortune Joy Ventures Limited as well as a 70% controlled corporation, Oceanland Global Investment Limited.

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 2020 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 2020, 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 2020		As at 31 December 2019		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	
Mamoru Taniya	Beneficial owner/ Beneficial interest	102,604,639	7.02%	N/A	0%	+7.02%
Zeng Yuyu ²	Interest of controlled corporation/corporate interests	0	0%	114,884,000	8.93%	-8.93%

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,460,872,865 as at 31 December 2020 and 1,285,813,315 as at 31 December 2019 respectively.
2. Please refer to the section of "Disclosure of Interests" in the 2019 annual report for details of the interests in 114,884,000 Units. According to the notifications filed by Zeng Yuyu and her associates on 24 December 2020, a total of 128,749,000 Units were sold on 24 December, 2020.

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 2020 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 2020, 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)
Room 2801, 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 60, International Commence Centre
1 Austin Road West
Kowloon, Hong Kong

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

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 3 February 2021 (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 90.2%.

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 September 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 **RMB8,553,000,000 (RENMINBI EIGHT BILLION FIVE HUNDRED AND FIFTY THREE 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)

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-12

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 90.2%.
Method of Valuation:	Income Approach cross-checked by the comparison approach
Valuation Date:	31 December 2020
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 RMB8,553,000,000 (RENMINBI EIGHT BILLION FIVE HUNDRED AND FIFTY THREE MILLION) assuming that the captioned property could be freely transferred.
The Estimated Net Yield:	4.2% (see note)

Note: The estimated net yield of the property is derived from the annual net property income as at 31 December 2020 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 90.2%.

1.2 Valuation Date

The valuation date is 31 December 2020.

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’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, resident population growth showed a negative growth rate since 2017 and the population of Beijing was 21.54 million as of December 2019.

Due to the negative impact of COVID-19, the GDP of Beijing in the first half of 2020 declined for the first time since 2005, recording a 3.2% decrease. However, in the second half of the year, the situation has improved slightly. According to the preliminary calculation of the Beijing Municipal Bureau of Statistics, the GDP of Beijing in 2020 reached 3,610 billion, increasing by 1.2% y-o-y.

2 MARKET OVERVIEW (Continued)

2.1 Overview of Beijing (Continued)

Overall fixed asset investment (FAI) of Beijing recorded a 2.2% y-o-y growth in 2020 and real estate investment increased by 2.6%. The fastest growing components of FAI were the construction sector and manufacturing sector, which recorded 67.7% and 66.6% y-o-y growth respectively, while the wholesale and retail sector decreased by 40.0%.

Total retail sales decline by 137.1 billion with a 8.9% y-o-y decrease in 2020. Average income per capita continued to rise by 2.5% y-o-y in 2020, while consumption per capita decline by 9.6% in the year according to the Beijing 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 2020

In 2020, Covid-19 quickly amplified and accelerated the downward trend of the office rent that had started in 2019, as pressure in the market quickly intensified and a number of companies were forced to make substantial budget cuts. Grade A office rents dropped for an eighth consecutive quarter. By the end of 2020, rental growth decreased by 2.6% q-o-q and 7.9% y-o-y. In the meanwhile, new completions with low occupancy rates pushed up the overall vacancy rate to 15.4%, especially in CBD, which recorded at 18.6%.

For the supply side, four projects were completed in the year, adding 551,000 sq.m. of new supply to the market. The total stock of Beijing Grade A office market reached 10,175,900 sq.m, approximately 25% of which are located in CBD. Completion dates for some future supplies delayed, to a certain extent mitigating supply pressures for landlords. However, the slower destocking pace continues to weigh on the market.

Although rising pressure continued to hold back demand, relocation demand accelerated in 4Q 2020, triggered by the consecutive rent drops. The IT industry remained a major source of leasing demand. Meanwhile, the healthcare industry quickly expanded. The majority of leasing transactions were concentrated in the CBD in 2020.

2 MARKET OVERVIEW (Continued)

2.2 Beijing Office Market (Continued)

2.2.3 Market Trend of Beijing Grade A Office Market

Despite some new projects delayed, Beijing Grade A office market continues to face supply pressures in 2021, and many landlords will be forced to act accordingly to cope with such issue. After 2022, vacant space at newly completed office buildings is expected to be gradually absorbed. In 2021, market rents will likely continue to drop but at slower pace. Landlord sentiment likely to impact the rental trend, the overall rents set to record -4.5% y-o-y growth. Rental growth is expected to slowly start rebounding from 2022, as economic conditions improve. In 2021, market uncertainty will remain. Demand continues to be subdued while downsizing and consolidation set to impact vacancy rates. After 2022, as newly completed office buildings start to fill up, supply pressures will ease, leading to lower vacancy rates. In 2021, favourable market conditions set to encourage more tenants to seize opportunities for upgrades. The lower-rent environment, abundant new supply, and policy support are providing more prospects for tenants.

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 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:

Property	GFA (sq.m.)	Car Parking Space (number of space)
Office Tower 1	56,068.32	
Office Tower 2	64,176.87	
Car parking spaces	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 11,826.25 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 108,418.94 sq.m. were leased to various tenants for office purpose with a total effective monthly rent of approximately RMB38,919,931.16, 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 15 December 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 2021 at an annual rent of RMB4,500,000, inclusive of VAT.

Pursuant to 2 Tenancy Agreements and relevant supplementary agreements, two signage of the property were leased to two independent third parties with terms expiring on 30 November 2021 and 31 December 2025 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	108,418.94	90.2
Vacant	11,826.25	9.8
Total:	120,245.19	100.0

Tenancy Expiry Profile

Expiry Date	Lettable Area (sq.m.)	% of Total	No. of Tenancies	% of Total
Before 2021/12/31	35,250.94	32.5	56	31.7
2022/1/1 to 2022/12/31	32,943.36	30.4	59	33.3
2023/1/1 to 2023/12/31	27,694.64	25.5	43	24.3
After 2024/1/1	12,530.00	11.6	19	10.7
Total:	108,418.94	100.0	177	100.0

Tenancy Duration Profile

Year	Lettable Area (sq.m.)	% of Total	No. of Tenancies	% of Total
Less than 3 years	10,762.96	9.9	26	14.7
3 years to 6 years	97,510.22	90.0	150	84.7
More than 6 years	145.76	0.1	1	0.6
Total:	108,418.94	100.0	177	100.0

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.

Valuation Report (Continued)

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.

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 32.8 years.

5 VALUATION CONSIDERATIONS (Continued)

5.2 Valuation Considerations (Continued)

Occupancy rate

As at the valuation date, the occupancy rate of the office portion of the property is about 90.2%. 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 7% 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 is in the range of RMB360 to RMB390 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 RMB387 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 **RMB8,553,000,000 (RENMINBI EIGHT BILLION FIVE HUNDRED AND FIFTY THREE MILLION)** assuming that the property could be freely transferred.

