

SpringREIT

Spring Real Estate Investment Trust
春泉產業信託

Stock Code : 01426

Managed by

Spring Asset Management Limited



ANNUAL REPORT
2021



ABOUT SPRING REIT

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

Spring REIT offers investors direct exposure to two premium office buildings strategically located in Beijing Central Business District ("**Beijing CBD**") through its ownership in China Central Place Office Tower 1 and 2 (and the relevant portion of the car park) (the "**CCP Property**"). 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 2021, the Manager is 80.4% owned by Mercuria Holdings Co., Ltd. ("**Mercuria Holdings**"), which is an investment holding company listed on the Tokyo Stock Exchange (Stock Code: 7347) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.





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PERFORMANCE HIGHLIGHTS

Property Valuation

(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 2021 to 31 December 2021 (the “**Reporting Period**”, “**2H 2021**” or “**2021 Final Distribution Period**”) of HK11.2 cents per Unit (“**2021 Final Distribution**”) to unitholders of Spring REIT (the “**Unitholders**”) whose names appear on the register of Unitholders on 19 April 2022 (the “**Record Date**”). However, this 2021 Final Distribution may be subject to adjustment in the event of any issuance of new Units and Units bought back and cancelled between 22 March 2022 and 19 April 2022. Before any such adjustment and together with the interim distribution of HK10.8 cents per Unit, total distributions for the year ended 31 December 2021 (“**FY2021**”, “**Reporting Year**”) amounts to a total of HK22.0 cents per Unit (FY2020: HK20.0 cents per Unit), representing a payout ratio of 90% (FY2020: 95%).

Based on the closing price of HK\$2.58 per Unit as at 31 December 2021, the Reporting Year Distribution per Unit (“**DPU**”) represents a distribution yield of 8.5%. 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 2021 Final Distribution is HK\$1 = RMB0.8254, which represents the average of month-end central parity rates in the 2021 Final Distribution Period (as announced by the People’s Bank of China).

The Manager confirms that the 2021 Final Distribution is composed only of consolidated profit after tax, before transactions with Unitholders and non-cash adjustments for the 2021 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 2021 Final Distribution will be 19 April 2022. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 14 April 2022 to 19 April 2022, both days inclusive, during which period no transfer of Units will be registered. The 2021 Final Distribution is expected to be payable on 29 April 2022 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2021 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 13 April 2022.

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 2021. One year ago, I started my message by referring to the trio of negative pressures affecting the global and China environments. They were the impact of COVID-19, international geo-political tensions, and an unstable global economy. A year on, and these same issues have persisted. Variations to the COVID virus saw pandemic restrictions extended throughout 2021, and international tensions have continued to simmer. In China, policy changes introduced by the government have also brought short-term economic challenges to some sectors of the economy. Both the technology and property sectors have had to grapple with new industry guidelines designed to promote healthier and more responsible growth.

Amid the continuing volatility, Spring REIT managed to deliver an encouraging performance for the year, achieving a 10.8% growth in distributable income and 10.0% growth in DPU amounting to RMB297.69 million and HK22.0 cents respectively. Spring REIT's success in delivering growth in DPU for the last two consecutive years bears witness to the Manager's efforts to understand, anticipate and respond to the market, and to maintain a reputation for best-in-class quality and services despite the difficult environment. From the perspective of capital management, the Manager is pleased to note that both the conservative strategies it has adopted and the favourable RMB exchange rates during the year have given the REIT a healthy financial basis in the face of economic uncertainty.

PERFORMANCE REVIEW

Spring REIT's Beijing property continued to perform steadily despite volatile macro conditions over the year. For much of 2021, China's economy bucked the global trend in the face of the pandemic and continued to grow steadily. The situation moderated in the second half, however, as new policies introduced by the government to strengthen social stability and rein in perceived excesses in certain key sectors of the economy began to take effect. Both the technology and property sectors have borne the brunt of the government's policy tightening, and this has led to some uncertainty in the short term.

At the more local level of the Beijing office environment, our CCP Property showed its strengths in the face of overall weak citywide demand. The Beijing office market continued to soften in 2021 after a challenging 2020, with vacancy rates rising and rents falling. Market activity was very limited until the second half of the year when the office market began to find support, and market activity only began to pick up again towards the end of 2021, driven primarily by the tech sector. In the Beijing CBD, where Spring REIT's property is located, financial companies are still the primary tenants, but strong growth in the technology sector has led to spill-over demand from technology firms relocating from other areas of Beijing.

The steady stream of new office supply in Beijing, which has exerted downward pressure on occupancy and rents in recent years, is expected to come to an end in the near term. Two new Beijing CBD office completions in the second half of the year marked the last of the major office projects undertaken in recent years, and there is limited new supply on the horizon. This should hopefully translate into near term support as vacancies reduce, especially as the economy stabilises.

CHAIRMAN'S STATEMENT (continued)

In the midst of a weak Beijing office environment, Spring REIT's Beijing property continued to prove resilient throughout the year. From early on, the Manager recognised the importance of maintaining occupancy rates while being prepared to be flexible on rents. As a result, in the second half of the year, occupancy went up from 90% to over 96% while average passing rent declined on the back of a negative rental reversion of 2.6%. The result was growth in revenue of 6.3% in the second half of 2021.

Spring REIT has continued to develop and expand its Environmental, Social and Governance ("ESG") practices and policies in the year, and our sustainability journey is now well underway. We recognise that as a top-quality building in a premium location, the Beijing property must also be a standard-bearer in sustainability going forward. Last year we reported that it was off to a good start with its 'Platinum' level LEED accreditation, a global recognition of the exceptional environmental standards of a whole range of building features such as energy efficiency, air quality, water usage and waste handling. These are areas that do make a difference to tenants, with many high-quality tenants demanding standards of environmental quality in their leased office space that match their own high-level internal company commitments to sustainability.

As planned, in 2021 Spring REIT began to establish a series of workable ESG targets to be applied across its operations, including to property and management companies associated with Spring REIT. We also set up internal structures and committees to be responsible for ESG implementation and accountability. These are proving important first steps in laying a strong sustainability foundation as we go forward, and giving us benchmarks that we will take into account in any future property investment initiatives.

Spring REIT has always maintained the competitiveness of the CCP Property by placing great emphasis on asset enhancement initiatives designed to deliver a superb experience to tenants. During the year, driven by our focus on ESG, we continued to invest and upgrade our air-conditioning system with a focus on improving energy efficiency and tenants' comfort in Beijing's unforgiving climate. We also undertook a major enhancement of the washrooms across the two buildings, all to very high standards. The views from the building were taken into account, and we worked with neighbouring buildings in the vicinity on landscape enhancement projects designed to improve our tenants' views from their offices.

During the year Spring REIT also launched a new digital property technology platform for its tenants. This platform comes with mobile apps that together offer multiple functions for tenants; for example, they can be used to reserve car parking spaces in the building and gain security clearance for staff and visitors, or to request maintenance, pay rent, make restaurant bookings and more. The platform also provides information that is enabling us to enhance our property management services, making available data that allows us to adapt to the need of our tenants throughout the building.

In short, Spring REIT's ability to deliver growth in a difficult macro-environment arose not only from the fact that it has a premium property in an extremely desirable location, but also because we have been highly proactive in enhancing CCP Property to the best possible standards. Furthermore, the leasing team has been untiring and innovative in its approach to managing existing tenants and sourcing potential new ones, further supporting the property's performance.

Spring REIT's portfolio of 84 properties in the UK has continued to perform steadily, as expected and planned. The long-term lease of these multiple properties to vehicle servicing company Kwik Fit (GB) Limited ("**Kwik Fit**") gives us considerable stability and certainty about this part of our property investment, and a steady source of income. The sale of a small parcel of land adjacent to one of the Kwik Fit sites in Stirling, Scotland was completed in the year.

CHAIRMAN'S STATEMENT (continued)

The Manager continued to maintain a prudent capital management structure in anticipation of a global hike in interest rates going forward, while seeking to ensure Spring REIT's ability to weather the uncertainties during the year. Meanwhile, Spring REIT's UK loan was due in January 2022, and refinancing was underway in the final quarter of the year. The timing of the loan expiry coincided with the phasing out of GBP LIBOR as an interest rate benchmark for most currency settings around the world, so the refinancing arrangement for the UK loan used the Sterling Overnight Interbank Average ("**SONIA**") benchmark, a more robust risk-free rate. Under the new refinancing arrangement, Spring REIT holds a 3-year loan for GBP50.5 million at a 2.2% margin per annum plus SONIA plus Credit Adjustment Spread ("**CAS**"). This arrangement has ensured that the transition from LIBOR to SONIA will have a minimal impact. Although the interest components are slightly different, the total interest amount is expected to be similar to that of the current facility.

Spring REIT has benefited from strong partnerships with strategic investors Sino Ocean Group Holding Limited ("**Sino Ocean Group**") since February 2020, and Huamao Property Holdings Limited ("**Huamao Property**"), from late 2020. Sino Ocean Group's property investment interests in China remain a promising route to identifying high quality investment opportunities in the future, although the challenges of the past year and the current uncertainty in China real estate markets have affected our ability to pursue opportunities in 2021. Huamao Property's investment in Spring REIT is significant as its subsidiary Beijing Guohua Real Estate Co. Ltd. owns much of the mixed-use development China Central Place in which Spring REIT's CCP Property is situated. This is strengthening the community synergies for the China Central Place area, which we anticipate will bring longer term benefits for the CCP Property.

OUTLOOK

With the global economic recovery proceeding slowly, and the Chinese economy needing time to adapt to government policies promoting balanced and healthy growth in strategic sectors including technology and real estate, we expect to see continuing volatility in the office market in Beijing. Nonetheless, market sentiment in Beijing has improved now that new office supply in the Beijing CBD has almost come to an end, especially since the area has limited land supply for future office development. The volume of tenant enquiries has also risen somewhat, driven by businesses looking to take advantage of attractive rental levels to trade up their premises. Stiff market competition to fill up existing vacancies is expected to temporarily weigh on rental levels in the short term. However, the Manager remains cautiously optimistic that the dynamics of the Beijing office market will gradually improve as the market align itself with an increasingly favourable equilibrium of supply and demand.

Most of the major leases at Spring REIT's Beijing Property that were due to expire in the first half of 2022 have been secured for renewal. Rental reversion was marginally negative during the Reporting Period, reflecting softened rental rates in the broader market, but on the positive side, the Manager was pleased to bring occupancy back up to 98% at the end of the year. In the longer term, the Manager will look to further enhance the quality of its tenant base, while integrating a greater focus on sustainable development into its leasing and operation strategy.

Looking ahead to FY2022, the Manager remains optimistic about the performance of the REIT. The CCP Property in Beijing is likely to benefit from the recovery in market rental given the property's premium quality and location. Building quality will be further consolidated by asset enhancement initiatives, as the Manager continues to upgrade the property's hardware and enhance its energy efficiency using the latest technology. Meanwhile, the UK Portfolio will continue to provide stable cash flow, and should act as a buffer against any volatility in the more dynamic Beijing office property market.

CHAIRMAN'S STATEMENT (continued)

In terms of capital management, the Manager is paying close attention to two specific areas. Firstly, the manager is expecting a rise in global interest rates to combat heightened inflation, which will in turn impact borrowing costs generally. To Spring REIT however, our earlier initiative to implement float-to-fixed interest rate hedges covering about 75% of the USD loan amounts have substantially mitigated the REIT's interest rate exposure. With this firm footing, the Manager will continue to explore ways to optimize the composition of borrowings to maintain a relatively stable cost outlook.

The other area that the Manager has been focusing on is to manage the risks and cost implications around the global transition of interbank offered rates (IBORs) to their risk-free rate (RFR) counterparts. For our LIBOR-based GBP loan, with benchmark interest rate ceased to be published after the end of 2021, the Manager had successfully refinanced the underlying loan using SONIA, the official replacement of GBP LIBOR.

Yet USD loan makes up the bulk of the REIT's borrowing. Ahead of USD LIBOR being officially replaced by Secured Overnight Financing Rate (SOFR), as part of our proactive capital management exercise, the Manager has been exploring various options to ensure a smooth transition, including the potential of switching Spring REIT's USD debt exposure to HKD. The Hong Kong Interbank Offered Rate (HIBOR) has been in place for many years and is widely recognized as a credible and reliable benchmark; equally importantly, the Hong Kong Monetary Authority has no plans to discontinue HIBOR in the foreseeable future. Besides being steadily pegged to the USD with good market liquidity, HKD also comes across as a natural choice as it is also the currency Spring REIT uses for payment of its distributions.

The macro environment has posed difficulties for Spring REIT to deliver expansion in the past year, and in particular the adjustments in China's real estate sector and Covid-related travel restrictions have slowed our progress in expanding Spring REIT's portfolio. The Manager is firmly committed to steering Spring REIT safely through this challenging environment, and Unitholders can be assured of our unwavering determination to deliver sustainable long term growth in distributions. Our enhanced strategic relationships with Sino Ocean Group and Huamao Property remain crucial for us identifying high-quality investment opportunities in the years ahead, and we will ensure that any new acquisitions live up to the standards of quality and reliability of our existing assets.

Toshihiro Toyoshima

Chairman and Non-executive Director

Spring Asset Management Limited

(as Manager of Spring REIT)

22 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW OF SPRING REIT'S PROPERTIES

CCP PROPERTY

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

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



UK PORTFOLIO

84 Commercial Properties

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



OVERVIEW OF CHINA CENTRAL PLACE

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



OFFICE

Premium Grade offices

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



SHOPPING

SKP Beijing and other shopping areas

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



RESIDENTIAL

Residential area

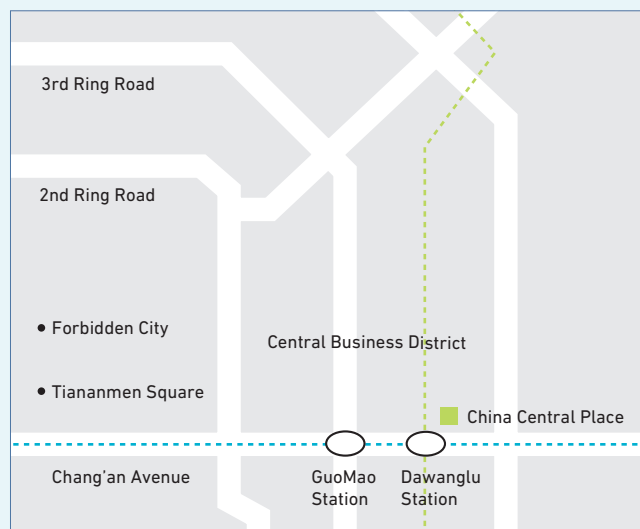
- Residential and serviced apartments with a clubhouse



HOTELS

Five-star luxury hotels

- Ritz-Carlton Hotel Beijing
- JW Marriott Hotel Beijing



- Subway Line 14
- Subway Line 1

MANAGEMENT DISCUSSION AND ANALYSIS

CCP PROPERTY OPERATION REVIEW

Beijing office market overview

The Beijing CBD is home to tenants from a wide range of industries, including many from the finance and insurance, professional services and manufacturing industries. It holds the largest amount of Grade-A office stock in Beijing, amounting to 2.80 million sqm as at the end of 2021, and accounting for 25.8% of the city's total Grade-A office space of 10.85 million sqm.

Following a challenging FY 2020, it was encouraging to see a battered office market stabilised during the Reporting Year. Domestic companies, particularly those from the technology, media and telecom sector, made significant contribution to leasing activities, while the finance and professional service sectors dominated market transactions. The steady market sentiment drove overall occupancy rate to 87.2% at the end of the year, a return to the pre-Covid level. On the supply side, seven new completions entered market in 2021, four of which were completed in the second half. Among these new completions, two are located in the CBD area. As majority of the space in these two new projects were for self-use, the impact on CBD market was limited.

Overall rents in Beijing have stabilized in FY 2021, with the CBD submarket showing signs of bottoming. We are beginning to see signs of potential turnaround in rental with premium buildings leading rise. Meanwhile, as landlords have started to adopt more sustainable leasing policies and are more selective on tenant quality, stronger tenants are often able to negotiate favorable terms for their leases.

Beijing Office Market Vacancy and Rental Rates in 2021

		Occupancy Rate ¹	YoY change	Average Rental Rate ² (RMB/sqm/month)	YoY change
CBD	Grade A	87.2%	5.8 pts	351	(2.2%)
	Premium Grade A	88.2%	7.4 pts	394	(2.5%)

¹ Data is as at 31 December 2021.

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

Source: JLL Research

Throughout the year we focused on retaining high quality tenants and building a tenant profile that is sustainable in the midst of a highly competitive market. We are therefore pleased to report that despite a marginal negative rental reversion of 2.6% for the second half of the year, we managed to achieve an encouraging occupancy of 98% at the end of the year and an average retention rate of 81.3% for the year.

Going into 2022, we expect Grade A office buildings will be in a stronger position in their negotiation with new tenants as vacancy continues to decline. The near-term pipeline of new supply in the CBD is also coming to an end and as recent completion in the area begins to fill up, market dynamics is expected to improve further.

CCP PROPERTY OPERATION PERFORMANCE

(in RMB million)			
For the Year Ended 31 December	2021	2020	Change
Revenues			
– Rental income	478.80	479.28	(0.1%)
– Car park income	4.87	4.86	0.2%
– Other income (note i)	5.33	9.50	(43.9%)
	489.00	493.64	(0.9%)
Property Operating Expenses			
– Property management fee	(10.34)	(10.76)	(3.9%)
– Property taxes (note ii)	(57.09)	(59.87)	(4.6%)
– Withholding tax (note iii)	(47.88)	(49.83)	(3.9%)
– Other taxes (note iv)	(4.03)	(5.99)	(32.7%)
– Leasing Commission	(10.63)	(1.90)	459.5%
– Other expenses (note v)	(1.46)	(6.75)	(78.4%)
	(131.43)	(135.10)	(2.7%)
Net Property Income	357.57	358.54	(0.3%)

Notes:

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

For the full year of 2021, the CCP Property reported a 0.9% decrease in revenue YoY, with rental income generated from the office space decreasing by 0.1% YoY.

Property operating expenses are mainly comprised of tax expenses, namely property taxes, withholding tax and other taxes. Tax expenses in aggregate accounted for 82.9% of the total property operating expenses. The property management fee, payable at 2.0% of total revenue, accounted for 7.9% of the total property operating expenses.