Valuation Report (Continued)

The Directors
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Room 2801, 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)
60/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 (the "**Properties**") 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 2020 (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 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.

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.

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 Methodology

In valuing the Properties, we have adopted the income capitalisation approach in our valuation of the Properties 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 any vacant space have been allowed for.

Valuation Report (Continued)

Sources of Information

We have inspected the Properties 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 Properties 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.

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.

Exchange Rate

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

Limiting Conditions

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

Valuation Report (Continued)

Valuation Standards

In valuing the Properties, 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.

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 T.W. 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 2020 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 2020 was £72,870,000 (Seventy Two Million Eight Hundred and Seventy Thousand Pounds).

Valuation Report (Continued)

Executive Summary

Property	The subject portfolio comprises 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 2020
Valuation Methodology	Income capitalisation approach
Market Value in Existing Status	£72,870,000 (Seventy Two Million Eight Hundred and Seventy Thousand Pounds)

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2020	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 11 years and 3 months.</p> <p>(Please refer to the Property Schedule attached for details)</p>	<p>£72,870,000</p> <p>(Seventy Two Million Eight Hundred and Seventy Thousand Pounds)</p> <p>(Please refer to the Property Schedule attached for details)</p>	<p>6.09%</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 2020 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 value-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	Capitalisation Rate	Estimated Net Property Yield	Market Value
1	ALLOA: 26 Clackmaman Road	FK10 1RR	8,879	Freehold	£56,573	20/03/2007	19/03/2032	6.17%	5.99%	£945,000
	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	5.68%	6.00%	£1,345,000
	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	KAT 1DE	10,369	Freehold	£36,517	20/03/2007	19/03/2032	8.29%	6.30%	£580,000
	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	KAT 20A	3,970	Freehold	£43,705	20/03/2007	19/03/2032	5.21%	5.95%	£735,000
	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	8.50%	-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 WCs. 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	5.20%	6.75%	£885,000
	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	6.41%	5.97%	£1,070,000
	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 WCs and a staffroom. The first floor has a further tyre store and meeting room. Externally there is a 10 space car park.									

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value
8	BRIDLINGTON: 32-36 St John's Street	YO16 7JS	15,514	Freehold	£115,927	20/03/2007	19/03/2032	6.39%	6.37%	£1,820,000
	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 WCs. The rear unit was formerly occupied as a gym and is currently vacant and somewhat dilapidated.									
9	BURNLEY: Active Way	BB11 1AL	3,489	Leasehold expiring 2108	£32,460	20/03/2007	19/03/2032	5.65%	5.85%	£555,000
	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	5.04%	6.24%	£840,000
	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	6.43%	5.89%	£425,000
	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 ALL TERTON: 232 Harrrogate Road	LS7 4QD	12,358	Freehold	£108,000	20/03/2007	19/03/2032	5.29%	5.47%	£1,975,000
	Two adjoining single storey units dating from the 1930s of brick and block construction beneath pitched steel truss framed 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	5.39%	5.22%	£3,775,000
	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 Kenn Road	BS21 6JE	2,562	Freehold	£30,104	20/03/2007	19/03/2032	5.51%	6.27%	£480,000
	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 3PX	4,085	Freehold	£36,733	20/03/2007	19/03/2032	5.69%	5.40%	£680,000
	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	5.97%	5.91%	£580,000
	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.									

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value
17	CROYDON: 3 Mitcham Road	CR0 3RU	4,393	Freehold	£81,656	20/03/2007	19/03/2032	4.60%	4.68%	£1,745,000
	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.									
18	DONCASTER: Wheatley Hall Road	DN2 4LP	2,988	Leasehold expiring 2110	£26,878	20/03/2007	19/03/2032	7.25%	6.57%	£295,000
	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	8.31%	7.30%	£230,000
	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	5.17%	5.93%	£675,000
	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	5.20%	5.73%	£1,415,000
	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	5.21%	5.95%	£870,000
	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	5.40%	5.38%	£1,875,000
	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 WCs. 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	5.84%	5.95%	£655,000
	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 10 vehicles.									
25	ELTHAM: 727 Sidcup Road	SE9 3AQ	4,723	Leasehold expiring 2053	£46,000	20/03/2007	19/03/2032	6.75%	4.37%	£790,000
	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	5.75%	5.66%	£475,000
	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 WCs. There is an external car park to the east of the property for 20 vehicles.									

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value
27	GLASGOW: 381 Pollokshaws Road	G41 1OZ	4,999	Freehold	£50,428	20/03/2007	19/03/2032	5.12%	5.45%	£925,000
	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.									
28	GLENROTHES: Fullerton Road	KY7 5QR	4,500	Freehold	£52,167	20/03/2007	19/03/2032	4.97%	5.70%	£915,000
	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	5.54%	5.94%	£640,000
	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	5.06%	6.35%	£920,000
	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	6.04%	7.57%	£460,000
	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: Arleigh Green Road	RM11 2ST	3,641	Freehold	£50,000	20/03/2007	19/03/2032	5.16%	5.18%	£965,000
	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	6.65%	5.92%	£590,000
	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	6.15%	6.30%	£635,000
	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	£85,500	20/03/2007	19/03/2032	6.65%	29.43%	£290,000
	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	6.00%	6.11%	£550,000
	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.									

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value
37	KEYNSHAM: Ashton Way	BS31 2UF	3,214	Freehold	£33,619	20/03/2007	19/03/2032	5.51%	5.95%	£565,000
	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.									
38	KIDDERMINSTER: 20 Churchfields	DY10 2JL	3,849	Leasehold expiring 2076	£28,982	20/03/2007	19/03/2032	7.25%	7.24%	£345,000
	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	4.83%	5.71%	£965,000
	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: 183 The Esplanade	KY1 1RE	5,818	Freehold	£46,903	20/03/2007	19/03/2032	4.86%	6.61%	£710,000
	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	5.16%	6.53%	£535,000
	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 80J	4,819	Freehold	£38,839	20/03/2007	19/03/2032	5.98%	6.32%	£615,000
	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 Aighurth Road	L17 9PJ	4,095	Freehold	£45,457	20/03/2007	19/03/2032	4.94%	6.23%	£730,000
	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	5.15%	5.35%	£1,620,000
	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	5.10%	5.46%	£1,380,000
	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	5.36%	7.32%	£1,080,000
	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.									

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value
47	MONTROSE: 34 George Street	DD10 8EW	2,726	Freehold	£24,728	20/03/2007	19/03/2032	5.23%	7.27%	£340,000
	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 WC's. A car park fronts the property for 10 vehicles.									
48	MOTHERWELL: 99A Airbles Road	ML1 2TJ	6,220	Freehold	£55,645	20/03/2007	19/03/2032	4.83%	5.46%	£1,020,000
	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	5.43%	5.99%	£1,055,000
	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	5.25%	5.92%	£650,000
	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	5.43%	5.71%	£730,000
	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	8.50%	8.80%	£365,000
	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	£44,452	20/03/2007	19/03/2032	6.00%	6.01%	£715,000
	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	5.39%	5.73%	£1,360,000
	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	5.03%	5.68%	£755,000
	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	P01 1JY	5,927	Freehold	£63,164	20/03/2007	19/03/2032	5.60%	5.99%	£1,055,000
	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.									

Valuation Report (Continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value
57	PRESTON: 76 Market Street	PR1 2HP	14,643	Leasehold expiring 2069	£86,946	20/03/2007	19/03/2032	7.25%	7.12%	£950,000
	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.									
58	RADCLIFFE: Bury Road	M26 2UG	3,074	Leasehold expiring 2877	£26,663	20/03/2007	19/03/2032	7.25%	7.83%	£340,000
	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	5.91%	5.94%	£715,000
	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	7.25%	8.36%	£540,000
	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	6.00%	6.08%	£940,000
	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	5.83%	5.97%	£705,000
	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	7.23%	7.63%	£775,000
	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	5.54%	5.48%	£2,265,000
	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	5.89%	6.29%	£415,000
	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 Poundabout, Burghmuir Road	FK7 7PE	4,980	Freehold	£57,964	20/03/2007	19/03/2032	5.20%	5.98%	£970,000
	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	Capitalisation Rate	Estimated Net Property Yield	Market Value
67	STONEHAVEN: 110 Barclay Street	AB39 2AP	5,998	Freehold	£46,371	20/03/2007	19/03/2032	5.83%	5.94%	£780,000
	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 WC's. 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	5.12%	5.46%	£1,030,000
	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	6.00%	6.38%	£460,000
	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	5.35%	5.47%	£1,960,000
	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	5.02%	5.98%	£1,395,000
	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	£48,600	20/03/2007	19/03/2032	6.00%	6.27%	£660,000
	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	5.65%	6.19%	£1,410,000
	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	8,535	Leasehold expiring 2067	£82,961	20/03/2007	19/03/2032	6.00%	6.89%	£1,105,000
	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	5.68%	5.99%	£1,065,000
	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	Capitalisation Rate	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	6.59%	6.36%	£1,075,000
	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%	5.92%	£625,000
	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	5.60%	5.91%	£595,000
	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	8.50%	38.37%	£100,000
	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	4.97%	5.69%	£815,000
	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	5.96%	6.20%	£255,000
	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	7.25%	7.73%	£470,000
	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	5.68%	5.71%	£730,000
	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	4.67%	6.26%	£505,000
	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			5.80%	6.09%	£72,870,000

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	£355,000
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	£95,000
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	£185,000
SR25	Kwik Fit	727 Sidcup Road	ELTHAM	SE9 3AQ	LH	10/10/2053	£11,500	£140,000
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	£50,000
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	£35,000
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	£240,000
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	£40,000
SR61	Kwik Fit	Townhead Street	SHEFFIELD	S1 1YG	LH	11/10/2134	£53	£0
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	£105,000
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	£315,000
SR82	Kwik Fit	130 Leeds Road	NELSON	BB9 9XB	LH	20/09/2972	£0	£0
22 Properties							£110,076	£1,690,000

Valuation Report (Continued)

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Trustee's Report

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

Attention: Mr. Leung Kwok Hoe, Kevin

Dear Sirs,

Spring Real Estate Investment Trust
Annual Confirmation for the period from 1 January 2020 to 31 December 2020

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 2020 to 31 December 2020.

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

Hong Kong, 16 March 2021

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 152, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 consolidated 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 2020, 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>Valuation of Investment Properties</p> <p>Refer to notes 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 RMB9,203 million as at 31 December 2020 and the fair value loss of investment properties for the year ended 31 December 2020 was RMB673 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 Spring Asset Management Limited (the "Manager" of Spring REIT) 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 obtained an understanding of the management's internal control and assessment process of valuation of the investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.</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, capabilities and objectivity by understanding the experience, reputation in field, professional certification and based on our previous experience of the valuer. We read its terms of engagement with the Group to determine whether there were any matters that 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 expert in assessing valuation approaches (i.e. income capitalisation approach) and the key assumptions (i.e. capitalisation rate and base rent). We discussed with the Manager and the Valuer to understand the valuation approaches and to challenge the key assumptions adopted by the Manager and the Valuer. 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 intends to liquidate the Group or to cease operations, or has 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 provision of Appendix C of the Code on Real Estate Investment Trusts issued 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 respects, 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, actions taken to eliminate threats or safeguards applied.

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, 23 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

		Year ended 31 December	
	Notes	2020 RMB'000	2019 RMB'000
Revenues	5	533,171	546,592
Property operating expenses	6	(135,691)	(139,772)
Net property income		397,480	406,820
General and administrative expenses	7	(72,073)	(67,349)
Fair value (loss)/gain of investment properties	13	(672,678)	70,767
Fair value (loss)/gain of right-of-use assets	14	(664)	138
Other gains/(losses), net	8	90,729	3,657
Operating (loss)/profit		(257,206)	414,033
Finance income		3,168	3,582
Finance income/(costs) on interest-bearing borrowings	9	66,774	(192,417)
(Loss)/profit before taxation and transactions with Unitholders		(187,264)	225,198
Income tax expense	10	(2,660)	(2,136)
(Loss)/profit for the year, before transactions with Unitholders (note i)		(189,924)	223,062
Distributions paid to Unitholders:			
– 2018 final distribution		–	(78,635)
– 2019 interim distribution		–	(116,757)
– 2019 final distribution (note ii)		(117,685)	–
– 2020 interim distribution (note ii)		(121,415)	–
		(429,024)	27,670
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units and units bought back for cancellation		(500,920)	39,606
Amount arising from exchange reserve movements regarding translations of financial statements		71,896	(11,936)
		(429,024)	27,670

Notes:

- (i) (Loss)/earnings per unit, based upon (loss)/profit for the year, before transactions with Unitholders and the weighted average number of units in issue, is set out in note 12.
- (ii) 2020 interim distribution and 2019 final distribution of RMB121,415,000 and RMB117,685,000 respectively were paid during the year ended 31 December 2020. Total distribution for the year ended 31 December 2020 is presented in the consolidated statement of distributions.

The notes on pages 114 to 152 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	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 2020				
Loss for the year		(189,924)	261,820	71,896
Other comprehensive income:				
<i>Items that may be reclassified to consolidated income statement</i>				
Exchange losses on translation of financial statements		(1,842)	–	(1,842)
<i>Items that may not be reclassified to consolidated income statement</i>				
Exchange losses on translation of financial statements of Spring REIT		(70,054)	–	(70,054)
Total comprehensive income for the year	ii	(261,820)	261,820	–
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)	–

Notes:

- (i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB239,100,000 (2019: RMB195,392,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is a decrease of RMB500,920,000 (2019: an increase of RMB39,606,000).
- (ii) In accordance with the Trust Deed, Spring REIT is required to distribute not less than 90% of total distributable income to Unitholders for each financial year. Accordingly, the units contain contractual obligations of Spring REIT to pay cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with International Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders' funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issuance of new units and units bought back for cancellation, are part of finance costs which are recognised in the consolidated income statement. Accordingly, the total comprehensive income, after transactions with Unitholders is zero.