A 2.7% YoY decrease in property operating expenses was recorded, which was in line with the slight decrease in revenue. As a result, net property income remain at stable level.

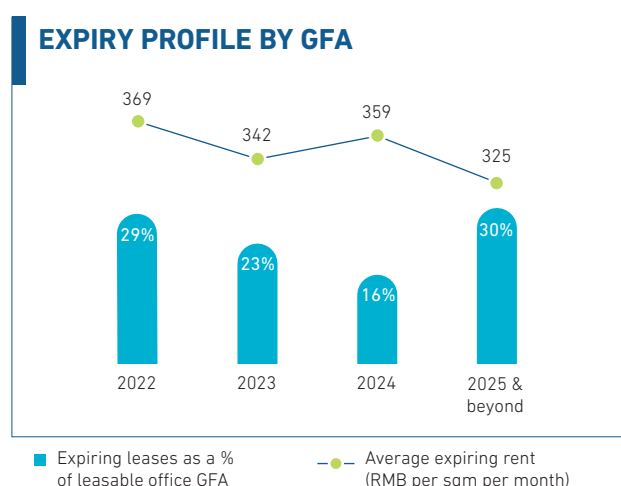
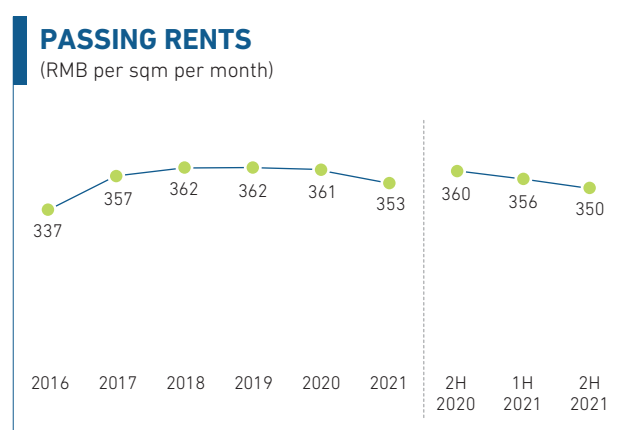
MANAGEMENT DISCUSSION AND ANALYSIS (continued)

RENTAL INCOME

In 2H 2021, the CCP property have recovered significantly on the back of a stabled market. The CCP Property registered an average occupancy of 96.3% in 2H 2021, and a total area of 50,691 sqm was leased out and renewed during the Reporting Year. Retention rate¹ stood at 81.3% for the full year. Of the newly leased area, 33.9% was attributable to new lettings, with the remainder being renewals. Average passing rent (net of Value-Added Tax ("VAT")) declined marginally to RMB350 per sqm in 2H 2021, implying a negative rental reversion rate² of 2.6%, and a full year reversion of negative 4.5% (FY2020: 0.7%).

We have paid close attention to rental arrears and as of 31 December 2021, the outstanding amount was RMB0.57 million, representing 1.4% of our total rental income receivable in December 2021. While 35% 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-2021	Change	30-Jun-2021	Change	31-Dec-2020
Average Monthly Passing Rent (RMB/sqm) ³	350	(1.7%)	356	(1.1%)	360
Average Occupancy ⁴	96.3%	+6.0 ppts	90.3%	+0.8 ppts	89.5%



- Retention rate illustrates the proportion of the total area under all the expired leases that was taken up by the same tenants entering into new leases during the relevant period.
- Rental reversion is calculated on the basis of the difference in the effective rent for only existing tenants who renewed their lease in the same space with the same area during the relevant period.
- 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.
- Occupancy rate is an average of the month-end figures throughout the specified period.

As at 31 December 2021, the weighted average lease expiry in terms of GFA was 813 days for the CCP Property. Leases expiring in the years ending 31 December 2022 and 31 December 2023 accounted for 29.0% and 22.9% of the total leasable GFA respectively, and the average unit rents for the expiring leases were RMB369 per sqm and RMB342 per sqm respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

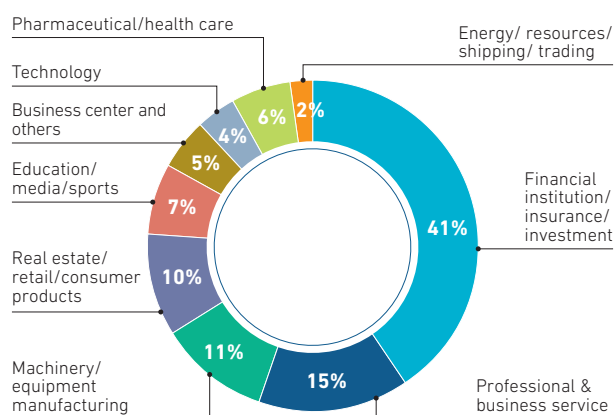
TENANCY BASE

The CCP Property had a total of 191 tenancies as at 31 December 2021. The top five tenants in terms of GFA accounted for 18.3% of the total revenue for the Reporting Year, and occupied 22.1% of total leased GFA as at 31 December 2021. Details of the top five tenants in terms of GFA are set out in the table below.

Tenants	Portion of total leased GFA
Epson	5.6%
Condé Nast	4.3%
Zhong De Securities	4.1%
Deutsche Bank	4.1%
Xinyuan	4.0%
Total	22.1%

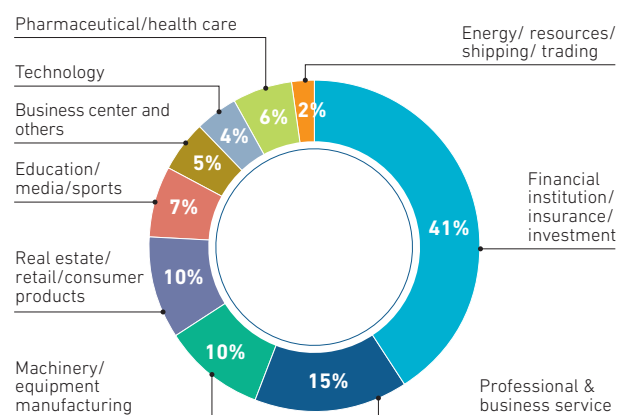
TENANTS BY INDUSTRY

As % of leased office GFA
(As of 31 December 2021)



TENANTS BY INDUSTRY

As % of monthly revenue
(For the month of December 2021)



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	10,337,231	49.4%
北京世邦魏理仕物業管理服務有限公司	Leasing Agency	2,663,888	12.7%
世達志不動產投資顧問有限公司	Leasing Agency	1,552,299	7.4%
第一太平戴維斯物業顧問(北京)有限公司	Leasing Agency	1,255,231	6.0%
北京戴德梁行諮詢有限公司	Leasing Agency	862,485	4.1%
TOTAL		16,671,133	79.6%

¹ Beijing Hua-re Real Estate Consultancy Co. Ltd is 40% owned by Mercuria Investment Co., Ltd., which is an associate of the Manager.

UK PORTFOLIO OPERATION REVIEW

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.).

In June 2021, Spring REIT completed the disposal of a small parcel of unused land adjacent to one of the Kwik Fit sites, resulting in a gain on disposal amounting to RMB149,000.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL RESULTS HIGHLIGHTS

For the Year Ended 31 December	2021	2020	Change
(in RMB millions unless otherwise specified)			
Revenue	528.44	533.17	(0.9%)
Property operating expenses	(132.07)	(135.69)	(2.7%)
Net property income	396.37	397.48	(0.3%)
Net property income margin	75.0%	74.6%	+0.4ppt
G&A expenses	(65.27)	(72.07)	(9.4%)
Cash interest expenses	(62.18)	(95.78)	(35.1%)
Profit/(loss) after taxation	509.95	(189.92)	368.5%
Total distributable income	297.69	268.72	10.8%

Units Information	2021	2020	Change
DPU (HK cents)	22.0	20.0	10.0%
Payout ratio	90%	95%	-5.0ppts
Net asset value per Unit (HK\$)	5.56	5.23	6.3%
Number of Units outstanding	1,472,383,580	1,460,872,865	0.8%

As at 31 December	2021	2020	Change
Property valuation	9,307.10	9,202.90	1.1%
Total assets	9,884.00	9,712.87	1.8%
Total borrowings	2,960.83	3,024.23	(2.1%)
Net asset value	6,671.65	6,432.90	3.7%
Gearing ratio	30.0%	31.1%	-1.1ppts

FINANCIAL PERFORMANCE

Spring REIT's revenue for the Reporting Year was RMB528.44 million, 0.9% lower than that in 2020. After taking into account property operating expenses, net property income amounted to RMB396.37 million, representing a 0.3% decrease YoY and a net property income margin of 75.0% (FY2020: 74.6%).

General and administrative expenses amounted to RMB65.27 million. Meanwhile, finance costs on interest-bearing borrowings of RMB17.93 million (FY2020: finance income on interest-bearing borrowings of RMB66.77 million) was registered, which consisted of a non-cash foreign exchange gain of RMB67.88 million (FY2020: RMB172.13 million) when US dollar bank borrowings were converted to RMB in the financial statements. Cash interest expenses amounted to RMB62.18 million, decreased by 35.1% as compared to RMB95.78 million in 2020. This was due to lower US\$ and GBP LIBOR rates, further amplified by the appreciation of the RMB.

Taking into account the increase in the fair value of the CCP Property and the UK Portfolio of RMB128.02 million (FY2020: decrease in fair value of RMB672.68 million), profit after taxation for the Reporting Year was RMB509.95 million (FY2020: loss after taxation of RMB189.92 million).

Spring REIT's total distributable income for the Reporting Period was RMB297.69 million, representing an increase of 10.8% YoY. Among other adjustments, the reported amount excludes the foreign exchange gain and the increase 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 2021. The CCP Property was appraised at RMB8,638 million as at 31 December 2021, representing a 1.0% increase in value compared to its valuation as at 31 December 2020. The valuation of the CCP Property was arrived at using the income capitalization approach, and cross-checked by the direct comparison approach. The increase in valuation was attributable mainly to increase in the base rent. The capitalization rate/reversionary yield was 5.0% (30 June 2021: 5.0%; 31 December 2020: 5.0%).

The UK Portfolio was appraised at GBP77.8 million (equivalent to RMB669.10 million) as at 31 December 2021, representing a 6.7% increase in GBP terms and a 3.0% increase in RMB terms compared to its valuation as at 31 December 2020. The valuation of the UK Portfolio was arrived at using the income approach. The reversionary yield ranged from 4.0% to 8.25% (31 December 2020: 4.6% to 8.5%).

As at 31 December 2021, Spring REIT had in place aggregate debt facilities of approximately RMB2,960.83 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 GBP49.88 million (equivalent to approximately RMB427.68 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.

In January 2022, the Manager refinanced the UK Facility by a GBP50.5 million facility at an interest rate of 2.20% margin plus SONIA plus CAS and will expire in January 2025.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

As at 31 December 2021, the gearing ratio, i.e. total borrowings to gross asset value, was 30.0%, compared with 31.1% at 31 December 2020.

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 and Hawkeye Properties 501 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 RMB156.05 million as at 31 December 2021, compared with RMB154.44 million as at 31 December 2020. 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 2021, the gross asset value of the Group was RMB9,884.00 million, representing an increase of 1.8% YoY.

NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

As at 31 December 2021, net assets attributable to Unitholders stood at RMB6,671.65 million.

The net asset value per Unit as at 31 December 2021 was HK\$5.56 (30 June 2021: HK\$5.34; 31 December 2020: HK\$5.23). This represented a 115.5% premium to the closing price of the Units of HK\$2.58 as at 31 December 2021, the last trading day in the Reporting Year.

CAPITAL COMMITMENTS

As at 31 December 2021, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This annual Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”) is prepared in accordance with the latest requirements of the ESG Reporting Guide, Appendix 27 (“**ESG Guide**”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx**”). It provides an overview of Spring REIT’s sustainability governance, policies, initiatives and performance in managing the CCP Property¹ for the period from 1 January 2021 to 31 December 2021 (the “**Reporting Year**”).

Spring REIT is managed by Spring Asset Management Limited (“**SAML**”) (as manager of Spring REIT, the “**Manager**”), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT.

SUSTAINABILITY GOVERNANCE

Board Statement

At Spring REIT, we invest on behalf of our unitholders comprising of both institutional and retail investors primarily in Asia. Our diligent efforts preserve and protect approximately RMB 10 billion in assets located in China and the UK. The difficult macro-environment in 2021 did not stop us from striving to provide sustainable and lasting value for our unitholders, and the Board is conscious of the fact that having a sound ESG practice enables us to bolster the community in which we all live and share. In order to deliver these results for our investors, we have incorporated relevant ESG factors into our investment and operational process in order to improve the assets in our portfolio and make them not only financially sound but also socially responsible. We also incorporate relevant ESG factors into our business decision-making and the positive impacts of our efforts are clear in terms of the consistent growth in the return we have generated for our investors, the positive feedback from the community in which we operate and the strength and resilience of our organization during the challenging times in the last two years.

To strengthen our sustainability governance, we have set up internal structures and committees responsible for ESG implementation and accountability. This lays a strong foundation as we move forward with our ESG-related direction, strategies, and plans for a solid and viable long-term advancement. As a top-quality building in a premium location, our CCP Property in Beijing is also a standard-bearer in sustainability with its ‘Platinum’ level Leadership in Energy and Environmental Design (LEED) accreditation, a global recognition of the exceptional environmental standards of a whole range of building features. Our quest for sustainability of the CCP Property synergises with our first-rate tenants demanding standards of environmental quality in their leased office space that match their own high-level internal company commitments to sustainability. These proved to be a winning formula for our agility to scale capabilities in this challenging economic environment.

Looking forward, the Board will continue our dedication to driving sustainability in all aspects of our business with full support from our dedicated teams of experts.

¹ The CCP Property is managed by the Manager which has engaged Beijing Hua-re Real Estate Consultancy Co., Ltd (the “**Property Manager**”) as the property manager. The Property Manager has engaged Beijing Huamao Property Management Co., Ltd (the “**Building Manager**”) to provide general building services.

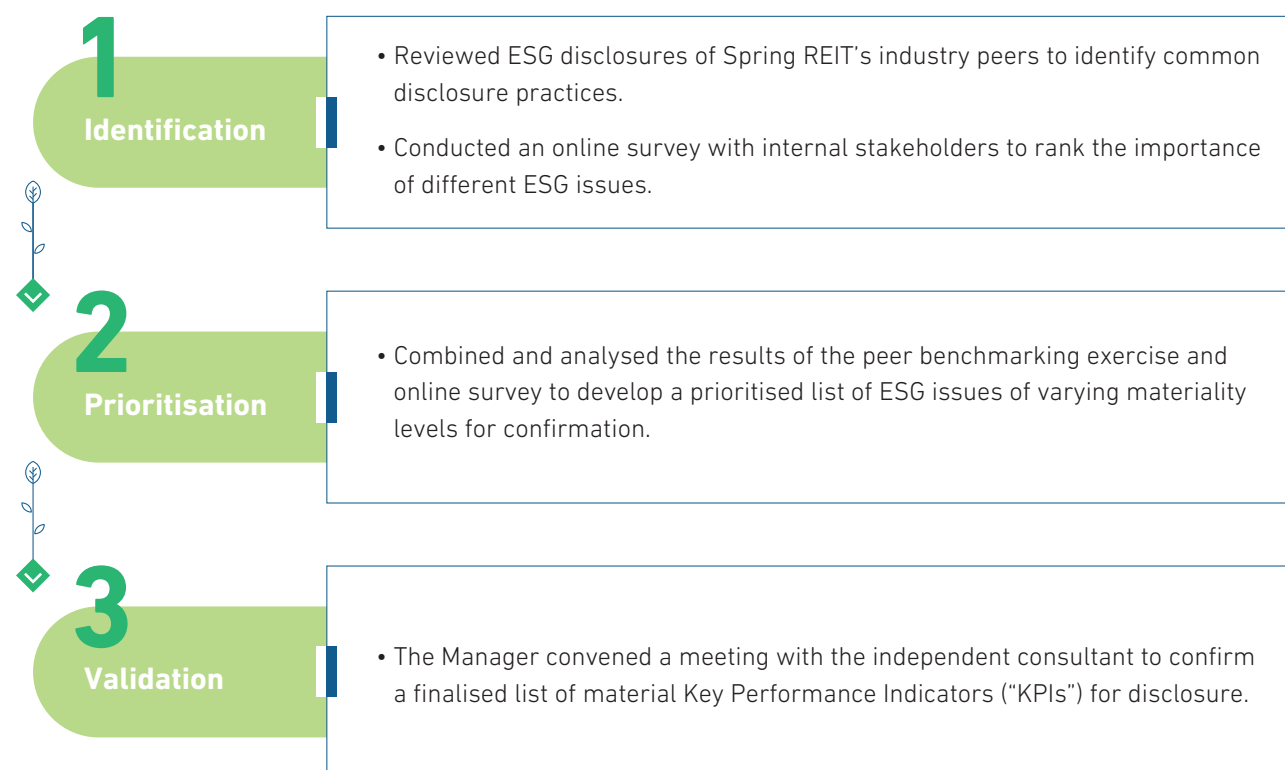
Governance Structure

The Board of Directors (the “**Board**”) of the Manager oversees Spring REIT’s ESG strategy and performance. To support the Board’s oversight and systematic management of the ESG issues, the Manager has set up a dedicated Sustainability Committee whose members are appointed directly by the Board. This Committee meets regularly to advise the Board, through the Audit Committee, on relevant ESG matters, including management approach, strategy, risk management and reporting. Through regular stakeholder engagement and materiality assessment, the Sustainability Committee identifies, evaluates and prioritises material ESG issues which are further reviewed and endorsed by the Board for report disclosure. Progress of environmental target setting and implementation are discussed, reviewed and overseen by the Board.

The Board also provides oversight of the risk management system, including ESG risks and opportunities. While the Audit Committee oversees the overall risk management processes, the Sustainability Committee specifically identifies and assesses ESG-related risks through regular internal and external stakeholder engagement. The Sustainability Committee consolidates the findings and advises the Board, through the Audit Committee, on risks of strategic and financial significance.