The notes on pages 114 to 152 are an integral part of these consolidated financial statements.

Consolidated Statement of Distributions

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
(Loss)/profit for the year, before transactions with Unitholders	(189,924)	223,062
Adjustments:		
– Fair value loss/(gain) of investment properties	672,678	(70,767)
– Fair value loss/(gain) of right-of-use assets	664	(138)
– Gain on conversion of convertible bonds	(56,699)	–
– Change in fair values of derivative components of convertible bonds	–	(5,500)
– Net fair value losses of derivative financial instruments	13,993	3,737
– Manager's fee expenses in units in lieu of cash	32,302	41,455
– Amortisation of transaction costs for host liability components of convertible bonds and bank borrowings	15,864	2,820
– Unrealised foreign exchange (gains)/losses	(220,154)	37,622
Distributable income for the year (note i)	268,724	232,291
Total distributions of the year (note ii)	255,288	232,291
Represented by:		
Interim distribution, paid (note iii)	121,415	116,757
Final distribution, to be paid (note iv)	133,873	115,534
Total distributions of the year (note ii)	255,288	232,291
Percentage of total distribution over distributable income for the year	95%	100%
Distributions per unit to Unitholders		
– Interim distribution per unit, paid (note iii)	HK9.5 cents	HK10.0 cents
– Final distribution per unit, to be paid (note iv)	HK10.5 cents	HK8.9 cents
Distribution per unit for the year (note v)	HK20.0 cents	HK18.9 cents

Notes:

- (i) Under the terms of the Trust Deed, the distributable income represents the (loss)/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 2020 was calculated based on the interim distribution of RMB121,415,000 for the period and 1,458,152,291 units in issue. The interim distribution was paid to Unitholders on 18 September 2020.
- (iv) Subsequent to the year ended 31 December 2020 up to the date of declaration of the distribution, the Manager (on behalf of Spring REIT) bought back a total of 145,000 units on the Stock Exchange and all the units bought back were cancelled prior to the date of declaration of the distribution. Accordingly, the final distribution per unit of HK10.5 cents for the year ended 31 December 2020 is calculated based on the final distribution to be paid to Unitholders of RMB133,873,000 for the second half of the financial year and 1,460,727,865 units in issue as at 23 March 2021, being the date of declaration of the final distribution, rounded to the nearest HK0.1 cent.
The final distribution for the year ended 31 December 2020 is expected to be paid to Unitholders on 29 April 2021. Such final distributions per unit, however, may be subject to adjustment upon the issuance of new units between 23 March 2021 (being the date of the declaration of the final distribution) and 19 April 2021 (the "Record Date"), if any.
The final distribution per unit of HK8.9 cents for the year ended 31 December 2019 was calculated based on the final distribution paid to the Unitholders of RMB115,534,000 for the second half of the financial year and 1,446,439,344 units in issue as at 17 April 2020, being the record date of 2019 Final Distribution, rounded to the nearest HK0.1 cent. The final distribution for the year ended 31 December 2019 was paid to Unitholders on 29 April 2020.
- (v) All distributions to Unitholders are determined and paid in Hong Kong dollar.

The notes on pages 114 to 152 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

		As at 31 December	
	Notes	2020	2019
		RMB'000	RMB'000
Assets			
Investment properties	13	9,202,902	9,873,265
Right-of-use assets	14	15,073	16,304
Restricted bank balances	17	313,924	382,115
Trade and other receivables	16	26,531	32,693
Cash and cash equivalents	17	154,435	124,992
Total assets		9,712,865	10,429,369
Liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	19	3,024,232	3,199,602
Convertible bonds	20	–	505,239
Derivative financial instruments	15	16,550	4,102
Lease liabilities	14	11,504	12,072
Rental deposits	18	147,980	155,410
Trade and other payables	18	77,033	102,998
Income tax payable		2,669	2,171
Total liabilities, excluding net assets attributable to Unitholders		3,279,968	3,981,594
Net assets attributable to Unitholders		6,432,897	6,447,775
Units in issue ('000)	21	1,460,873	1,285,813
Net asset value per unit attributable to Unitholders			
In RMB		4.40	5.01
In HK\$		5.23	5.61

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 152 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 2020

	Reserves (note) RMB'000	Net assets attributable to Unitholders RMB'000
As at 1 January 2020	–	6,447,775
Loss for the year and before transactions with Unitholders	–	(189,924)
Exchange losses on translation of financial statements	(71,896)	–
Amount arising from exchange reserve movements	71,896	(71,896)
Distributions paid to Unitholders:		
– 2019 final distribution	–	(117,685)
– 2020 interim distribution	–	(121,415)
Change in net assets attributable to Unitholders for the year ended 31 December 2020, excluding issuance of new units and units bought back for cancellation	–	(500,920)
Issuance of units (note 21)	–	488,877
Units bought back for cancellation (note 21)	–	(2,835)
	–	486,042
As at 31 December 2020	–	6,432,897

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 152 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 2020

	Reserves (note) RMB'000	Net assets attributable to Unitholders RMB'000
As at 1 January 2019	–	6,366,978
Profit for the year 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 152 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	22	344,525	373,174
Interest received		3,168	3,582
Income tax paid		(2,089)	(604)
Net cash generated from operating activities		345,604	376,152
Cash flows from investing activities			
Additions to investment properties		(26,291)	(3,237)
Net cash used in investing activities		(26,291)	(3,237)
Cash flows from financing activities			
Payment of lease liabilities		(1,088)	(1,104)
Repurchase of units in issue		(2,835)	–
Proceeds from issuance of convertible bonds, net of transaction cost		–	510,473
Repayment of borrowings		–	(517,774)
Interest paid		(95,776)	(151,926)
Other borrowing cost paid		(1,979)	–
Decrease/(increase) in restricted bank balances		60,433	(775)
Distributions to Unitholders		(239,100)	(195,392)
Net cash used in financing activities		(280,345)	(356,498)
Net increase in cash and cash equivalents		38,968	16,417
Cash and cash equivalents at the beginning of the year		124,992	107,094
Exchange (loss)/gain on cash and cash equivalents		(9,525)	1,481
Cash and cash equivalents at end of year		154,435	124,992

The notes on pages 114 to 152 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 60/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

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

The 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.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, right-of-use assets, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

The Group has adopted all of the new standards, amendments, improvements and interpretation to existing standards issued by the International Accounting Standards Board that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2020.

New standards, amendments, improvements and interpretation to existing standards effective in 2020:

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

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.

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
IFRS 16 Amendments	COVID-19 Related Rent Concessions	1 June 2020
IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 Amendments	Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 3, IAS 16 and IAS 37 Amendments	Narrow-Scope Amendments	1 January 2022
Annual Improvements to IAS 41, IFRS 1, IFRS 9, and IFRS 16	Annual Improvements 2018-2020 Cycle	1 January 2022
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of Spring REIT and its subsidiaries as at 31 December 2020 and their results for the year then ended.