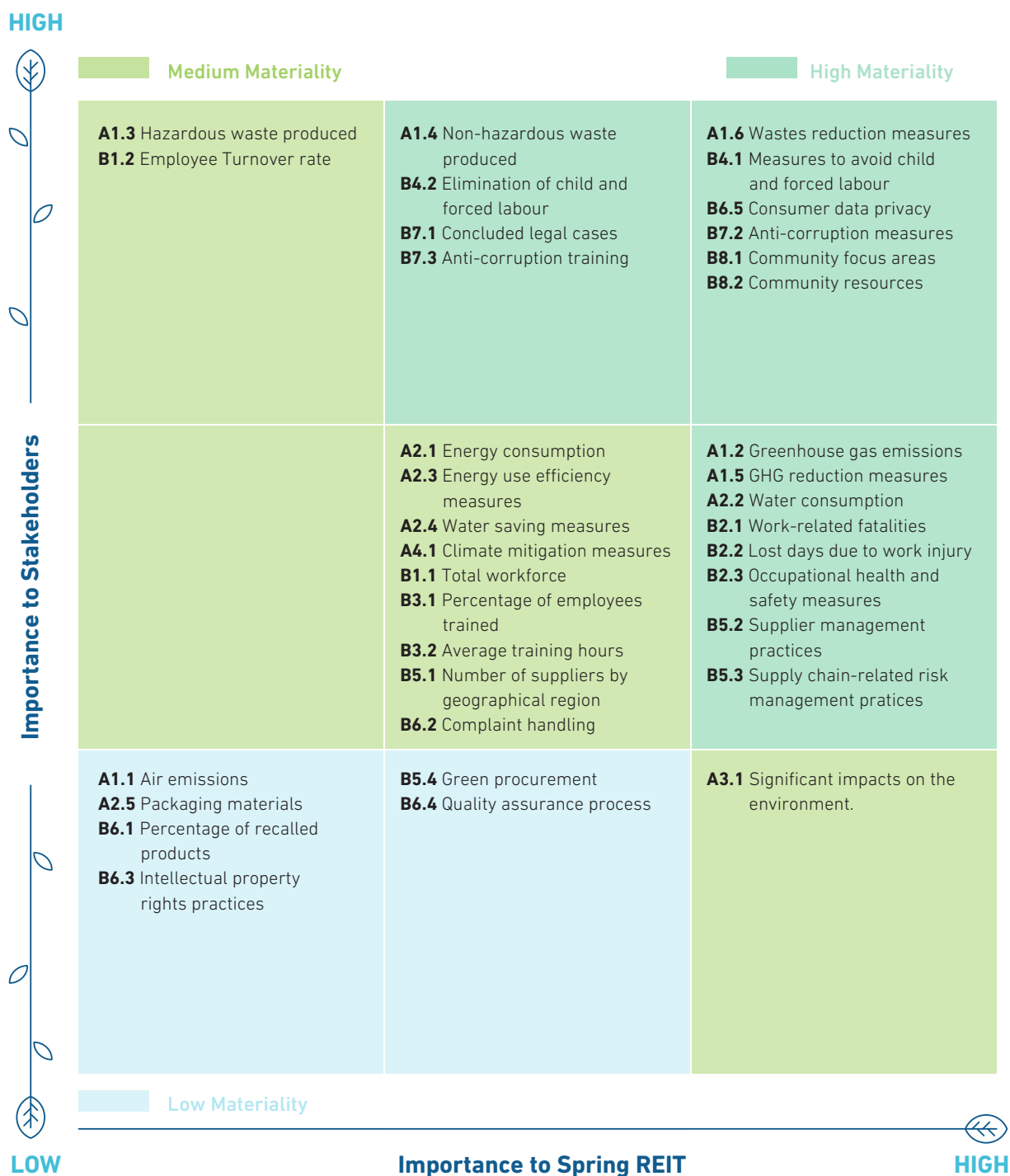
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

As part of the reporting process, a three-step stakeholder engagement and materiality assessment was conducted to allow the Manager to identify ESG issues which are material, or most significant, to Spring REIT as well as its stakeholders.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The ESG issues that are considered material by the Manager are listed below, and they are discussed in subsequent sections of this report.



CONTENT INDEX FOR HKEX ESG REPORTING GUIDE

Aspect	HKEx KPI	Description	Page Number/Remarks
A. Environmental			
A1 Emissions	A1	General Disclosure	26-28
	A1.1	The types of emissions and respective emissions data	This KPI is considered not material for Spring REIT.
	A1.2	Greenhouse gas in total and intensity	27-28
	A1.3	Total hazardous waste produced and intensity	26
	A1.4	Total non-hazardous waste produced and intensity	26
	A1.5	Emissions target(s) set and steps taken to achieve them	27
	A1.6	How hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	26-27
A2 Use of Resources	A2	General Disclosure	28-31
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	28-29
	A2.2	Water consumption in total and intensity	30
	A2.3	Energy use efficiency target(s) set and steps taken to achieve them	29
	A2.4	Whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	30-31
	A2.5	Total packaging material used for finished products	This KPI is considered not material for Spring REIT.
A3 The Environment and Natural Resources	A3	General Disclosure	26-32
	A3.1	Significant impacts of activities on the environment and natural resources and actions taken to manage them	26-32
A4 Climate Change	A4	General Disclosure	33
	A4.1	Significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	33

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Aspect	HKEx KPI	Description	Page Number/Remarks
B. Social Employment and Labour Practices			
B1 Employment	B1	General Disclosure	34
	B1.1	Total workforce by gender, employment type, age group and geographical region	34
	B1.2	Employee turnover rate by gender, age group and geographical region	35
B2 Health and Safety	B2	General Disclosure	35-36
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	B2.2	Lost days due to work injury	36
	B2.3	Occupational health and safety measures adopted, and how they are implemented and monitored	35-36
B3 Development and Training	B3	General Disclosure	37
	B3.1	Percentage of employees trained by gender and employee category	38
	B3.2	Average training hours completed per employee by gender and employee category	38
B4 Labour Standards	B4	General Disclosure	38
	B4.1	Measures to review employment practices to avoid child and forced labour	38
	B4.2	Steps taken to eliminate such practices when discovered	38
Operating Practices			
B5 Supply Chain Management	B5	General Disclosure	39
	B5.1	Number of suppliers by geographical region	39
	B5.2	Practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	39
	B5.3	Practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	39
	B5.4	Practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	39

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Aspect	HKEx KPI	Description	Page Number/Remarks
B6 Product Responsibility	B6	General Disclosure	39-41
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	This KPI is considered not material for Spring REIT.
	B6.2	Number of products and services related complaints received and how they are dealt with	39
	B6.3	Practices relating to observing and protecting intellectual property rights	This KPI is considered not material for Spring REIT.
	B6.4	Quality assurance process and recall procedures	39-40
	B6.5	Consumer data protection and privacy policies, and how they are implemented and monitored	41
B7 Anti-corruption	B7	General Disclosure	41-42
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	42
	B7.2	Preventive measures and whistle-blowing procedures, and how they are implemented and monitored	41-42
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Community			
B8 Community Investment	B8	General Disclosure	42
	B8.1	Focus areas of contribution	42
	B8.2	Resources contributed to the focus area	42

A. ENVIRONMENTAL

A1 Emissions²

Waste Management

The CCP Property implements a Reduce, Reuse and Recycle scheme to echo the Manager's commitment to responsible management of resources. The Manager also takes great care to ensure that the CCP Property is compliant with all relevant national environmental laws and regulations and aligned with the latest regulatory changes. In 2021, we stepped up our effort in effective waste management by setting two directional waste targets:



To increase recycling rate across the portfolio



To continually identify opportunities for effective waste reduction, separation and recycling

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

Types of Waste		Unit	2021	2020
Non-recyclable Waste (includes domestic and household waste)	Total	Tons	475	626
	Intensity	Tons/m ²	0.003	0.004
Recyclable Waste (includes plastic, paper, glass, and other recyclables)	Total	Tons	3,110³	3,060
	Intensity	Tons/m ²	0.021	0.021
General Construction Waste (includes the waste generated from interior renovation and building enhancement work)	Total	Tons	8,640	9,720
	Intensity	Tons/m ²	0.059	0.067
Hazardous Waste ⁴ (includes the general office hazardous waste requiring special treatment such as fluorescent tubes and ink cartridges)	Total	Tons	0.18	0.03
	Intensity	Tons/m ²	NA	NA

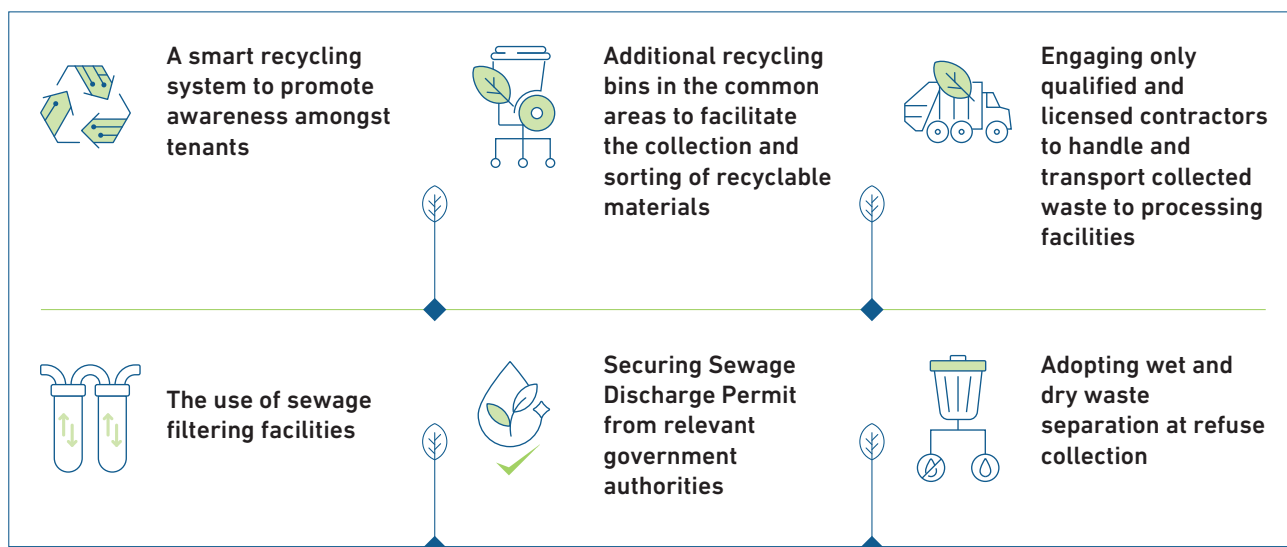
² Considering the nature of the principal business, no significant air emissions were generated from our operations during the Reporting Year.

³ Food waste was also included in the recyclable waste collected in 2021

⁴ All hazardous waste was stored, collected, and disposed of by a licensed collector appointed by the Building Manager

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

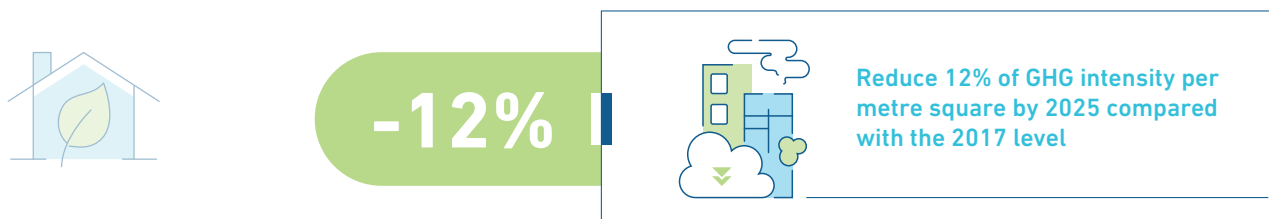
Several initiatives have been implemented at the CCP Property to enhance waste disposal practices, including:



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

Greenhouse Gas (GHG) Emissions

As the major source of GHG emissions from the CCP Property arises from- the consumption of energy, the Manager has been proactive in seeking energy-saving opportunities and implementing hardware upgrades to minimise carbon footprint. Please refer to section "A2 Use of Resources" below for more details. Echoing the national government's call for decarbonisation, a long-term GHG emissions reduction target has been set:

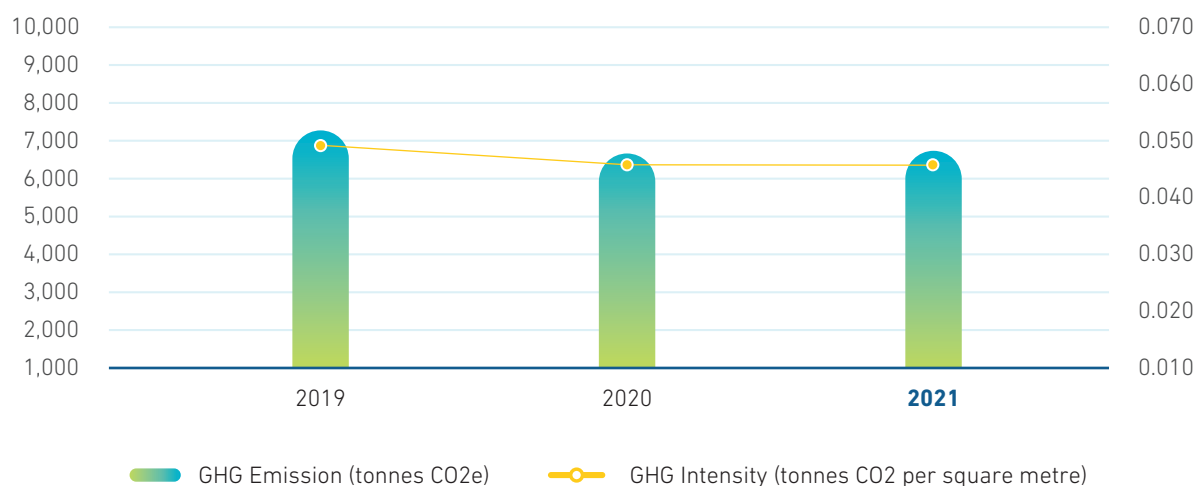


GHG emissions during the Reporting Year were as follows:

GHG Emissions ⁵	Unit	2021	2020	2019
Total	Tonnes of CO ₂ e	6,693	6,667	7,216
Intensity	Tonnes of CO ₂ e/m ²	0.046	0.046	0.049

⁵ Carbon emission was calculated with reference to the emission factors documented in the Greenhouse Gas Protocol, published by World Resources Institute (WRI) and World Business Council on Sustainable Development (WBCSD); 中國區域電網基準線排放因子 published by Department of Climate Change, National Development and Reform Commission of the People's Republic of China (中國國家發展和改革委員會應對氣候變化司); and the Environmental, Social and Governance Reporting Guide, published by Hong Kong Exchanges and Clearing Limited. Scope 1 and Scope 2 carbon emissions were reported.

GHG EMISSION AND INTENSITY

A2 Use of Resources⁶

Over the years, the Manager has worked together with the Building Manager to reduce electricity and water consumption through the implementation of various measures including awareness campaigns and ongoing investment in energy-efficient equipment. Meanwhile, the Building Manager has also been proactively monitoring water and energy consumption levels. If any abnormal pattern is identified, investigation and remedial action is undertaken in a timely manner.

Use of Energy

Energy consumption at the CCP Property mainly arises from lighting, air-conditioning and lift and escalator operations in the common areas. Total energy consumption at the CCP Property during the Reporting Year was set out as follows:

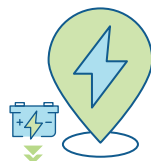
Energy Consumption – Purchased Electricity ⁷		2021	2020	2019
	Unit			
Total	000 kWh	8,808	8,774	9,498
Intensity	kWh/m ²	60.59	60.36	65.33

⁶ Considering the nature of our principal business, no packaging materials were used during the Reporting Year.

⁷ Excludes tenant consumption in leased units which were not directly controlled by the Property Manager and Building Manager.

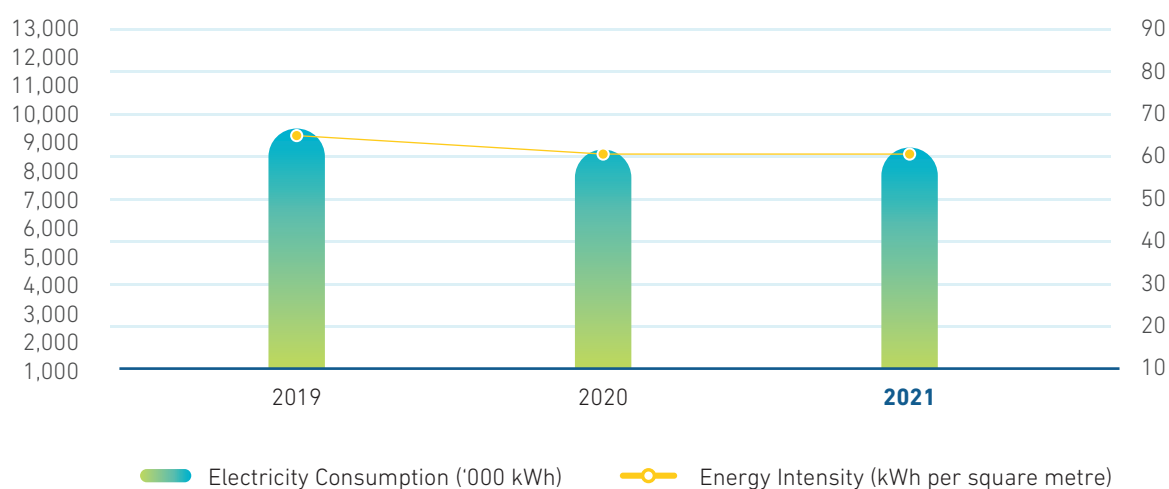


-12%



Reduce 12% of energy intensity per metre square by 2025 compared with the 2017 level

ELECTRICITY CONSUMPTION AND INTENSITY



The following measures are in place to optimise energy efficiency:

- Techcon-EEC Energy-saving Expert Control System has been in place since 2017, offering advanced solutions in energy management and consumption diagnostics for the operation of the central air conditioning and heating system. The system also provides analysis of consumption patterns to help optimise energy efficiency;
- Installation of LED lights in the buildings to further reduce electricity consumption;
- Installation of high-speed roller shutters at the car park entrance for better regulation of indoor temperature;
- Replacement of 16 cooling towers' bearings in Tower One to enhance energy efficiency; and
- Optimised schedule of cleaning and maintenance works for the fan coil units and PM2.5 electrostatic precipitators in the managed buildings to provide tenants with a comfortable and energy-efficient work environment.

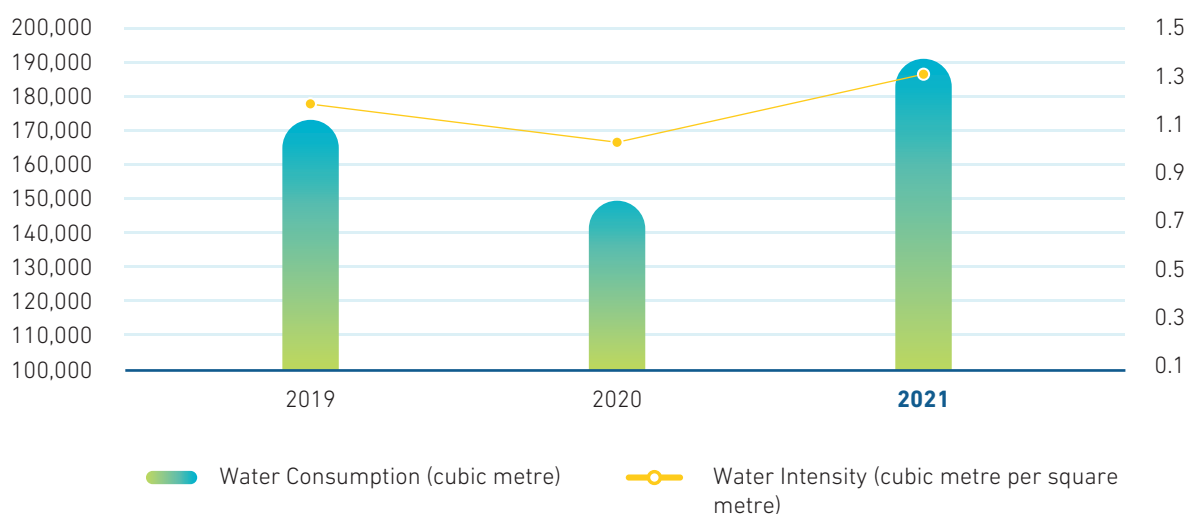
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Use of Water

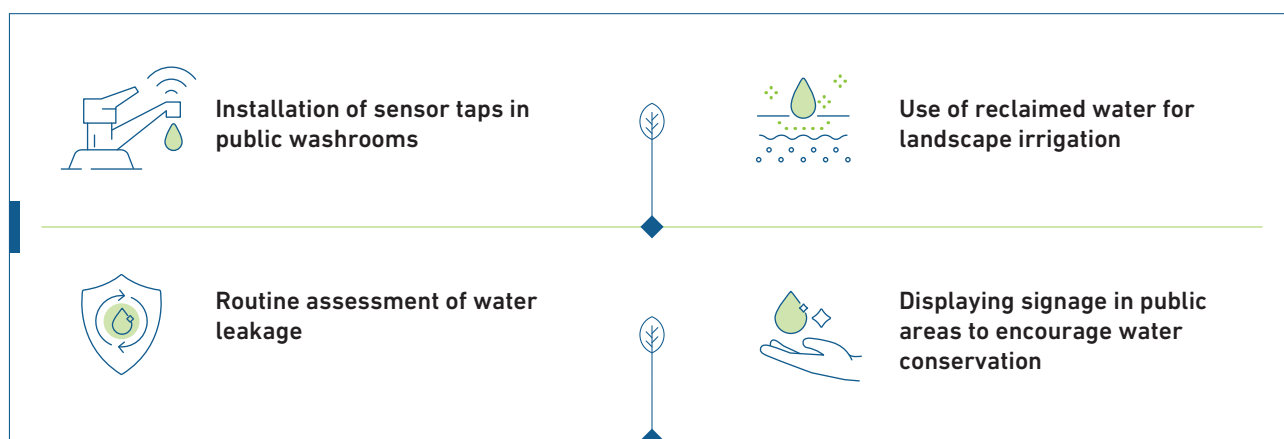
Albeit our pleasure to see 2021 as a year of growth in our occupancy rate in the CCP Property, we recorded relatively higher water consumption in the year as a result of more tenants as well as the associated renovation, repair and maintenance activities conducted. The amount of water consumed at the CCP Property during the Reporting Year was as follows:

Water Consumption ⁸	Unit	2021	2020	2019
Total	m ³	191,339	150,634	173,838
Intensity	m ³ /m ²	1.32	1.04	1.20

WATER CONSUMPTION AND INTENSITY



A dedicated water intensity target has been set to regulate water usage. To achieve so, various water-saving measures have been put in place at the CCP Property, including:



⁸ Excludes tenant consumption in leased units which were not directly controlled by the Property Manager and Building Manager



-8%



Reduce 8% of water intensity per metre square by 2025 compared with the 2017 level

A3 The Environment and Natural Resources

In addition to the aforementioned environmental aspects, other material issues identified and addressed during the Reporting Year included the following:

Renovation

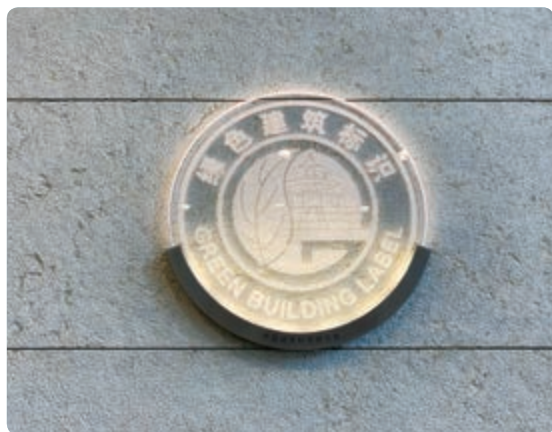
The Renovation Management Office ("RMO"), set up by the Building Manager, is responsible for monitoring and controlling the level of noise, odour and waste generated from renovation, repair and maintenance activities within the CCP Property through the enforcement of written guidelines.

The guidelines cover the following:

- Materials should meet designated environmental standards (i.e., non-hazardous, odourless and harmless)
- Renovations should only be performed during non-office hours and public holidays
- Flammable materials should not be stored in office areas
- Waste should be properly packed and disposed of in designated areas
- Inspections should be carried out by the RMO to assess the potential impact on public safety

We are delighted to achieve the following standards in recognition of our persistent efforts in managing our CCP Property with sustainability in mind.

Our CCP Property was accredited with China Green Building Level 2-star in May 2021, recognising our continuous efforts in improving environmental aspects of the property over the building lifecycle.



Our CCP Property was awarded LEED Platinum Certification under the LEED for Existing Buildings: Operations and Maintenance category in March 2020, recognising our efforts to responsibly manage significant impacts of our buildings on the environment and natural resources.



95



The CCP Property scored 95 (out of 110) marks in LEED rating system, the most widely used green building rating system in the world.

A4 Climate Change

Beijing is Spring REIT's principal operating location and the city is vulnerable to extreme weather events such as rainstorms. Our business may be impacted through business interruption, flooding, compromising the safety of our staff and tenants. As such, climate-related emergency response plans have been put in place and through constant communication, we are well prepared to respond to these emergencies.

A detailed Flood Emergency Response Plan has been in place to provide systematic response to flooding. To enhance our drainage capacity, we have stepped up inspections and clearance of drainage and inlets, particularly at flooding blackspots, to ensure they are free from obstructions. An inspection was conducted in early-July to confirm the building management team was well equipped ahead of the rainy season. Similarly, emergency procedures and prevention measures are also in place to mitigate challenges brought about by other extreme weather conditions. Furthermore, regular refresher training programmes are arranged to ensure responsible personnel are familiar with their roles and responsibilities in the event of extreme weather.



B. SOCIAL

B1 Employment

Spring REIT does not have any employees. Nevertheless, as manager of Spring REIT, the Manager has established comprehensive policies for its own staff which covers the following areas:

- Provision of competitive remuneration and welfare packages to attract and retain talents;
- Adherence to standardised procedures of recruitment, dismissal and promotion to ensure fairness and equal opportunities;
- Regular performance review mechanisms to provide feedback to employees and offer career advancement opportunities; and
- Provision of adequate rest hours for employees.

The Manager is committed to providing a fair and inclusive working environment for all staff based on individual merits, experience and qualifications regardless of nationality, race, religion, gender, age or family status.

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

Workforce ⁹		2021		
Total workforce	Number	138		
● SAML	Percentage	5.80		
● Contractors	Percentage	94.20		
By gender		Male	Female	
● SAML	Percentage	37.50	62.50	
● Contractors	Percentage	63.08	36.92	
By employee category		General	Middle management	Senior management
● SAML	Percentage	62.50	12.50	25.00
● Contractors	Percentage	94.62	5.38	0.00
By age group		< 30 years old	30-50 years old	>50 years old
● SAML	Percentage	25.00	37.50	37.50
● Contractors	Percentage	35.39	56.15	8.46
By geographical region		Hong Kong	Mainland China	
● SAML	Percentage	100.00	0.00	
● Contractors	Percentage	0.00	100.00	

⁹ The scope of "Workforce" statistics includes direct employees of SAML (the Manager) and employees of the contractors (the Building Manager and other delegates in Beijing) who perform the operational functions and service provision of the CCP Property on behalf of the Manager.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Turnover ¹⁰		2021		
Overall staff turnover rate	Percentage	33.00		
By gender		Male	Female	
	Percentage	60.00	0.00	
By age group		< 30 years old	30-50 years old	>50 years old
	Percentage	50.00	33.00	25.00
By geographical region		Hong Kong	Mainland China	
	Percentage	33.00	NA ¹¹	

B2 Health and Safety

The Manager understands Beijing's air quality has been a cause of concern for tenants and visitors at the CCP Property. To provide a comfortable and healthy environment, air purification systems, which feature electrostatic filters and activated charcoal layers, have been installed. This has resulted in a significant reduction of PM2.5 levels.



Grade 1



The air quality at the CCP Property achieved the **Grade 1 national standard of 35µg/m³**

In addition, to reduce vehicular emissions, our Building Manager has introduced a smart parking system which provides drivers with useful and real-time information such as the shortest route to the closest available parking space. It helps minimise searching time, fuel consumption and hence emissions of air pollutants.

¹⁰ The scope of "Turnover" statistics includes direct employees of SAML (the Manager).

¹¹ The Manager has no direct employee in the mainland China

To maintain a healthy and safe workplace, the Property Manager and Building Manager are required to identify and prevent potential occupational hazards at the CCP Property. When performing building maintenance works, only personnel with relevant certificates and licenses will be assigned to handle heavy machinery and equipment. Furthermore, appropriate personal protective equipment is provided to all maintenance staff. In 2021, the Building Manager invested in four additional automated external defibrillators ("AEDs") as a precautionary measure for emergency situations. The Building Manager also arranged for 42 operational staff to attend first aid training provided by the Red Cross Society of China Beijing Branch to ensure they have the necessary skills and knowledge to effectively handle the AEDs.



Proactive COVID-19 Response

While the ongoing pandemic has made the 2021 challenging for all of us, we have developed a Pandemic Protocol and implemented a range of measures to reduce the transmission risk within our CCP Property. Apart from stepping up our regular disinfecting procedures and frequency, we have set up automated temperature screening stations at the entrance of our buildings and put in place a mandatory face mask policy. Visitors who refuse to wear face coverings will be asked to leave our buildings by security staff. Highly visible notices have been displayed throughout the Property and regular announcements are broadcasted over the PA systems to remind everyone of healthy hygiene habits.

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

Work-related Fatalities and Injuries ¹²		2021
Total number of work-related fatalities ¹³	Number	0
Work-related fatality rate	Percentage	0
Total number of injuries	Number	0
Total number of lost days due to work injury	Number	0

¹² The scope of "Work-related Fatalities and Injuries" statistics includes direct employees of SAML (the Manager) and employees of the contractors (the Building Manager and other delegates in Beijing) who perform the operational functions and service provision of the CCP Property on behalf of the Manager.

¹³ There were no work-related fatalities in 2019 and 2020.

B3 Development and Training

The Manager is dedicated to providing employees with continual development opportunities for their professional and personal endeavours. The Property Manager and the Building Manager have organised safety and technical training sessions such as fire drills, emergency response, workplace safety, customer service, and anti-fraud programmes to operational staff who works at the CCP Property to better prepare them for different situations in relation to their job duties. Contractors of the Property Manager and the Building Manager who work at the CCP Property are also required to offer sufficient training to their workers as deemed appropriate.



Trained Employees and Training Hours ¹⁴				2021		
Percentage of trained employees – by gender				Male	Female	
 SAML	Percentage		100.00	80.00		
 Contractors	Percentage		45.12	66.67		
Percentage of trained employees – by employee category				General	Middle management	Senior management
 SAML	Percentage		80.00	100.00	100.00	
 Contractors	Percentage		50.41	85.71	NA ¹⁵	
Average training hours – by gender				Male	Female	
 SAML	Hours		6.00	4.80		
 Contractors	Hours		36.61	47.46		
Average training hours – by employee category				General	Middle management	Senior management
 SAML	Hours		4.80	6.00	6.00	
 Contractors	Hours		38.94	69.90	NA ¹⁵	

B4 Labour Standards

Child labour and forced labour are strictly prohibited across our operations and along the supply chain. Employment should be offered solely based on the principles of fairness, openness and willingness. The Property Manager and the Building Manager are often requested to implement appropriate investigative and preventive measures to minimise related risks. These measures include signing employment contracts which stipulate the terms and conditions of employment to protect the interests of both parties. Any members of the Manager, Property Manager or Building Manager found to be in breach of the labour requirements will be subject to disciplinary action and/or may be liable to legal prosecution.

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

¹⁴ The scope of "Trained Employees and Training Hours" statistics includes direct employees of SAML (the Manager) and employees of the contractors (the Building Manager and other delegates in Beijing) who perform the operational functions and service provision of the CCP Property on behalf of the Manager.

¹⁵ Our contractors have no senior management staff.

B5 Supply Chain Management

We, at SAML, encourages our suppliers to follow our environmentally and socially responsible practices by integrating sustainability considerations into their operations and maintaining fair labour standards. As stipulated in the agreement, our Building Manager has maintained an ISO 14001 certified environmental management system which enhances our ability to manage potential environmental impacts in a systematic manner. Prior to the procurement of goods and services, suppliers and contractors of the Manager are carefully assessed against their track records, environmental and safety performance, product and service quality, and regulatory compliance. Regular audits and inspections are conducted to ensure their performance are satisfactory. Suppliers who consistently fail to meet the expected standards may be subject to recourse. When it comes to the procurement of goods, we take the environmental factors into consideration and encourage the use of low-carbon and environmentally friendly materials as far as practicable, such as paper with sustainable forestry certification. We also encourage our Building Manager to make green procurement and provide them recommendations when needed.

Number of Suppliers by Geographic Location during the Reporting Period ¹⁶			Hong Kong	Mainland China
	SAML	Number	33	3
	Contractors	Number	0	157

B6 Product Responsibility

Customer Services and Quality Assurance

The Property Manager, on behalf of the CCP Property, has engaged an experienced building manager which has qualifications including the ISO 9001 Quality Management System and the First Grade Qualification of Realty Management Enterprise (一級資質物業管理企業) awarded by Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部). A Tenant Handbook (用戶手冊) has been distributed to tenants to provide them with comprehensive service guidelines. A Customer Service Department has also been established to address tenants' needs and concerns in a timely manner. Following our standard complaint-handling procedures, once a complaint is received, our customer service personnel will immediately report and liaise with the responsible party. A designated staff member will be appointed to conduct a thorough investigation and follow up with the complainant in a timely manner. We pledge to respond to 100% of the complaints received and suggestions are constantly reviewed to improve our service quality. In 2021, we have received 11 complaints. Prompt actions were taken by our designated staff member and all the complaints were handled and resolved professionally with positive feedback received.

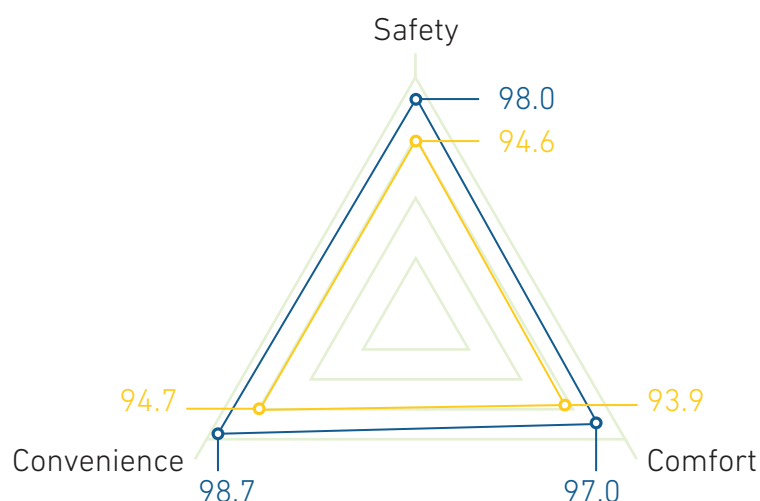
¹⁶ The scope of "Number of Suppliers by Geographic Location during the Reporting Period" statistics includes SAML (the Manager) and the contractors (the Building Manager and other delegates in Beijing) who perform the operational functions and service provision of the CCP Property on behalf of the Manager.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

To better assess the performance of the Building Manager, tenant satisfaction surveys are conducted on an annual basis for tenants' feedback with a view to improve the quality of customer service at the CCP Property. In the latest survey conducted in December 2021 by an independent consultant, the average tenant satisfaction rate exceeded 95%, with a response rate of 91%. Customer satisfactory rate for safety, comfort and convenience all exceeded 97%, higher than industry average by over 2%. In terms of services, both the customer service and the repair and maintenance team of our Building Manager were rated at more than 99%, a testament to our tenants' appreciation of our work in 2021. We received several constructive recommendations regarding various aspects of our services. These included traffic flow of elevators, frequency of toilet cleaning, as well as the regulation of room temperature in tenant area. In view of these, we will actively examine appropriate follow-up actions to address our tenants' needs and to ensure the highest standard in our service at the CCP Property.