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

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

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, for rental income in the ordinary course of the Group's activities. Amounts disclosed as revenue are net of returns and amounts collected on behalf of third parties. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

(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.

(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 pre-payment 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 2020

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 deposits

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 2020

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 re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

(o) Leases

(i) At initial recognition

The Group acting as lessee recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The right-of-use asset is measured at its cost which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate adjusted for the length of lease.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, included in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, or the penalty payable on the exercise of a termination option unless the Group is reasonably certain not to exercise the option; and
- any amounts expected to be payable under residual value guarantees.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the investment properties used in the Group's leasing activities. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

2 Summary of significant accounting policies (Continued)

(o) Leases (Continued)

(ii) Subsequent measurement

The Group measures the right-of-use assets that meet the definition of investment property using the fair value model applied to its investment property.

The lease liability is measured as follows:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease liability payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(p) 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 2020

3 Financial risk and capital risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2020, if US\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, loss for the year would have been increased/decreased by RMB163,575,000 (2019: profit for the year would decreased/increased by RMB172,448,000) 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 2020, if GBP had strengthened/weakened by 5% against the USD with all other variables held constant, loss for the year would have been decreased/increased by RMB9,167,000 (2019: profit for the year would have been increased/decreased by RMB10,324,000) 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 UK.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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.

As at 31 December 2020, the Group has six 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 0.450% to 0.565% per annum and receives interest at the rate of 3-month USD LIBOR until 20 December 2024.

As at 31 December 2020, if interest rates had been 50 basis points higher/lower with all other variables held constant, (loss)/profit for the year would have been RMB3,249,000 higher/lower (2019: RMB11,196,000 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 2020

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 2020				
Restricted bank balances	–	–	313,924	–
Trade and other receivables	1,643	–	–	–
Cash and cash equivalents	154,435	–	–	–
At 31 December 2019				
Restricted bank balances	–	–	382,115	–
Trade and other receivables	156	–	–	–
Cash and cash equivalents	124,992	–	–	–

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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 2020				
Trade and other payables	20,459	–	–	–
Rental deposits	49,315	49,925	46,991	1,749
Interest payable on borrowings	66,337	47,517	105,306	–
Derivative financial instruments (net settled)	7,412	6,265	3,744	–
Interest-bearing borrowings	–	445,933	2,565,190	–
Lease liabilities	1,037	1,037	3,110	63,237
At 31 December 2019				
Trade and other payables	33,042	–	–	–
Rental deposits	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

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 2020

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 (2019: total borrowings and convertible bonds) divided by total assets.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total borrowings (2019: total borrowings and convertible bonds) (notes 19 and 20)	3,024,232	3,704,841
Total assets	9,712,865	10,429,369
Gearing ratio	31.1%	35.5%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020				
Liabilities				
Derivative financial instruments	–	16,550	–	16,550
At 31 December 2019				
Liabilities				
Derivative financial instruments	–	4,102	–	4,102
Convertible bonds – derivative components	–	83,226	–	83,226

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

3 Financial risk and capital risk management (Continued)

3.3 Fair value estimation (Continued)

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

As at 31 December 2020, the level 2 derivative financial instruments represented six (2019: 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 and right-of-use assets, that are measured at fair value, are set out in notes 13 and 14.

4 Critical accounting estimates and judgements

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

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

(a) Estimates of fair value of investment properties

The fair value of each investment property is individually determined at each reporting date by independent valuer using valuation techniques. Details of the judgement and assumptions have been disclosed in note 13.

(b) Estimates of fair values of derivative financial instruments/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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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 2020, revenue of RMB493,636,000 (2019: RMB505,530,000) is attributable to tenants from the PRC investment properties and RMB39,535,000 (2019: RMB41,062,000) is attributable to tenants from the UK investment properties. As at 31 December 2020, investment properties of RMB8,553 million (2019: RMB9,174 million) is located in the PRC and RMB650 million (2019: RMB699 million) is located in the UK. Right-of-use assets of RMB15.1 million (2019: RMB16.3 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenues		
Rental income	518,810	529,625
Car park income	4,862	3,670
Other income (note i)	9,499	13,297
	533,171	546,592

Note:

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

6 Property operating expenses

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Property management fee	11,314	11,523
Property taxes (note i)	59,866	58,583
Other taxes (note ii)	5,992	6,156
Withholding tax (note iii)	49,830	50,328
Leasing commission	1,899	5,445
Reinstatement costs	2,171	6,573
Others	4,619	1,164
	135,691	139,772

Notes:

- (i) Property taxes represent real estate tax and land use tax in the PRC. Real estate tax applicable to the Group's Beijing properties is calculated: (a) for leased area, at 12% of rental income; and (b) for vacant area, at 1.2% of the residual value of the relevant area.
- (ii) Other taxes represent urban construction and maintenance tax, education surcharge and stamp duty in the PRC.
- (iii) Withholding tax is calculated based on 10% of the revenues received from rental operation in the PRC.

7 General and administrative expenses

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Manager's fee (note i)	50,763	54,120
Trustee fee	1,763	1,724
Valuation fee	829	903
Auditor's remuneration		
– Audit services	1,788	1,851
– Other assurance services	2,238	629
– Other non-assurance services	681	–
Legal and other professional fee	13,036	6,789
Others	975	1,333
	72,073	67,349

Notes:

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

8 Other gains/(losses), net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net fair value losses on derivative financial instruments at fair value through profit or loss	(13,993)	(3,737)
Change in fair values of derivative components of convertible bonds (note 20)	–	5,500
Gain on conversion of convertible bonds (note 20)	56,699	–
Foreign exchange gains, net	48,023	2,060
Other miscellaneous losses	–	(166)
	90,729	3,657

9 Finance income/(costs)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expenses on bank borrowings (note i)	(94,172)	(146,230)
Interest expenses on convertible bonds (note 22(b))	(4,299)	(3,724)
Interest expenses on derivative financial instruments	(3,969)	(1,798)
Interest expenses on lease liabilities	(938)	(983)
Foreign exchange gains/(losses) on bank borrowings (note ii)	172,131	(39,682)
Other borrowing costs	(1,979)	–
	66,774	(192,417)

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

10 Income tax expense

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

Prior to 6 April 2020, for the subsidiary with operation in the UK, it is subject to non-resident landlord income tax at a rate of 20% (2019: 20%). From 6 April 2020 onwards, the UK subsidiary is subject to corporation tax at a rate of 19%.

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	
	2020	2019
	RMB'000	RMB'000
Current income tax	2,660	2,136

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	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit before income tax and transactions with unitholders	(187,264)	225,198
Exclude loss/(profit) from the PRC operation which is not subject to income tax (note 6(iii))	170,025	(263,974)
	(17,239)	(38,776)
Tax calculated at the Hong Kong profit tax rate at 16.5% (2019: 16.5%)	(2,844)	(6,398)
Effect on different taxation rate on overseas operations	236	888
Income not subject to tax	(11,897)	(4,104)
Expenses not deductible for tax purposes	17,165	11,750
	2,660	2,136

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

11 Manager's fee

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Base fee	38,839	41,804
Variable fee	11,924	12,316
	50,763	54,120

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 10 December 2019 and 19 December 2018 in relation to the Manager's elections for the Base Fee to be paid to the Manager in the form of cash as to 20% and in the form of Units as to 80% (2019: in the form of Units entirely), and Variable Fee to be paid to the Manager in the form of cash entirely (2019: in the form of cash entirely), arising from any real estate of Spring REIT for the year ended 31 December 2020 and 2019 in accordance with the Trust Deed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

12 (Loss)/earnings per unit

	2020 RMB'000	2019 RMB'000
(Loss)/profit for the year, before transactions with Unitholders	(189,924)	223,062
Adjustment for dilutive convertible bonds	(52,372)	(1,776)
(Loss)/profit for the year, before transactions with Unitholders for calculating diluted (loss)/earnings per unit	(242,296)	221,286
Weighted average number of units for the year for calculating basic (loss)/earnings per unit	1,435,823,789	1,279,052,306
Adjustment for dilutive units issuable in respect of the Manager's fee	–	3,596,762
Adjustment for dilutive convertible bonds	18,432,495	160,626,029
Weighted average number of units for the year for calculating diluted (loss)/earnings per unit	1,454,256,284	1,443,275,097
Basic (loss)/earnings per unit based upon (loss)/profit before transactions with Unitholders	(RMB13.2 cents)	RMB17.44 cents
Diluted (loss)/earnings per unit based upon (loss)/profit before transactions with Unitholders	(RMB16.7 cents)	RMB15.33 cents

Convertible bonds issued on 27 November 2019 are considered to be potential units and have been included on the determination of diluted (loss)/earnings per unit.

The units issuable in respect of the Manager's fee are considered to have an anti-dilutive effect on the basic loss per unit for the year ended 31 December 2020, thus it is not included in the calculation of diluted loss per unit.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

13 Investment properties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	9,873,265	9,764,060
Additions	26,609	3,237
Exchange differences recognised in other comprehensive income	(24,294)	35,201
Changes in fair value recognised in consolidated income statement	(672,678)	70,767
At end of the year	9,202,902	9,873,265

Notes:

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

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

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

As at 31 December 2020 and 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 31 December 2020 and 31 December 2019, 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 2020 and 2019, the fair values of the investment properties have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The independent valuer adopted the income capitalisation approach and cross-checked by the direct comparison approach for the valuation where applicable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

13 Investment properties (Continued)

Valuation techniques

(i) PRC investment property

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

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

(ii) UK investment properties

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

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 2020	–	–	9,202,902
As at 31 December 2019	–	–	9,873,265

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

13 Investment properties (Continued)

Fair value hierarchy (Continued)

(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 2020 valuation, a capitalisation rate of 5.0% (2019: 5.0%) is used in the income capitalisation approach.

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The average gross monthly office unit base rent of RMB387 (2019: RMB404) 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 2020 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 4.6% to 8.5% (2019: 4.1% to 8.0%).

(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 (2019: GBP4.50 to GBP22.47) per square foot.

As at 31 December 2020, 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 RMB460 million (2019: RMB494 million) higher/lower.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
At beginning of the year	16,304	–
Adjustment on adoption of IFRS 16	–	15,275
Exchange differences recognised in other comprehensive income	(567)	891
Changes in fair value recognised in consolidated income statement	(664)	138
At end of the year	15,073	16,304

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Lease liabilities , expected to be settled:		
Within 1 year	169	136
After 1 year	11,335	11,936
	11,504	12,072

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

Fair value hierarchy

	Fair value measurements using		
	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000
Recurring fair value measurements			
As at 31 December 2020	–	–	15,073
As at 31 December 2019	–	–	16,304

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

15 Derivative financial instruments

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Liability		
Fair value of the interest rate swaps	16,550	4,102

Notes:

The Group has entered into six (2019: 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 2020 was RMB1,958 million (31 December 2019: RMB1,032 million) with maturity on 20 December 2024.

The Group recorded net fair value losses on interest rate swap for the year ended 31 December 2020 amounting to RMB13,993,000 (2019: RMB3,737,000) (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	
	2020	2019
	RMB'000	RMB'000
Within 1 year	–	4,102
After 1 year	16,550	–
	16,550	4,102

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

16 Trade and other receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Rent receivables	1,643	156
Deferred rent receivables (note iv)	22,373	28,187
Prepayment	2,332	4,323
Other receivables	54	27
VAT recoverable	129	–
	26,531	32,693

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 and deferred rent receivables in the PRC is generally fully covered by the rental deposits from the corresponding tenants (note 18).
- (iii) As at 31 December 2020 and 2019, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

17 Restricted bank balances and cash and cash equivalents

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Restricted bank balances	313,924	382,115
Cash and cash equivalents	154,435	124,992
	468,359	507,107

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
US\$	233,856	239,980
RMB	197,949	228,543
HK\$	4,895	17,756
GBP	31,659	20,828
	468,359	507,107

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 one year and within the next twelve months, respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

18 Rental deposits and trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Rental deposits (note i)	147,980	155,410
Trade and other payables:		
Rental receipts in advance	43,302	46,850
Provision for other taxes (note ii)	374	50
VAT payable	1,969	2,176
Accrued expenses and other payables	31,388	53,922
	77,033	102,998

- (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	
	2020	2019
	RMB'000	RMB'000
Within 1 year	49,315	31,037
After 1 year	98,665	124,373
	147,980	155,410

- (ii) Provision for other taxes represents provision for 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

19 Interest-bearing borrowings

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

	As at 31 December 2020	2019
	RMB'000	RMB'000
Bank borrowings		
After one year	3,024,232	3,199,602

Bank borrowings are denominated in the following currencies:

	As at 31 December 2020	2019
	RMB'000	RMB'000
US\$ (note i)	2,580,135	2,741,416
GBP (note ii)	444,097	458,186
	3,024,232	3,199,602

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 2020	2019
	RMB'000	RMB'000
6 months or less	3,024,232	3,199,602

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

- (i) The borrowing bears interest of 1.55% per annum above 3-month US\$ LIBOR and repayable in full on 24 December 2024; and
- (ii) 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.

As at 31 December 2020 and 31 December 2019, the Group's investment properties (note 13), 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 2020

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.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Host liability components		
At the beginning of the year	422,013	–
Issuance of convertible bonds	–	421,320
Finance costs	3,307	2,856
Exchange difference recognised in other comprehensive income	2,694	(2,163)
Conversion of convertible bonds	(428,014)	–
At the end of the year	–	422,013
Derivative components		
At the beginning of the year	83,226	–
Issuance of convertible bonds	–	89,153
Change in fair value	–	(5,500)
Exchange difference recognised in other comprehensive income	530	(427)
Conversion of convertible bonds	(83,756)	–
At the end of the year	–	83,226
At the end of the year	–	505,239

As at 31 December 2019, the effective interest rate of the convertible bonds, excluding derivative components was 3.36%.