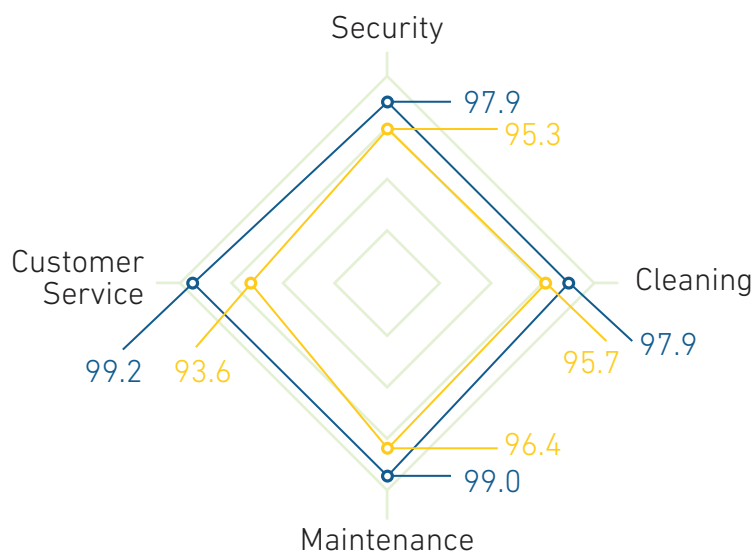
MARKET COMPETITIVENESS

—●— CCP Property —●— Industry Average



SERVICE TEAM

—●— CCP Property —●— Industry Average



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

We hope to support working mothers and foster an inclusive workplace by providing a comfortable, clean, and private environment for their breastfeeding needs. As such, we have established two breastfeeding rooms in our CCP Property this year. The rooms are available to tenants in need upon request and assistance will be provided by members of the Building Manager where practicable.



Responsible Investment

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

Information Security

We, at SAML, as well as our Property Manager and Building Manager, have a robust data security system to safeguard the sensitive information we store or handle. We comply with all relevant local and national regulations and have established data privacy policies and procedures to ensure that the confidentiality of information, such as information of our tenants, are well respected. Sensitive information is restricted to authorised employees on a “need-to-know” and “need-to-use” basis through the use of physical and system safeguards such as Secure Sockets Layer (“SSL”) and storage encryption. All data is stored in guarded servers which are protected by firewalls and anti-virus software. The treatment of confidential information is clearly set out in relevant manuals and contracts. Compulsory cyber security training is provided for all employees to help them identify and handle phishing scams with a phishing test conducted on a quarter basis.

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

B7 Anti-corruption

The Manager does not tolerate any forms of corruption or malpractice of any form. Outlined in our anti-corruption guidelines, all members of the Manager and business partners are strictly prohibited from soliciting, accepting or offering any bribe when conducting business affairs. They must decline advantages and/or benefits which affect their objectivity, or likely lead to any perception or allegation of impropriety. In addition to complying strictly with the provisions in the anti-corruption guidelines, new members of the Manager and business partners as well as our suppliers and contractors are required to sign the “Commitment of Honest Practice” and “Anti-corruption Agreement” respectively to demonstrate full dedication and obligation to our anti-corruption policies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Chief Compliance Officer is in charge of providing guidance and support on anti-corruption related matters. Potential conflicts of interest encountered by the Management of the Manager must also be immediately reported to the Chief Compliance Officer. Furthermore, as required by The Securities and Futures Commission ("SFC"), each director and employee of the Manager should receive at least five hours of professional training on topics relating to anti-money laundry, anti-corruption, connected party transactions and dealing with personal accounts etc.

In support of our policies on ethical behaviours, the Manager's whistle-blowing policy provides channels for members to raise concerns regarding any misconduct. To encourage and assist whistle-blowers to raise grievances without fear of reprisal, all whistle-blowing reports are treated confidentially and submitted to designated personnel for further investigation. Meanwhile, our whistle-blowing procedures are reviewed regularly by the internal auditor to evaluate its effectiveness.

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

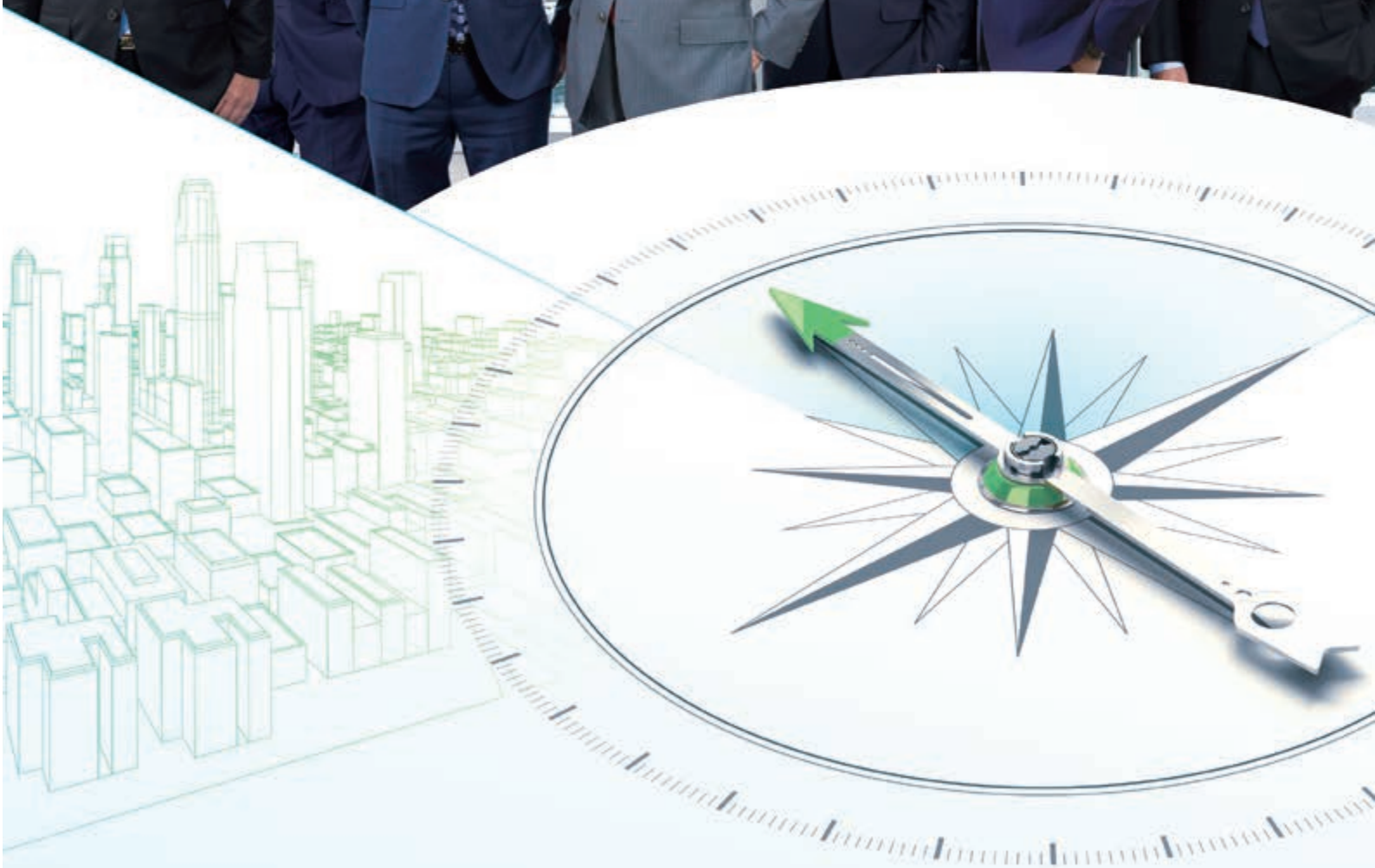
B8 Community Investment

In hope of engaging our tenants of the CCP Property on various environmental and social issues, our Building Manager aspires to organise different community events in partnership with other organisations each year. While 2021 remained a challenging year for us to host large-scale gatherings at our CCP Property, the Building Manager organised the following event successfully through careful planning and preparation during the Reporting Year.

The World Earth Day – This event was designed by the Building Manager to celebrate The World Earth Day and to engage tenants on the issue of climate change. Through a series of activities including interactive sharing among executives of tenants, designated booths, and the distribution of environmental protection publicity materials, we worked to enhance tenants' awareness about global warming. A highlight of this 2-hour event was the bicycle workout activity in which participants were invited to exercise together during lunchtime. We have successfully combined education and leisure into a single event that promoted individual wellbeing while raising up awareness to low-carbon mode of travel. With around 350 participants joining the event, we are thrilled with the tremendous response to our activities.



BOARD OF DIRECTORS AND SENIOR MANAGEMENT



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Toshihiro Toyoshima

Chairman and Non-executive Director

Mr. Toyoshima, aged 59, was appointed as the Chairman of the Board and a Non-executive Director of the Manager on 29 January 2013. Following a group restructuring, Mr. Toyoshima was appointed as director of Mercuria Holdings with effect from 1 July 2021. Mr. Toyoshima has been the chief executive officer of Mercuria Investment since October 2008, and has been sitting on its board from its establishment in October 2005. Prior to joining Mercuria Investment, he worked in Development Bank of Japan from April 1985 to October 2008. Between July 2001 and September 2004, Mr. Toyoshima also worked at the World Bank as a senior private sector specialist, in charge of the private sector policies in four African countries.

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



Hideya Ishino

Non-executive Director

Mr. Ishino, aged 58, was appointed as a Non-executive Director of the Manager on 10 April 2013. Following a group restructuring, Mr. Ishino was appointed as director of Mercuria Holdings with effect from 1 July 2021. He has been working for Mercuria Investment since June 2008 and has served as the chief operating officer of Mercuria Investment since March 2010. Before joining Mercuria Investment, Mr. Ishino co-founded Sports Vanguard Co., Ltd., a company which provides sports-related internet community services and trading platform, in March 2004. Mr. Ishino had also previously worked in Salomon Brothers (Tokyo) from April 1986 to March 2000.

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



Leung Kwok Hoe Kevin

Executive Director and Chief Executive Officer

Mr. Leung, aged 51, was appointed as an Executive Director of the Manager in January 2017 and as Chief Executive Officer of the Manager on 1 June 2020. He 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.



Chung Wai Fai, Michael

Executive Director

Mr. Chung, aged 40, 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.



Simon Murray

Independent Non-executive Director

Mr. Murray, aged 82, was appointed as 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 57, was appointed as an Independent Non-executive Director of the Manager on 20 November 2013.

Mr. Qiu is a co-founder of Milestone Capital, a China-focused private equity investment company. Since February 2002, he has been the general partner of Milestone China Opportunities Fund I and Fund II, L.P., both being partnerships that invest primarily in high-growth Chinese companies. Mr. Qiu has been a director of Qinhuangdao Boostsolar Photovoltaic Equipment Co., Ltd. (which has been quoted on the National Equities Exchange and Quotations since 18 August 2014).

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



Lam Yiu Kin

Independent Non-executive Director

Mr. Lam, aged 67, 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; (v) Nine Dragons Paper (Holdings) Limited (Stock Code: 2689) since March 2016; (vi) WWPKG Holdings Company Limited (Stock Code: 8069) since December 2016; (vii) CITIC Telecom International Holdings Limited (Stock Code: 1883) since June 2017; and (viii) 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, Vital Innovations Holdings Limited (Stock Code: 6133) with effect from 31 October 2020 and Bestway Global Holding Inc. (Stock Code: 3358, voluntarily withdrawn its listing in Hong Kong on 12 October 2021) with effect from 31 December 2021.

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.



Alice Yu

Chief Compliance Officer

Ms. Yu, aged 57, was appointed as 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. Chung Wai Fai (Executive 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 Trainings 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.

During the Reporting Year, Mr. Nobumasa Saeki resigned as an Executive Director, Managing Director, RO and member of the Advisory Committee of the Manager and Mr. Chung Wai Fai ceased to act as the alternate director to Mr. Nobumasa Saeki on 24 March 2021. Mr. Chung Wai Fai was appointed as an Executive Director and a member of the Advisory Committee of the Manager on 24 March 2021.

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

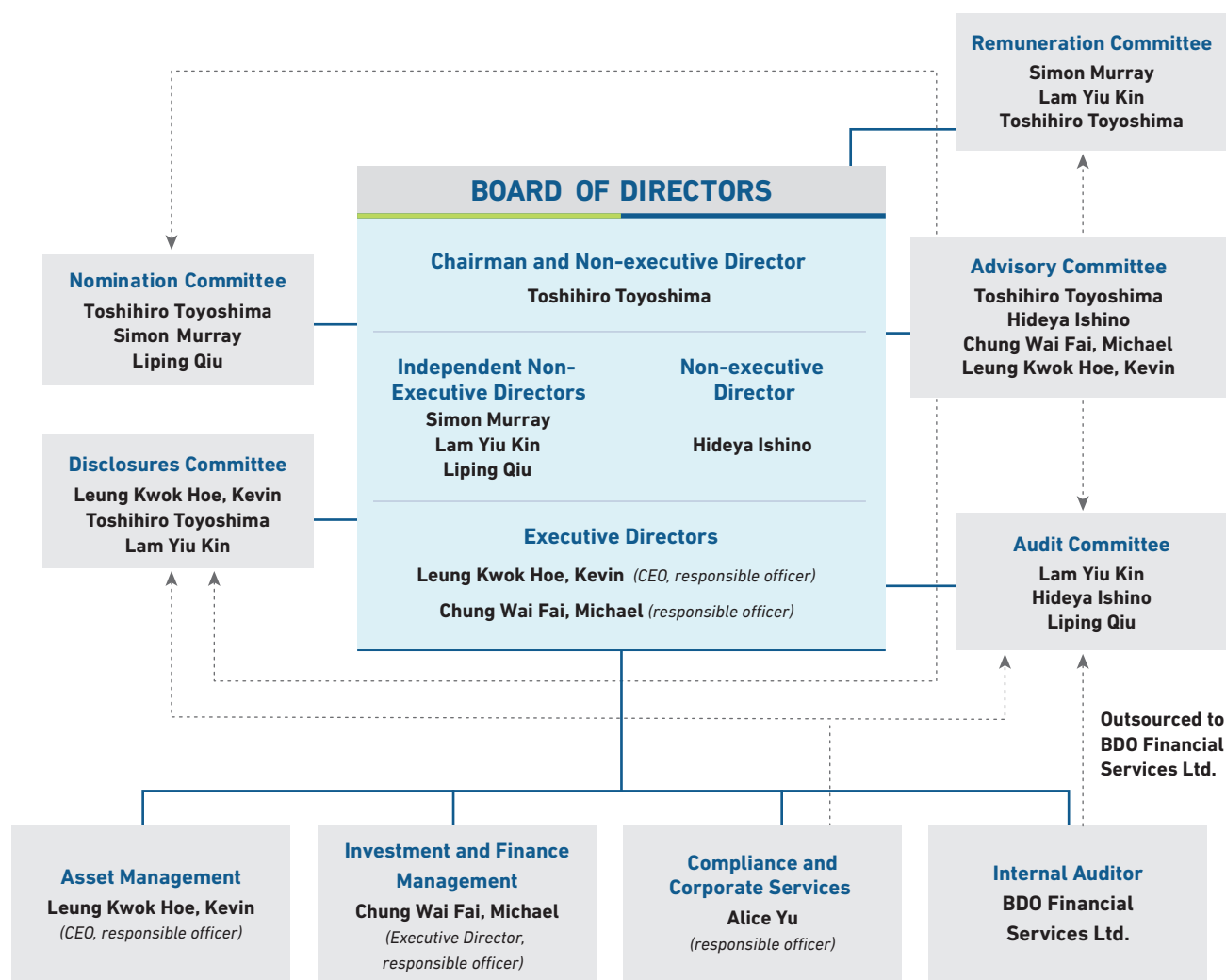
ROLES OF THE TRUSTEE AND THE MANAGER

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

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

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

ORGANIZATIONAL AND REPORTING STRUCTURE OF THE MANAGER



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

THE BOARD AND DELEGATIONS

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

THE BOARD

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

Non-executive Directors

Toshihiro Toyoshima (*Chairman*)
Hideya Ishino

Executive Directors

Leung Kwok Hoe, Kevin (*Chief Executive Officer*)
Nobumasa Saeki (*resigned as Executive Director on 24 March 2021*)
Chung Wai Fai (*appointed as Executive Director on 24 March 2021*)

Independent Non-executive Directors

Simon Murray
Lam Yiu Kin
Qiu Liping

Alternate Director

Chung Wai Fai (*ceased to act as alternate Director to Nobumasa Saeki on 24 March 2021*)

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.

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.

CORPORATE GOVERNANCE (continued)

During the Reporting Year, the Board has considered, reviewed and approved, inter alia, the following keys matters, relating to Spring REIT:

- (i) declaration of 2020 final results and 2021 interim results of Spring REIT, as well as 2020 final distribution and 2021 interim distribution of Spring REIT.
- (ii) COVID-19 precautionary measures for annual general meeting.
- (iii) amendments to the Trust Deed.
- (iv) renewal of Property Management Agreement, a continuous connected party transaction.
- (v) extension of INED remuneration plan.
- (vi) new project for investment consideration.
- (vii) Huamao Group related continuous connected party transactions.

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

BOARD COMPOSITION

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

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

- (i) the Chairman of the Board should be a Non-executive Director;
- (ii) the Board should have a balance of skill and experience appropriate for the requirements of Spring REIT's business and should ensure that changes to its composition can be managed without undue disruption;
- (iii) the Board should have a balance composition of Executive Directors, Non-executive Directors and Independent Non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement;
- (iv) the Board should include Non-executive Directors of sufficient calibre and number for their views to carry weight; and
- (v) at least one-third, and a minimum of three members, of the Board should be Independent Non-executive Directors and at least one Independent Non-executive Director must have appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE (continued)

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.

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 two additional meetings of the Board held and 20 separate written resolutions were passed by all members of the Board during the year.