On 12 February 2020, the holder of the convertible bonds converted all of the bonds based on the initial conversion price of HK\$3.642 per unit, and 160,626,029 new units have been issued and allotted to the bond holder. The conversion represented a settlement of the Group's financial liabilities and resulted in a gain of approximately RMB56.7 million.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

21 Units in issue

	Number of units As at 31 December	
	2020	2019
Balance as at beginning of the year	1,285,813,315	1,272,356,925
New units issued for Manager's fee	15,648,521	13,456,390
New units issued for conversion of convertible bonds (note 20)	160,626,029	–
Repurchase of units in issue (note ii)	(1,215,000)	–
Balance as at end of the year	1,460,872,865	1,285,813,315

- (i) Traded market value of the units as of 31 December 2020 was HK\$2.70 (2019: HK\$3.22) per unit. Based on 1,460,872,865 (2019: 1,285,813,315) units, the market capitalisation was HK\$3,944 million (2019: HK\$4,140 million) (approximately RMB3,320 million (2019: approximately RMB3,700 million)).
- (ii) Pursuant to the general mandate granted to the Manager by the Unitholders, the Manager (on behalf of Spring REIT) bought back a total of 1,215,000 units at an aggregate price of approximately RMB2,835,000 during the year ended 31 December 2020. All units bought back were cancelled during the year.

22 Notes to statements of cash flows

(a) Cash generated from operating activities

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit before taxation and transactions with Unitholders	(187,264)	225,198
Fair value loss/(gain) of investment properties	672,678	(70,767)
Fair value loss/(gain) of right-of-use assets	664	(138)
Net fair value losses on derivative financial instruments	13,993	3,737
Net fair value gains on convertible bonds	–	(5,500)
Gain on conversion of convertible bonds	(56,699)	–
Manager's fee expenses in units in lieu of cash	32,302	41,455
Finance income	(3,168)	(3,582)
Finance costs (note 9)	(66,774)	192,417
Foreign exchange gains	(48,023)	(2,060)
Decrease/(increase) in trade and other receivables	5,687	(2,332)
(Decrease)/increase in rental deposits	(7,430)	877
Decrease in trade and other payables	(11,441)	(6,131)
Increase/(decrease) in trade and other payables	344,525	373,174

Material non-cash movement:

- (i) For the year ended 31 December 2020, the Manager's fee amounting RMB32,302,000 (2019: RMB41,455,000) was settled by issuance of new units.
- (ii) For the year ended 31 December 2020, the holder of the convertible bonds converted all of the bonds to new units, disclosures are set out in note 20.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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 2020	17,147	3,199,602	505,239	12,072	3,734,060
<i>Cash flows in financing activities</i>					
Payment of lease liabilities	–	–	–	(1,088)	(1,088)
Interest paid	(95,776)	–	–	–	(95,776)
Gain on conversion of convertible bonds	–	–	(56,699)	–	(56,699)
Conversion of convertible bonds	–	–	(455,073)	–	(455,073)
Interest expense on bank borrowings (note 9)	81,616	12,556	–	–	94,172
Interest expense on convertible bonds (note 9)	991	–	3,308	–	4,299
Interest expense on lease liabilities (note 9)	–	–	–	938	938
Other borrowing cost (note 9)	3,969	–	–	–	3,969
Exchange difference recognised in profit and loss	(668)	(172,131)	–	–	(172,799)
Exchange difference recognised in other comprehensive income	(83)	(15,795)	3,225	(418)	(13,071)
Accrued Interest expense	3,734	–	–	–	3,734
As at 31 December 2020	10,930	3,024,232	–	11,504	3,046,666

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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) RMB'000	Interest-bearing borrowings RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2019	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
Adjustments 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 2020

23 Future minimum rental receivables

As at 31 December 2020, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	467,365	527,001
1 – 2 years	355,174	391,852
2 – 3 years	247,423	227,323
3 – 4 years	158,233	119,796
4 – 5 years	115,804	75,308
After 5 years	266,565	300,981
	1,610,564	1,642,261

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2019: 3 years).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

24 Connected party transactions and related party transactions and balances

As at 31 December 2020, RCA Fund 01, L.P. is the immediate and ultimate holding company of the Group.

For the year ended 31 December 2020, 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 2020:

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")*	A Substantial Unitholder of Spring REIT
PAG Investment Consulting (Beijing) Co., Limited ("PAG Beijing")* #	An Associate of a Substantial Unitholder of Spring REIT
Beijing Guohua Real Estate Co., Ltd. ("Beijing Guohua")* # (note i, xi and xii)	An Associate of a Substantial Unitholder of Spring REIT
Mercuria Investment Co., Limited ("Mercuria")*	An Associate of the Manager and Associate of a Substantial Unitholder of Spring REIT
MIBJ Consulting (Beijing) Co., Ltd. ("MIBJ")*	An Associate of the Manager and an Associate of a director of the Manager
Beijing Hua-re Real Estate Consultancy Co., Ltd. ("HuaRe")*	An Associate of the Manager and an Associate of a director of the Manager
Jones Lang LaSalle Corporate Appraisal and Advisory Limited (note ii)	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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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

(b) Income from connected/related parties

	Note	Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
Rental revenue from MIBJ	(iii)	956	967
Rental revenue from DBAG and ZDS	(iii)	45,219	45,223
Rental revenue from PAG Beijing	(iii)	2,554	2,420
Interest income from DBAG	(iv)	3,160	3,577

(c) Expenses to connected/related parties

	Note	Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
Property management fee to HuaRe	(v)	10,756	10,976
Trustee's fee paid and payable to the Trustee	(vi)	1,763	1,724
Manager's fee to Spring Asset Management Limited	(vii)	50,763	54,120
Valuation fee to the Principal Valuer	(viii)	829	903
Other professional fee to the Principal Valuer	(viii)	428	180
Bank charges to DBAG	(ix)	41	229

(d) Balances with connected/related parties

	Note	As at 31 December	
		2020	2019
		RMB'000	RMB'000
Lease deposit from MIBJ	(x)	281	289
Lease deposit from DBAG and ZDS	(x)	6,840	6,840
Lease deposit from PAG Beijing	(x)	743	743

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

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

(d) Balances with connected/related parties (Continued)

Notes:

- (i) On 24 December 2020, Beijing Guohua, being an associate of Huamao Property Holdings Limited ("Huamao Property"), became a connected person of Spring REIT upon Huamao Property increasing its units to become a substantial unitholder of Spring REIT.
- (ii) On 4 December 2020, the Principal Valuer is no longer a connected person of the Group as defined under the REIT code when its amendments became effective on the same date.
- (iii) Rental revenue was charged in accordance with the terms of the relevant agreements with the connected/related parties.
- (iv) Interest income received on bank deposits, bank charges and settlement of a financial instrument were charged in accordance with the terms of the relevant agreements with DBAG.
- (v) Property management services fees were charged based on mutually agreed terms between the parties.
- (vi) The Trustee is entitled to in each financial 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.
- (vii) Fee to the Manager was charged in accordance with the Trust Deed.
- (viii) Valuation fee and other professional fee were charged based on mutually agreed terms between the parties.
- (ix) Bank charges was charged in accordance with the terms of the relevant agreements with DBAG.
- (x) Lease deposits were received in accordance with the terms of the relevant lease agreements.
- (xi) The Group (as lessor) has entered into a carpark master lease contract dated 1 January 2017 and subsequently renewed with last renewal on 9 February 2021 (the "Carpark Master Lease") with Beijing Huamao Property Consulting Co., Ltd. First Branch (the "Carpark Operator") (as lessee), who is an associate of Beijing Huamao Property Management Co., Ltd., who in turn is the building manager of the relevant common areas within China Central Place in Beijing, the PRC (the "Development") (the "Building Manager"), pursuant to which the Group's carpark spaces within the Development are master-leased to the Carpark Operator at a fixed rent, subject to an annual payment adjustment pursuant to the Carpark Management and Benefit Sharing Agreement (as described below). Each of the Building Manager and Carpark Operator is an independent third party of Spring REIT.

In relation to the Carpark Master Lease, the Group (through its Property Manager) and Beijing Huamao Asset Management Limited#, a subsidiary of Beijing Guohua, both as owners of their respective carpark spaces in the Development, have jointly entered into a carpark management and benefit sharing agreement dated 22 October 2020 and as supplemented by a supplemental agreement dated 9 February 2021 to (i) appoint the Carpark Operator for the provision of management services in respect of the relevant carpark spaces, and (ii) set out the basis for determining the amount of the net income (after deduction of carpark management fees) generated from the carpark and each owner's entitlement thereto (the "Carpark Management and Benefit Sharing Agreement" and together with the Carpark Master Lease, the "Carpark Contracts"). Since Beijing Guohua and its subsidiary became connected persons of Spring REIT with effect from 24 December 2020, the transactions under the Carpark Contracts became continuing connected party transactions of Spring REIT with effect from such date.

Under the Carpark Master Lease, the transaction amount for the period from 24 December 2020 to 31 December 2020 was RMB96,000. Under the Carpark Management and Benefit Sharing Agreement, (i) the Group's entitlement to the net income (after deduction of carpark management fees) for the period from 24 December 2020 to 31 December 2020 was RMB112,000, and (ii) the Group's share of the carpark management fees for the period from 24 December 2020 to 31 December 2020 was RMB36,000.

- (xii) The Group and Beijing Guohua, both as owners of their respective portion of the Development have jointly entered into a service contract, as renewed for a further period of 24 months on 31 December 2019, to appoint the Building Manager for the provision of maintenance and management services for the relevant common areas within the Development (the "Common Area Service Contract"). Since Beijing Guohua became a connected person of Spring REIT with effect from 24 December 2020, the transactions under the Common Area Service Contract became continuing connected party transactions of Spring REIT with effect from such date.

The Group is responsible for its portion of the management fee payable to the building manager, which is determined taking into account the Group's proportional property area. Pursuant to the Common Area Service Contract, the management fee payable by the Group to the building manager is settled via deduction from the building management fees paid directly by the tenants of the Group to the building manager, and such management fee amount for the period from 24 December 2020 to 31 December 2020 was RMB72,000. The Building Manager is an independent third party of Spring REIT.

No transaction was entered with the directors of the Manager (being the key management personnel) for the year ended 31 December 2020 (2019: Nil).

- # 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 2020

25 Subsidiaries

Name	Place of establishment and kind of legal entity/ place of operations	Principal activities	Particulars of issued share capital	Interest held	
				2020	2019
Directly held:					
RCA01	Cayman Islands, limited liability	Property investment	1,000 of US\$1 each	100%	100%
RUK01 Limited	Jersey, limited liability	Investment holding	1 of GBP1 each	100%	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%	100%

* Spring Treasury Limited has been deregistered on 9 November 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2020

26 Financial instruments by category

	Notes	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Financial assets			
<i>Financial assets at amortised cost:</i>			
Trade and other receivables	16	1,643	156
Restricted bank balances	17	313,924	382,115
Cash and cash equivalents	17	154,435	124,992
		470,002	507,263
Financial liabilities			
<i>Financial liabilities at amortised cost:</i>			
Accrued expenses and other payables	18	31,388	53,922
Rental deposits	18	147,980	155,410
Interest – bearing borrowings	19	3,024,232	3,199,602
Convertible bonds – host liability components	20	–	422,013
<i>Financial liabilities at fair value through profit and loss:</i>			
Derivative financial instruments	15	16,550	4,102
Convertible bonds – derivative components	20	–	83,226
		3,220,150	3,918,275

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 Approval of the consolidated financial statements

The consolidated financial statements were authorised for issue by the Manager on 23 March 2021.

Performance Table

Year ended 31 December	2020	2019
Net assets attributable to Unitholders	RMB6,432.90 million	RMB6,447.78 million
Net assets per Unit attributable to Unitholders	HK\$5.23	HK\$5.61
Total borrowings as a percentage of gross assets	31.1%	35.5%
Market capitalization ¹	RMB3,319.57 million	RMB3,700.22 million
Units issued	1,460,872,865	1,285,813,315

For the year ended 31 December	2020	2019
Highest traded unit price	HK\$3.29	HK\$3.72
Highest premium of the traded unit price to net assets per Unit	N/A	N/A
Lowest traded unit price	HK\$2.00	HK\$3.14
Highest discount of the traded unit price to net assets per Unit	61.8%	44.0%
Distributions per Unit ²	HK20.0 cents	HK18.9 cents
Net yield per Unit ²	7.4%	5.9%

Notes:

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

Corporate Information

The Manager

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

Board of Directors of the Manager Chairman and Non-executive Director

Mr. Toshihiro Toyoshima

Executive Directors

Mr. Nobumasa Saeki (resigned on 24 March 2021)
Mr. Leung Kwok Hoe, Kevin
Mr. Chung Wai Fai, Michael (appointed on 24 March 2021)

Non-executive Director

Mr. Hideya Ishino

Independent Non-executive Directors

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

Alternate Director

Mr. Chung Wai Fai, Michael (appointed on
14 August 2020 and ceased on 24 March 2021)
(alternate to Mr. Nobumasa Saeki)

Responsible Officers of the Manager

Mr. Nobumasa Saeki (resigned on 24 March 2021)
Mr. Leung Kwok Hoe, Kevin
Mr. Chung Wai Fai, Michael
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

Tricor Investor Services Limited
Level 54, 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, Michael
Email: ir@springreit.com

Stock Code

Hong Kong: 1426

Website

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SpringREIT

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Managed by
Spring Asset Management Limited