CORPORATE GOVERNANCE (continued)

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	6/6	100%
Chief Executive Officer and Executive Director		
Mr. Leung Kwok Hoe, Kevin	6/6	100%
Executive Director		
Mr. Nobumasa Saeki (<i>resigned on 24 March 2021</i>)	1/1	100%
Mr. Chung Wai Fai (<i>appointed on 24 March 2021</i>)	5/5	100%
Non-executive Director		
Mr. Hideya Ishino	6/6	100%
Independent Non-executive Directors		
Mr. Simon Murray	4/6	67%
Mr. Lam Yiu Kin	6/6	100%
Mr. Qiu Liping	6/6	100%
Alternate Director		
Mr. Chung Wai Fai (<i>ceased on 24 March 2021</i>)	1/1	100%

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.

CORPORATE GOVERNANCE (continued)

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 (<i>resigned on 24 March 2021</i>)	A, B
Mr. Chung Wai Fai (<i>appointed on 24 March 2021</i>)	A, B
Non-executive Director	
Mr. Hideya Ishino	A, B
Independent Non-executive Directors	
Mr. Simon Murray	A, B
Mr. Lam Yiu Kin	A, B, C
Mr. Qiu Liping	A, B

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the "Connected Party Transactions" section on pages 83 to 89 of this report and in Note 25 to the consolidated financial statements of Spring REIT, no transactions, arrangements or contracts of significance subsisted during or at the end of the Reporting Year in which a Director or any entity connected with a Director is or was materially interested, whether directly or indirectly.

KEY RESERVED MATTERS TO THE BOARD

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

- (i) approval of interim, final and special (if any) distributions, interim and annual reports and financial statements and circulars to Unitholders;
- (ii) recommendation to Unitholders on any change of the provisions of the Trust Deed;
- (iii) approval of acquisition and/or disposition of properties;
- (iv) appointment or removal of the Executive Director and any other Directors as well as the company secretary;
- (v) issue of new Units of Spring REIT;
- (vi) approval of any matter which would have a material effect on Spring REIT's financial position, liabilities, future strategy or reputation; and
- (vii) delegation of powers and authority to various Board committees.

INSURANCE

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

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, the Board noted that Mr. Lam Yiu Kin is an Independent Non-executive Director of more than seven (7) listed companies. The Board is of the view that Mr. Lam is able to devote sufficient time in acting as an Independent Non-executive Director as (i) he is not preoccupied with any full-time work and as an independent non-executive director of the other listed companies, he is not required to have full-time involvement in the affairs of, or participate in day-to-day operations of, those listed companies; (ii) equipped with extensive experience and in-depth knowledge, particularly on corporate governance matters, acquired and developed from his background and past offices (including his directorship in other listed companies), he is fully aware of the responsibilities and expected time involvement as an independent non-executive director; (iii) he attended all Board meetings, audit committee meetings, remuneration committee meetings, disclosures committee meetings, the independent board committee and the annual general meeting of the Manager as well as the annual general meeting of Spring REIT held in 2021 and provided professional and valuable advice on the financial and operational aspects of both the Company and Spring REIT; and (iv) he has confirmed to the Manager that he is able to discharge, and will continue to devote sufficient time to discharging, his duties as an Independent Non-executive Director.

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 2021.

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

DISCLOSURE ON INDEPENDENT NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENT

Pursuant to the announcement of the Manager dated 24 October 2014 (the “**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 ⁽ⁱⁱⁱ⁾
Mr. Simon Murray	414,000	100%	145,000
Mr. Qiu Liping	414,000	100%	145,000
Mr. Lam Yiu Kin	450,000	100%	158,000

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” in this report.

BOARD COMMITTEES

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

The committees of the Board are currently as follows:

Audit Committee

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

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

The responsibilities of the Audit Committee also include:

- (i) reviewing transactions of Units of Spring REIT by the Manager and the Directors on a half-yearly basis;
- (ii) reviewing all financial statements and all external audit reports and developing and implementing a policy on the engagement of external auditors to provide non-audit services;
- (iii) ensuring the internal audit functions are adequately resourced and guiding the management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified;
- (iv) assisting the Board in monitoring the overall risk management profile of the entities and setting guidelines and policies for risk assessment and risk management;
- (v) periodically reviewing and monitoring all connected party transactions and related party transactions;
- (vi) reviewing the Manager and Spring REIT's compliance with legal and regulatory requirements on a regular basis; and
- (vii) reviewing and approving the annual internal audit plan and reviewing the internal audit reports and activities.

During the Reporting Year, four meetings of the Audit Committee were held. Apart from the above four meetings of the Audit Committee, there was one additional meeting of the Audit Committee held and 3 separate written resolutions were passed by all members of the Audit Committee.

CORPORATE GOVERNANCE (continued)

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

Members of the Audit Committee	Number of meetings attended/ Number of meetings held during term of office within the Reporting Year	Attendance rate
Mr. Lam Yiu Kin (<i>Chairman</i>)	5/5	100%
Mr. Hideya Ishino	5/5	100%
Mr. Qiu Liping	5/5	100%

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

- (i) reviewed the audited financial statements, the final results announcement and annual report of Spring REIT for the year ended 31 December 2020.
- (ii) reviewed the unaudited financial statements, the interim results announcement and interim report of Spring REIT for the six months period ended 30 June 2021.
- (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 2020 and for the six months period ended 30 June 2021 which included, among others, the connected party transactions and continuing connected party transactions of Spring REIT.
- (vi) reviewed the risk update and risk management system.
- (vii) reviewed and approved the 2021 annual budget of the Group prepared by the Manager.
- (viii) considered and recommended to the Board on the 2022 annual budget of Spring REIT.
- (ix) considered and recommended to the Board regarding the financial considerations of a potential investment.
- (x) considered and recommended to the Board regarding the continuous connected party transactions with the Huamao Group.

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.

During the Reporting Year, two meetings of the Disclosures Committee were held. Apart from the above two meetings of the Disclosures Committee, there was one additional meeting of the Disclosures Committee held and 16 separate written resolutions were passed by all members of the Disclosures Committee.

CORPORATE GOVERNANCE (continued)

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

Members of the Disclosures Committee	Number of meetings attended/ Number of meetings held during term of office within the Reporting Year	Attendance Rate
Mr. Leung Kwok Hoe, Kevin (<i>Chairman</i>)	3/3	100%
Mr. Toshihiro Toyoshima	3/3	100%
Mr. Lam Yiu Kin	3/3	100%

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

- (i) reviewed and recommended to the Board on the disclosure of the draft documents of Spring REIT, namely, announcement of date of Board meeting, final results announcement and 2020 final distribution, annual report for the year ended 31 December 2020, draft 2020 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 2021 interim distribution and interim report for the six months period ended 30 June 2021;
- (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 2020, 31 March 2021, 30 June 2021 and 30 September 2021;
- (v) reviewed and recommended to the Board on the draft announcement in relation to the 2022 election of Manager's fees;
- (vi) reviewed and recommended to the Board on the draft announcement in relation to succession arrangement relating to an Executive Director of the Manager and appointment of an Executive Director and a member of Advisory Committee;
- (vii) reviewed and recommended to the Board on the draft voluntary announcement in relation to COVID-19 precautionary measures for annual general meeting;
- (viii) reviewed and recommended to the Board on the draft announcement in relation to amendments to the Trust Deed;
- (ix) reviewed and recommended to the Board on the draft announcement in relation to election of means of receipt and language of corporate communications of Spring REIT;
- (x) reviewed and recommended to the Board on the draft announcements in relation to continuing connected party transactions and continuing connected party transactions in relation to property management agreement and the Huamao Group.

CORPORATE GOVERNANCE (continued)

Remuneration Committee

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

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

During the Reporting Year, one 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>)	0/1	0%
Mr. Toshihiro Toyoshima	1/1	100%
Mr. Lam Yiu Kin	1/1	100%

During the Reporting Year, the Remuneration Committee reviewed remuneration of senior executives and senior staff; the existing arrangement for payment of remuneration of INED Remuneration Arrangement; and remuneration package of a new Executive Director.

CORPORATE GOVERNANCE (continued)

Nomination Committee

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

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

During the Reporting Year, one meeting of the Nomination Committee was held and 2 separate written resolutions were 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	0/1	0%
Mr. Qiu Liping	1/1	100%

During the Reporting Year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board; assessed the independence of the Independent Non-executive Directors; reviewed the matters of retirement and re-election of Directors; and nomination of the appointment of a new Executive Director.

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. Chung Wai Fai (appointed on 24 March 2021) (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 of the Advisory Committee were held.

COMPANY SECRETARY

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

INTERNAL AUDITOR

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

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

The functions of Internal Auditor include:

- (i) reviewing the accuracy and completeness of records of all operations and transactions of Spring REIT and ensuring that the Manager’s internal control system functions properly;
- (ii) identifying contingency events and escalating them to the appropriate level within the Manager; and
- (iii) reviewing and making recommendations to the Board or the Audit Committee (as the case may be) to ensure effective segregation of duties and operation functions of the Manager and effectiveness and accuracy of reporting of any irregularity and infringement of the Manager’s operational and compliance procedures.

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

A separate discussion on Risk Management and Internal Control is set out on page 79 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 127 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 2022.

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	1,588
– Other assurance service	599
– Other non-assurance services	295

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 the liability management and acts upon any advices or comments from internal and external auditors, where appropriate. In assessing any business risk, the Board considers both the economic and environmental aspects 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 the 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 is set out on page 79 of this annual report.

CONFLICTS OF INTEREST AND BUSINESS COMPETITIONS WITH MERCURIA GROUP

Mercuria Investment Co., Ltd. ("**Mercuria Investment**") may exercise influence over the affairs of Spring REIT through its control over RCA Fund 01, L.P. ("**RCA Fund**"). RCA Fund, which is managed by Mercuria Investment pursuant to a management agreement between Mercuria Investment and RCA Fund (acting through its general partner, RCAC), held 20.69% interest in the Units of Spring REIT as at 31 December 2021. Mercuria Investment 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. Besides, Mercuria Investment also through a wholly-owned subsidiary held 22.87% interests in the Units of Spring REIT as at 31 December 2021.

Listed on Tokyo Stock Exchange in October 2016 until 30 June 2021, Mercuria Investment 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 Investment 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 Investment in the future.

Mercuria Investment was previously the holding company of the Manager and became a fellow subsidiary of the Manager following a group restructuring which resulted in each of Mercuria Investment (with effect from 1 July 2021) and the Manager becoming a subsidiary (with effect from 9 July 2021) of a newly incorporated holding company, Mercuria Holdings (a company listed on Tokyo Stock Exchange) (collectively "**Mercuria Group**").

CORPORATE GOVERNANCE (continued)

Accordingly, Mercuria Holdings may also exercise influence over the affairs of Spring REIT through its wholly owned subsidiary, Mercuria Investment (as disclosed above) and a non-wholly owned subsidiary, the Manager (as at 31 December 2021, issued shares of the Manager is owned by Mercuria Holdings as to 80.4% and some of the Non-executive Directors of the Manager were and still are directors and/or senior executives of Mercuria Holdings) which has received and will continue to receive cash of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

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 Group;
- (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 substantial 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 Investment and 60% owned by third parties. If the Property Manager were to manage also any other property which competes with the Beijing CCP Property, there may be potential conflicts of interest between Spring REIT and the Property Manager in respect of the performance of property management services in relation to the Beijing CCP Property and such other property.

To eliminate the likelihood of any potential future conflicts of interest, the Property Manager has a team of operational staff dedicated exclusively to 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 three 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.

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 13,365,715 new Units were issued to the Manager as payment of part of the Manager's fee. Please refer to the announcements dated 26 March 2021, 30 April 2021, 11 August 2021 and 29 October 2021 for more details.

During the Reporting Year, the Manager (on behalf of Spring REIT) bought back a total of 1,855,000 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 2021 was 1,472,383,580 Units.

COMPLIANCE WITH THE DEALINGS CODE

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

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

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

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

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

COMMUNICATIONS WITH UNITHOLDERS

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

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

During the Reporting Year, an annual general meeting of Spring REIT was held on 27 May 2021, 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 (<i>resigned on 24 March 2021</i>)	N/A
Mr. Chung Wai Fai (<i>appointed on 24 March 2021</i>)	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 180 for the contact details.

NOTICE OF UNITHOLDERS' MEETINGS

In accordance with the requirement under the Trust Deed, a notice of at least 20 clear business days 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 10 clear business days shall be given to Unitholders for all other general meetings of Unitholders in accordance with the REIT Code and, where applicable, the Listing Rules and in the manner provided in the Trust Deed. All notices so served to Unitholders are exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given.

MATTERS TO BE DECIDED BY UNITHOLDERS BY WAY OF SPECIAL RESOLUTION

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

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

QUORUM

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

VOTING

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

POLL VOTE

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

INVESTOR RELATIONS

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

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

- (i) direct communications including physical meetings conducted with the senior executives of the Manager, both locally and overseas;
- (ii) guided property tours organized by the Manager and the property management team;
- (iii) provision of regular communication materials; and
- (iv) announcements and press releases posted on Spring REIT's website, including disclosures made pursuant to regulatory requirements or on a voluntary basis.

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

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

CONSTITUTIONAL DOCUMENTS

During the Reporting Year, the Manager had amended and restated the Trust Deed to reflect recent amendments of the REIT Code gazetted and announced by the SFC on 4 December 2020. Please refer to the announcement dated 28 May 2021 for more details. There was no change in the Compliance Manual.

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.

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
Toshihiro Toyoshima <i>Chairman and Non-executive Director</i>	– appointed as a director of Mercirua Holdings with effect from 1 July 2021 (a company listed on the Tokyo Stock Exchange, Stock Code: 7347)
Hideya Ishino <i>Non-executive Director</i>	– appointed as a director of Mercirua Holdings with effect from 1 July 2021 (a company listed on the Tokyo Stock Exchange, Stock Code: 7347)
Leung Kwok Hoe, Kevin <i>Chief Executive Officer and Executive Director</i>	– appointed as a director of a number of, a special purpose vehicles of Spring REIT
Chung Wai Fai <i>Executive Director</i>	– appointed as an Executive Director of Spring Asset Management Limited, the Manager of Spring REIT, with effect from 24 March 2021 – appointed as a director of RCA01, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in Beijing, with effect from 26 March 2021 – appointed as a director of Hawkeye Properties 501 Limited, a special purpose vehicle of Spring REIT which holds Spring REIT's properties in the United Kingdom, with effect from 11 May 2021 – appointed as director of a number of special purpose vehicles of Spring REIT
Lam Yiu Kin <i>Independent Non-executive Director</i>	– resigned as an Independent Non-executive Director of Bestway Global Holding Inc. (Stock Code: 3358 voluntarily withdrawn its listing in Hong Kong on 12 October 2021) with effect from 31 December 2021

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

PURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Year, the Manager (on behalf of Spring REIT) bought back a total of 1,855,000 Units on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK\$5.3 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\$	
2021				
January	145,000	2.7275	2.6894	393
March	108,000	2.8100	2.7725	300
April	36,000	2.8400	2.7882	102
May	547,000	2.8200	2.6913	1,504
June	703,000	2.9290	2.8416	2,035
July	316,000	2.9397	2.8978	920

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 interests of Spring REIT and the Unitholders as a whole. The buy-backs were effected by the Manager for the enhancement of the net asset value and/or earnings per Unit.

The average cost (excluding expenses) of the Units bought back was approximately HK\$2.83 per Unit.

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

PUBLIC FLOAT OF THE UNITS

Based on information that is publicly available and within the knowledge of the Directors, Spring REIT maintained a public float of not less than 25% of the issued and outstanding Units as of 31 December 2021.

INVESTMENTS IN PROPERTY DEVELOPMENT AND RELEVANT INVESTMENTS

As at 31 December 2021, 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).

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.

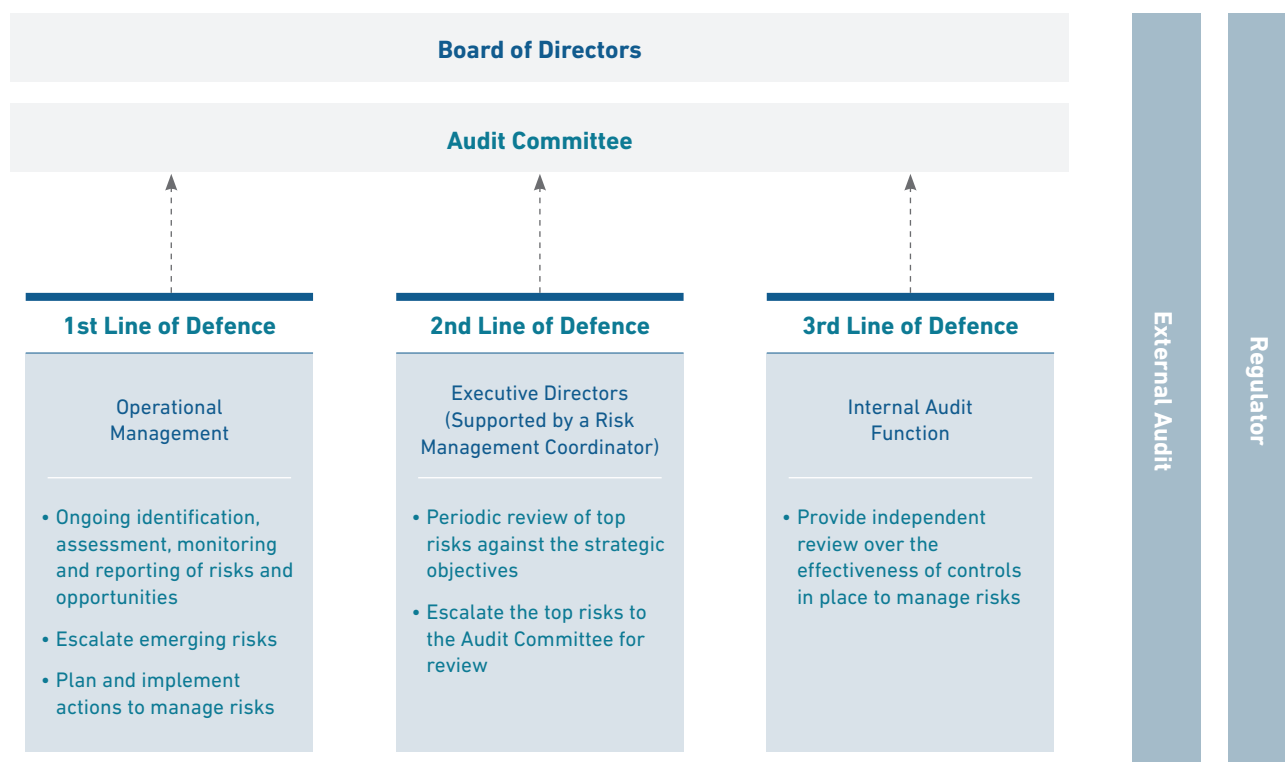
Spring REIT has developed a risk management system, which is defined and supported by its risk management policy (the "**RM Policy**"). The responsibility for maintaining an effective system of internal control and risk management is also included in the terms of reference of the Audit Committee.

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.

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.

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
- (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 (continued)

CONNECTED PARTY TRANSACTIONS — INCOME

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income for the Reporting Year RMB	Rental Deposit received as at 31 Dec 2021 RMB
MIBJ Consulting (Beijing) Co., Ltd.	An associate of the Manager and an associate of a director of the Manager ¹	Leasing	953,489	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	2,533,981	742,757

Notes:

1. MIBJ Consulting (Beijing) Co., Ltd. (“**Mercuria Beijing**”) is wholly-owned by Mercuria Holdings Co., Ltd., 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 29 December 2020, 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 2021. Details of the transaction were set out in the announcement of Spring REIT dated 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.

Beijing Guohua Real Estate Co., Ltd.* (“**Beijing Guohua**”) is an associate of Huamao Property Holdings Limited (“**Huamao Property**”), a substantial holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code..

The Group (as lessor) has entered into a carpark master lease contract dated 1 January 2017 and subsequently renewed with last renewal on 21 December 2021 (the “**Carpark Master Lease**”) with Beijing Huamao Property Consulting Co., Ltd. First Branch (the “**Carpark Operator**”) (as lessee), 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). The Carpark Operator is an independent third party of Spring REIT.

CONNECTED PARTY TRANSACTIONS (continued)

In relation to the Carpark Master Lease, the Group (through its Property Manager) and a wholly-owned 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"**). The Carpark Management and Benefit Sharing Agreement was renewed for a further term of 2 years with effect from 1 January 2022.

Under the Carpark Master Lease, the transaction amount for the Reporting Year was RMB5,309,172. 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 Reporting Year was RMB5,214,377, and (ii) the Group's share of the carpark management fees for the Reporting Year was RMB1,678,080.

CONNECTED PARTY TRANSACTIONS — EXPENSES

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Rental income 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	10,337,231

Note:

1. Beijing Hua-re Real Estate Consultancy Co., Ltd. is 40% owned by Mercuria Investment, which is a fellow subsidiary of 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 extended for a term of two years expiring 31 August 2021. On 26 July 2021, the Property Management Agreement was renewed on the same terms and conditions for another two-year period commencing from 1 September 2021 and expiring on 31 August 2023. Details of the transaction were set out in the announcement of Spring REIT dated 19 July 2019 and 26 July 2021.

On 31 December 2019, the Group and Beijing Guohua, both as owners of their respective portion of the Development have jointly entered into a service contract for a period of 24 months to appoint Beijing Huamao Property Management Co., Ltd., the common area manager (the **"Common Area Manager"**), for the provision of maintenance and management services for the relevant common areas within the Development (the **"Common Area Service Contract"**).

CONNECTED PARTY TRANSACTIONS (continued)

The Group is responsible for its portion of the management fee payable to the Common Area 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 Common Area 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 Reporting Year was RMB3,284,852. The Common Area Manager is an independent third party of Spring REIT.

On 21 December 2021, the Common Area Service Contract was renewed on the same terms and conditions for another two-year period commencing from 1 January 2022.

CONNECTED PARTY TRANSACTIONS WITH TRUSTEE CONNECTED PERSONS

The following tables set forth the information on connected party transactions entered into between the Group and Trustee Connected Persons (which include the Trustee, any director or chief executive of the Trustee and any associate of the Trustee) during the Reporting Year:

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income/(Expense) for the Reporting Year RMB
Leasing Transactions			
Deutsche Bank AG and its associates	Associates of the Trustee	Leasing ¹	43,943,616 ¹
Ordinary Banking and Financial Services			
Deutsche Bank AG	An Associate of the Trustee	Interest income received/receivable on bank deposits ²	2,388,704
Deutsche Bank AG	An Associate of the Trustee	Bank charges ³	(21,366)

Note:

- As at 31 December 2021, a rental deposit of RMB6,766,777 was held by the Group from Trustee Connected Persons among which RMB6,641,746 was held by RCA01 (a special purpose vehicle wholly owned and controlled by Spring REIT) by way of bank guarantee provided by Deutsche Bank (China) Co., Ltd. as at 31 December 2021.

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. In October 2021 and November 2021, certain office premises under the tenancy agreement was renewed for a further term of 5 years with effect from 1 December 2021.

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. In April 2021, the tenancy agreement was renewed for a further term of 5 years with effect from 1 May 2021.

- 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.	An Associate of the Trustee	Lease for the whole of 27th and 28th floors of Tower 1, China Central Place and signage income	23,657,849
Zhong De Securities	An Associate of the Trustee	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	20,285,767

CONFIRMATION BY THE MANAGER AND TRUSTEE OF CORPORATE FINANCE TRANSACTION WITH TRUSTEE CONNECTED PERSONS

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

WAIVERS FROM STRICT COMPLIANCE

Waivers from strict compliance with the disclosure and 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 AND THE TRUSTEE

Pursuant to REIT Code, services provided by the Manager and the Trustee to Spring REIT as contemplated under the constitutive documents shall not be deemed connected party transactions, but particulars of such services (except where any service transaction with a value of not more than HK\$1 million), such as terms and remuneration, shall be disclosed in the next published 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 RMB51.4 million. The Manager's fee paid in the form of Units amounted to HK\$37.7 million and the Manager's fee paid in the form of cash amounted to HK\$24.3 million. Based on the election made by the Manager dated 4 December 2020 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 2021 in accordance with the Trust Deed.

During the Reporting Year, the fee payable to the Trustee under the Trust Deed was RMB1.73 million.

Particulars of services provided by the Trustee and the Manager are set out in notes 7 and 11 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 2021, each of the following was the Manager, a director, senior executive or officer of the Manager and thus each of them was a connected person of Spring REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units in Spring REIT as follows:

		As at 31 December 2021		As at 31 December 2020		
		Number of Units		Number of Units		
Name	Capacity/ Nature of Interest	interested in (Long Position)	Approximate % of interest ¹	interested in (Long Position)	Approximate % of interest ¹	Change in % of interest
The Manager						
Spring Asset Management Limited ²	Beneficial owner/ Beneficial interest	21,282,362	1.45%	8,364,647	0.57%	+0.88%
Directors						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	1,100,000	0.07%	1,100,000	0.08%	-0.01%
Hideya Ishino	Beneficial owner/ Personal interest	115,000	0.01%	115,000	0.01%	0.00%
Leung Kwok Hoe, Kevin	Beneficial owner/ Personal interest	759,000	0.05%	759,000	0.05%	0.00%
Simon Murray ³	Beneficial owner/ Personal interest	875,000	0.06%	730,000	0.05%	+0.01%
Qiu Liping ³	Beneficial owner/ Personal interest	875,000	0.06%	730,000	0.05%	+0.01%
Lam Yiu Kin ³	Beneficial owner/ Personal interest	887,000	0.06%	729,000	0.05%	+0.01%
Senior Executive						
Alice Yu	Beneficial owner/ Personal interest	170,000	0.01%	170,000	0.01%	0.00%
Former Executive Director						
Nobumasa Saeki ⁴	Beneficial owner/ Personal interest	400,000	0.03%	400,000	0.03%	0.00%

DISCLOSURE OF INTERESTS (continued)

Notes:

1. The percentages expressed herein are based on the total number of issued Units of 1,472,383,580 as at 31 December 2021 and 1,460,872,865 as at 31 December 2020 respectively.
2. During the Reporting Year, an aggregate of 13,365,715 new Units were issued to the Manager as payment of part of the Manager's fee. The Manager beneficially owned 21,282,362 Units as at 31 December 2021 (31 December 2020: 8,364,647 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 51 of this annual report for details. As at 31 December 2021, there had been no change to the annual election made by each Independent Non-executive Director.
4. Mr. Nobumasa Saeki resigned as Executive Director on 24 March 2021. His interest in Units stated under the column "As at 31 December 2021" above represented his interest as at 24 March 2021 (the date of his resignation).

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 2021 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 SUBSTANTIAL UNITHOLDERS UNDER THE REIT CODE

As at 31 December 2021, 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 2021			As at 31 December 2020			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	304,699,361	N/A	20.69%	363,654,000	N/A	24.89%	-4.20%
Sumitomo Mitsui Banking Corporation ²	Person having a security interest in shares/other interests	334,720,159	N/A	22.73%	415,243,109	N/A	28.42%	-5.69%
Mercuria Investment ³	Interest of controlled corporation/ corporate interests	336,720,159	N/A	22.87%	404,039,445	N/A	27.66%	-4.79%
Mercuria Holdings ⁴	Interest of controlled corporation/ corporate interests	358,002,521	N/A	24.31%	0	N/A	0%	+24.31%
PAG Holdings Limited ^{5 & 6}	Interest of controlled corporation/ corporate interests	233,562,089	N/A	15.86%	233,562,089	N/A	15.99%	-0.13%
Spirit Cayman Limited ⁷	Beneficial owner/Beneficial interest	169,552,089	N/A	11.52%	169,552,089	N/A	11.61%	-0.09%
Huamao Property ⁸	Interest of controlled corporation & beneficial owner/corporate interests & beneficial interests	185,249,742	N/A	12.58%	185,249,742	N/A	12.68%	-0.10%
Fang Chao ⁸	Interest of controlled corporation/ corporate interests	185,249,742	N/A	12.58%	185,249,742	N/A	12.68%	-0.10%

DISCLOSURE OF INTERESTS (continued)

Name	Capacity/Nature of interest	As at 31 December 2021			As at 31 December 2020			Change in % of interest
		Number of Units interested in (Long Position)	Number of underlying Units interested in (Long Position)	Approximate % of issued Unit ¹	Number of Units interested in (Long Position)	Number of underlying Units interested in (Long Position)	Approximate % of issued Unit ¹	
Lin Minghan ⁸	Interest of controlled corporation/ corporate interests	185,249,742	N/A	12.58%	185,249,742	N/A	12.68%	-0.10%
Chia Seok Eng ⁸	Interest of controlled corporation/ corporate interests	185,249,742	N/A	12.58%	185,249,742	N/A	12.68%	-0.10%
Shining Path Limited ⁹	Interest of controlled corporation/ corporate interests	162,096,029	N/A	11.01%	162,096,029	N/A	11.10%	-0.09%
Skyland Union Holdings Limited ¹⁰	Interest of controlled corporation/ corporate interests	162,096,029	N/A	11.01%	162,096,029	N/A	11.10%	-0.09%
Sino Ocean Group ¹¹	Interest of controlled corporation/ corporate interests	176,408,678	N/A	11.98%	176,408,678	N/A	12.08%	-0.10%

Notes:

- The percentages expressed herein are based on the total number of issued Units of 1,472,383,580 as at 31 December 2021 and 1,460,872,865 as at 31 December 2020 respectively.
- These 304,699,361 Units (including 302,699,361 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 302,699,361 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 336,720,159 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.); and (ii) 304,699,361 Units (including 302,699,361 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 358,002,521 Units comprise the interests of (i) 336,720,159 Units (including 334,720,159 Units in short position) indirectly held by a 100% controlled entity (Mercuria Investment); and (ii) 21,282,362 Units directly held by a 80.40% controlled entity (the Manager). Please refer to Note 3 above for details of interests of Mercuria Investment.
- 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 deemed to be interested.
- 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 5(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 5(ii) above;

DISCLOSURE OF INTERESTS (continued)

- (c) 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;
- (d) 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;
- (e) 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
- (f) 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.

- 7. These 169,552,089 Units were beneficially owned by Spirit Cayman Limited. Please refer to Note 6(b) above.
- 8. 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:
 - (a) 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.
 - (b) according to the notifications filed on 7 January 2021, each of Siberite Limited (as controlling entity of Huamao Property as to 40.48%) and Lin 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.
 - (b) 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.
- 9. Based on the notification filed by Shining Path Limited on 21 December 2020, Shining Path Limited was interested in 162,096,029 Units, comprising the interests of (i) 160,626,029 Units 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).
- 10. Based on the notification filed by Skyland Union Holdings Limited on 17 February 2020, Skyland Union Holdings Limited was interested in 160,626,029 Units as 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 9(i) above. Accordingly, Skyland Union Holdings Limited is deemed to be interested in the 160,626,029 Units held by Alpha Great Global Limited.

Based on the notification filed by Shining Path Limited on 21 December 2020, the Manager was aware that Skyland Union Holdings Limited was also deemed to be interested in 1,470,000 Units which was indirectly held by Shining Path Limited through its 100% controlled entity (Pure Sage Investments Limited), as at 31 December 2021 as referred to Note 9(ii) above.

- 11. Based on the notification filed by Sino Ocean Group on 2 November 2021, Sino Ocean Group was deemed to be interested in 176,408,678 Units, comprising the interests of (i) 162,096,029 Units indirectly held by its indirect 50% controlled entity, Shining Path Limited through 100% controlled corporations as referred to Note 9 above; and (ii) 14,312,649 Units indirectly held by its indirect 49% controlled entity, Fortune Joy Ventures Limited through a number of 100% controlled corporations and a 70% controlled corporation (Oceanland Global Investment Limited) to hold these Units.

DISCLOSURE OF INTERESTS (continued)

Save as disclosed above and based on the information available to the Manager, no other substantial Unitholders of Spring REIT within the meaning of REIT Code 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 2021 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

INTERESTS HELD BY SUBSTANTIAL UNITHOLDERS UNDER THE SFO

As at 31 December 2021, 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 substantial Unitholders of Spring REIT under REIT Code disclosed above, 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 2021		As at 31 December 2020		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	
Mamoru Taniya	Beneficial owner/ Beneficial interest	102,604,639	6.97%	102,604,639	7.02%	-0.05%

Note:

- The percentages expressed herein are based on the total number of issued Units of 1,472,383,580 as at 31 December 2021 and 1,460,872,865 as at 31 December 2020 respectively.

Save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other substantial Unitholders of Spring REIT within the meaning of 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 2021 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 2021, 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, who have interests (or deemed interests) in the Units or underlying Units or held any short position in Units which 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 Commerce Centre

1 Austin Road West

Kowloon, Hong Kong

Australia and New Zealand Banking Group Limited, Singapore Branch

(as Facility Agent of the syndicated loan to RCA01)

10 Collyer Quay, #22-0 Ocean Financial Centre

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 31 December 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 98%.

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 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 December 2021 by Ms. Corrina Li who has 14 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 **RMB8,638,000,000 (RENMINBI EIGHT BILLION SIX HUNDRED AND THIRTY EIGHT 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-22

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 98%.
METHOD OF VALUATION	:	Income Approach cross-checked by the comparison approach
VALUATION DATE	:	31 December 2021
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 RMB8,638,000,000 (RENMINBI EIGHT BILLION SIX HUNDRED AND THIRTY EIGHT MILLION) assuming that the captioned property could be freely transferred.
THE ESTIMATED NET YIELD	:	4.14% (see note)

Note: The estimated net yield of the property is derived from the annual net property income as at 31 December 2021 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.

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 98%.

1.2 Valuation Date

The valuation date is 31 December 2021.

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, as the economy gradually recover from the global pandemic, in the second half of 2020, the situation has improved slightly, the GDP of Beijing in 2020 reached RMB3,610 billion, increasing by 1.2% y-o-y. According to the preliminary calculation of the Beijing Municipal Bureau of Statistics, for the entire year of 2021, Beijing achieved a GDP of RMB4,027.0 billion, up by 8.5% y-on-y based on comparable prices.

Overall fixed asset investment (FAI) of Beijing recorded 4.9% y-o-y growth in 2021, and real estate investment registered 5.1% y-o-y growth for the same period. The fastest-growing sectors of FAI were the manufacturing sector and the financial sector, which recorded 68.3% and 68.2% growth respectively comparing with the performance last year, while the agriculture, forestry, animal husbandry and fishery sector decreased by 59.7%.

Total retail sales of Beijing reached RMB1,486.77 billion with a 8.4% y-o-y increase in 2021. Average income per capita continued to rise by 8.0% y-o-y in 2021, while consumption per capita rise by 12.2% 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 nine major sub-markets, 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, Zhongguancun in Haidian and Lize in Fengtai. Nearly half of the Grade A office spaces in Beijing are located in CBD and Finance Street.

Beijing's office market is notably policy-oriented. Following the government's demarcation of district boundaries and guidance of industrial layout, CBD, in which the subject property is located, has become a comprehensive business hub; Financial Street has become a financial hub; while Zhongguancun has become an IT industry hub. Beijing's market performed well due to the abundant demand; specifically, the demand from both financial and IT sectors and the city's strong fundamentals drove the steady market development.

2.2.2 Demand and Supply of Beijing Grade A Office Market in 2021

Following a year of weak demand in 2020, Beijing Grade A office market showed a recovery trend from 2021. The net absorption was 1,013,000 sq.m. in this year, especially in the last quarter of 2021, the active demand pushed the leasable net absorption to the highest quarterly level since 2011. Domestic companies contributed significantly to the leasing activities by taking more than 90% of the total transaction volume.

For the supply side, seven new completions entered the market in 2021 bringing a total supply of 671,400 sq.m. to the Grade A office market. Five new completions with a total gross floor area of approximately 408,400 sq.m. entered into the market in the first three quarters, which added limited pressure to the market as the majority space of them was designated for self-use. Two new completions with a total gross floor area of approximately 263,000 sq.m. entered into the market in the last quarter in 2021, which attracted several SOE anchor tenants during the pre-leasing stage. The total stock of the Beijing Grade A office market reached 10,847,300 sq.m in 2021, approximately 25.8% of which are located in CBD.

In the last quarter of 2021, overall rents of Beijing Grade A office market nearly hit the bottom with the rents of half of submarkets, including CBD submarket, starting to rebound. Four out of nine submarkets across the city reported positive rental growth rates as the vacant space continued to be back-filled up. Grade A office rents in CBD is RMB351 per sq.m. per month, recording 1.5% q-o-q growth and -2.2% y-o-y growth as at the last quarter of 2021.

Active demand led the overall vacancy rate to decrease by 1.0 percentage point to 11.7% in the last quarter of 2021, which was back to the pre-pandemic level of 4Q19.

2.2.3 Market Trend of Beijing Grade A Office Market

Beijing Grade A Office Market has a good start in 2021, and the overall market environment continues to improve. According to JLL's Research, the market will switch from tenant-favourable to neutral starting in 2022. The Overall rent was predicted to hit bottom at the beginning of 2022, before gradually increasing in the following quarters. Landlords of prime buildings are expected to lead the pack by being first to raise rents and the annual overall rental growth is expected to range from 1.5% to 2.5% in the following five years.

Supply peak ended in 2021, and only four new projects are scheduled in the next five years with limited supply of a total gross floor area of approximately 509,000 sq.m. Due to leasing demand recovery and the strong take-up in new and recent completions, the overall vacancy rate is likely to see a large drop.

In 2022, the emerging sub-market, Lize, is expected to attract more attention with upgraded accessibility. As the No.14 subway line in Lize officially opened at end-2021, accessibility to this area was significantly increased. In 2022, it is expected to see more active demand in Lize area, which will gradually improve occupancy rate and, subsequently, encourage landlords to raise rents.

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.

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 three 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 2,348.34 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 117,896.85 sq.m. were leased to various tenants for office purpose with a total effective monthly rent of approximately RMB40,995,502, 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 30 September 2031.

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 2022 at an annual rent of RMB4,500,000, inclusive of VAT.

Pursuant to 3 Tenancy Agreements and relevant supplementary agreements, three signages of the property were leased to three tenants with terms expiring on 31 December 2025, 30 April 2026 and 30 November 2026 at a total annual rent of approximately RMB3,200,000, exclusive of VAT.

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	117,896.85	98.0
Vacant	2,348.34	2.0
Total:	120,245.19	100.0

Tenancy Expiry Profile

Expiry Date	Lettable Area (sq.m.)	% of Total	No. of Tenancies	% of Total
Before 2022/12/31	33,308.45	28.3	58	30.4
2023/1/1 to 2023/12/31	27,512.05	23.3	44	23.0
2024/1/1 to 2024/12/31	19,685.40	16.7	44	23.0
After 2025/1/1	37,390.95	31.7	45	23.6
Total:	117,896.85	100.0	191	100.0

Tenancy Duration Profile

Year	Lettable Area (sq.m.)	% of Total	No. of Tenancies	% of Total
Less than 3 years	10,038.75	8.5	21	11.0
3 years to 6 years	105,863.31	89.8	168	88.0
More than 6 years	1,994.79	1.7	2	1.0
Total:	117,896.85	100.0	191	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.

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 31.8 years.

Occupancy rate

As at the valuation date, the occupancy rate of the office portion of the property is about 98%. Based on the office market research in CBD and taking into account the differences in location, size and other characters between the comparable properties and the subject property, the allowed vacancy rates losses adopted in our valuation are 5% and 15% 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 RMB383 to RMB400 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 RMB392 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 **RMB8,638,000,000 (RENMINBI EIGHT BILLION SIX HUNDRED AND THIRTY EIGHT 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)
28/F, Man Yee Building
68 Des Voeux Road
Central
Hong Kong

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

Dear Sirs,

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

In accordance with your instructions to value the property interests (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 2021 (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.

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 current RICS Valuation – Global Standards, incorporating the IVS, and the RICS Valuation 2017 – Global Standards UK national supplement (the RICS Red Book) published by the Royal Institution of Chartered Surveyors on the basis of the IFRS 13 definition of Fair Value defined as follows.

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 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.

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 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 2021 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 2021 was £ 77,825,000 (Seventy Seven Million Eight Hundred and Twenty Five 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 2021
Valuation Methodology	Income capitalisation approach
Market Value in Existing Status	£ 77,825,000 (Seventy Seven Million Eight Hundred and Twenty Five Thousand Pounds)

VALUATION REPORT

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2021	Estimated Net Property Yield
84 Vehicle Service Centres in the United Kingdom	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. 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. 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.	We noted from our site visits 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. There are no vacant Properties in this portfolio, and 99% of the Properties are let for a further 10 years and 3 months. (Please refer to the Property Schedule attached for details)	£ 77,825,000 (Seventy Seven Million Eight Hundred and Twenty Five Thousand Pounds) (Please refer to the Property Schedule attached for details)	5.70% (See Note 1)

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 30 June 2021 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

Appendix 1B Right of Use Values

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: 24 Clackmannan Road	FK10 1RR	8,879	Freehold	£ 56,573	20/03/2007	19/03/2032	5.25%	5.07%	£ 1,115,000
2	ALTRINCHAM: 1-3 Church Street	WA14 4DB	8,529	Freehold	£ 80,635	20/03/2007	19/03/2032	5.25%	5.54%	£ 1,455,000
	Single storey steel framed industrial unit solid brick walls exposed externally dating from the 1950s. Double pitched steel truss framed roof. Internal layout includes a reception area, a 7-bay workshop, tyre store, staff room and toilets. Externally there are 14 car parking spaces.									
3	AYR: 38 Fort Street	KA7 1DE	10,369	Freehold	£ 36,517	20/03/2007	19/03/2032	5.75%	4.30%	£ 850,000
	Single storey steel framed industrial unit dating from the 1950s on a site between, and abutting, two residential terraces. The walls are of solid brick with part painted render externally. Double pitched steel truss roof. The layout of the building is wider to the rear forming a T-shaped building. The premises trade as Tyre City. Internally there is parking for 9 cars, a customer reception, workshop with 6 service bays, tyre storage, offices and stores, staff room and WC's. The building fronts the pavement and there are no external parking spaces.									
4	AYR: 26 Maybole Road	KA7 2QA	3,970	Freehold	£ 43,705	20/03/2007	19/03/2032	5.25%	6.03%	£ 725,000
	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	7.75%	-0.63%	£ 30,000
	A modern detached two-storey steel portal frame unit, with brick and block elevations designed to blend in with the surrounding residential buildings. The ground floor layout includes a customer reception, a 5 bay workshop and tyre store. On the first floor is further tyre storage, a staffroom and staff WC's. Externally, fronting the building, is parking for ten vehicles									
6	BLYTH: Cowpen Road	NE24 5TT	5,707	Freehold	£ 59,756	20/03/2007	19/03/2032	5.25%	6.91%	£ 865,000
	Detached single storey industrial unit dating from the 1990s of steel portal framed structure with brick and block infill walls with profiled steel cladding above under a double pitched roof. Internal layout includes a customer reception, 5 bay workshop, tyre storage, store, staff room and customer and customer/staff WC's. Large tarmac surfaced car park for 18 vehicles.									
7	BRIDGWATER: 48-54 St John Street	TA6 5HY	8,603	Freehold	£ 63,886	20/03/2007	19/03/2032	5.25%	4.88%	£ 1,310,000
	Detached two storey commercial property dating from the early 1900s with a later single storey industrial extension. The two-storey section has solid load bearing brick walls with a timber framed pitched roof. The workshop extension has a steel frame, brick walls and a pitched steel truss roof. The ground floor includes 8 workshop bays, tyre stores, customer and staff WC's and a staffroom. The first floor has a further tyre store and meeting room. Externally there is a 10 space car park.									

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: 32-34 St John's Street	YO16 7JS	15,514	Freehold	£ 115,927	20/03/2007	19/03/2032	5.75%	5.71%	£ 2,030,000
	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	5.25%	5.46%	£ 595,000
	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	5.75%	7.08%	£ 740,000
	A detached single storey industrial unit dating from the 1950s with steel frame and solid brick walls. The roof has a barrel vault design supported on arched steel trusses and clad in corrugated steel. Internally the layout includes a customer reception, 5 bay workshop, tyre store, staffroom and staff/customer WCs. Externally there is parking for 12 vehicles.									
11	CASTLEFORD: 92 Bridge Street	WF10 4LA	3,595	Freehold	£ 25,040	20/03/2007	19/03/2032	5.25%	4.82%	£ 520,000
	A single storey unit of block construction under a part pitched steel framed roof, and part concrete framed flat roof. Internally the layout includes two workshops with a total of five bays, tyre store, staff room and customer/staff WCs. Externally there is parking for 5 cars plus 2 marked for disabled customers.									
12	CHAPEL ALLERTON: 232 Harrogate Road	LS7 4QD	12,358	Freehold	£ 108,000	20/03/2007	19/03/2032	4.75%	4.91%	£ 2,200,000
	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	4.50%	4.34%	£ 4,540,000
	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	5.75%	6.54%	£ 440,000
	A detached two storey unit dating from the 1960s of traditional brick construction with a timber framed pitched roof, trading as Kwik-Fit. Ground floor accommodation includes a reception area along with 3 bay workshop, tyre stores, staff/customer WCs and staffroom. Ancillary offices and stores are situated on the first floor. There is a large external car park for 17 vehicles.									
15	COATBRIDGE: 320 Main Street	ML5 3RX	4,085	Freehold	£ 36,733	20/03/2007	19/03/2032	4.75%	4.51%	£ 815,000
	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.									

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value (£)
16	CONGLETON: West Road	CW12 4EU	4,275	Freehold	£ 34,270	20/03/2007	19/03/2032	5.25%	5.23%	£ 655,000
	A detached single storey steel framed unit dating from the 1950s with solid brick walls and a double pitched steel truss framed roof. Internally the layout includes a customer reception, workshop, staffroom and toilets. Externally there is parking for 4 vehicles.									
17	CROYDON: 3 Mitcham Road	CR0 3RU	4,393	Freehold	£ 81,656	20/03/2007	19/03/2032	4.00%	4.05%	£ 2,015,000
	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	6.75%	6.06%	£ 320,000
	A detached single storey steel framed commercial unit dating from the 1970s with brick and block infill walls under a corrugated steel flat roof supported on steel truss beams. Internal layout includes a customer reception, workshop with 6 bays, office, tyre store, staffroom and customer and WC's. Externally there is parking for 15 vehicles.									
19	DUMFRIES: 40 Laurieknowe	DG2 7AJ	2,168	Freehold	£ 16,799	20/03/2007	19/03/2032	6.75%	6.00%	£ 280,000
	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	5.25%	6.07%	£ 660,000
	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	5.00%	5.52%	£ 1,470,000
	The property is a detached two storey building with a single storey dating from the 1970s. It is of steel frame construction with brick elevations beneath a flat roof. Internally the layout includes reception area, 7-bay workshop, staffroom and toilets. At first floor is office accommodation and a boardroom, largely surplus to requirements. Externally there is parking for 10 vehicles.									
22	EDINBURGH: 81-91 Dundee Street	EH11 1AW	4,466	Leasehold expiring 2861	£ 51,762	20/03/2007	19/03/2032	5.25%	6.02%	£ 860,000
	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	5.00%	4.98%	£ 2,025,000
	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	5.25%	5.34%	£ 730,000
	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%	4.26%	£ 810,000
	A concrete framed building with brick walls and a pitched steel framed roof arranged over ground and basement levels. At ground floor level is a customer reception and 5 bay workshop. The basement is a tyre and parts storage area. Externally there is parking for six vehicles.									

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value (£)
26	FORFAR: Queenswell Road	DD8 3JA	2,875	Freehold	£ 26,878	20/03/2007	19/03/2032	5.00%	4.89%	£ 550,000
	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.									
27	GLASGOW: 381 Pollokshaws Road	G41 1QZ	4,999	Freehold	£ 50,428	20/03/2007	19/03/2032	4.75%	5.04%	£ 1,000,000
	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 WCs. 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	5.00%	5.76%	£ 905,000
	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	5.25%	5.63%	£ 675,000
	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	5.75%	7.17%	£ 815,000
	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	6.75%	8.39%	£ 415,000
	A semi-detached single storey steel framed industrial unit with rendered brick walls under a double pitched roof. Internally the layout includes a customer reception, workshop with four service bays, staff room and WCs. Tyre stores are provided within the workshop and on a mezzanine level. There is no parking on the property, however there is on-street parking in the vicinity.									
32	HORNCHURCH: Ardleigh Green Road	RM11 2ST	3,641	Freehold	£ 50,000	20/03/2007	19/03/2032	4.50%	4.50%	£ 1,110,000
	A detached single storey steel framed industrial unit from the 1950s with a multi-pitched steel truss roof structure. The internal layout includes a 4 bay workshop, customer reception, tyre store, staff room and WCs. There is a small car park to the front for 7 vehicles.									
33	HUDDERSFIELD: Lockwood Road	HD1 3QU	5,206	Freehold	£ 34,942	20/03/2007	19/03/2032	5.25%	4.66%	£ 750,000
	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	5.75%	5.88%	£ 680,000
	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.									

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value (£)
35	ISLINGTON: 379 Camden Road	N7 0SH	4,327	Leasehold expiring 2024	£ 85,500	20/03/2007	19/03/2032	7.25%	37.11%	£ 230,000
	A terraced single storey industrial unit from the 1950s with a steel frame and steel truss framed pitched roof. Internally the layout includes a 5 bay workshop, customer reception, staff room and WCs. There is a car park to the front for 9 vehicles.									
36	KEIGHLEY: South Street	BD21 1AE	3,576	Leasehold expiring 2084	£ 33,598	20/03/2007	19/03/2032	5.75%	5.84%	£ 575,000
	A detached single storey steel framed commercial unit from the 1970s with brick and block walls with cladding above to part under a mono-pitched steel framed roof. The internal layout includes a 5 bay workshop, office, tyre store, staff room and WCs. Externally a concrete surfaced car park fronts the property with spaces for 11 vehicles.									
37	KEYNSHAM: Ashton Way	BS31 2UF	3,214	Freehold	£ 33,619	20/03/2007	19/03/2032	5.25%	5.65%	£ 595,000
	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%	7.14%	£ 350,000
	A detached single storey industrial unit from the 1980s of steel portal frame construction with brick walls. The internal layout includes a 6 bay workshop, tyre store, staffroom and WCs. A small first floor staff room and WC are excluded from the measured survey referred to below. There is an external car park for 8 vehicles.									
39	KILMARNOCK: 32-36 Low Glencairn Street	KA1 4DD	3,622	Freehold	£ 55,101	20/03/2007	19/03/2032	5.00%	5.92%	£ 930,000
	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	5.75%	7.69%	£ 610,000
	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	5.75%	7.28%	£ 480,000
	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	5.75%	6.07%	£ 640,000
	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 Agburch Road	L17 9PJ	4,095	Freehold	£ 45,457	20/03/2007	19/03/2032	5.50%	6.89%	£ 660,000
	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.									

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value (£)
44	LLANDUDNO: Conway Road	LL30 1DE	11,137	Leasehold expiring 2920	£86,946	20/03/2007	19/03/2032	4.75%	4.92%	£1,760,000
	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	4.75%	5.09%	£1,480,000
	A purpose built detached single storey quick repair building from the early 2000s having steel portal framed construction and brick and profile clad elevations. Internally the layout includes a customer reception, tyre store and five workshop bays. There is a very large external car park with 40 parking spaces. The site is shared with a third party occupier, by way of a sub-lease from Kwik Fit.									
46	MIDDLESBOROUGH: 258 Longlands Road	TS4 2LW	5,255	Freehold	£79,022	20/03/2007	19/03/2032	6.00%	8.15%	£970,000
	A detached L-shaped industrial unit on ground and mezzanine floors from the 1980s. Steel framed construction with brick and block walls beneath a steel-framed pitched roof with a skylight at its apex. The ground floor layout includes a 6 bay workshop, staffroom and customer WCs, with tyre storage and ancillary staff rooms at mezzanine level. It is in generally good cosmetic order with the latest branding and fit-out. Externally there is parking for 13 vehicles.									
47	MONTROSE: 34 George Street	DD10 8EW	2,726	Freehold	£24,728	20/03/2007	19/03/2032	5.75%	7.98%	£310,000
	A detached single storey steel framed industrial unit from the 1980s with brick walls under a steel framed flat roof. Internally the layout includes a customer reception, two bay workshop, tyre store, store, staff room and customer WCs. A car park fronts the property for 10 vehicles.									
48	MOTHERWELL: 99A Airbles Road	ML1 2TJ	6,220	Freehold	£55,645	20/03/2007	19/03/2032	4.75%	5.38%	£1,035,000
	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	5.25%	5.79%	£1,090,000
	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%	5.97%	£645,000
	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	5.00%	5.24%	£795,000
	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	8.25%	8.56%	£375,000
	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.									

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value (£)
53	OTLEY: Bondgate	LS21 3AB	6,247	Leasehold expiring	£44,452	20/03/2007	19/03/2032	5.75%	5.75%	£740,000
	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	5.00%	5.30%	£1,470,000
	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	5.00%	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	5.25%	5.61%	£1,125,000
	A detached two storey unit with brick/block load bearing walls and a flat roof. Internally the layout includes a 6 bay workshop, customer reception, staff room and WCs. At first floor level is a large tyre and parts store. There is parking to the front and side for 8 vehicles.									
57	PRESTON: 76 Market Street	PR1 2HP	14,643	Leasehold expiring 2069	£84,946	20/03/2007	19/03/2032	7.25%	7.08%	£955,000
	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	6.75%	7.30%	£365,000
	A single-storey industrial building from the 1970s of concrete frame construction with brick walls and a flat roof. Internally the layout includes a 4 bay workshop, customer reception, staff room and WCs. There is parking to the front and side for approximately 15 vehicles.									
59	RUTHERGLEN: 273 Main Street	G73 3AA	4,952	Freehold	£42,468	20/03/2007	19/03/2032	5.25%	5.28%	£805,000
	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	5.75%	5.83%	£980,000
	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, 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.									

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value (£)
62	SHIPLEY: 58 Briggate	BD17 7BT	4,834	Freehold	£ 42,059	20/03/2007	19/03/2032	5.25%	5.36%	£ 785,000
	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, 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	6.75%	7.17%	£ 825,000
	A semi-detached industrial unit on two levels dating from the 1950s with brick walls and a steel truss pitched roof. To the front is a 5 bay workshop, customer reception and WC. To the rear on a lower level is a tyre storage area, a small office mezzanine and an MOT bay. To the front there is parking for 8 vehicles.									
64	SOUTH CROYDON: 453 Brighton Road	CR2 6EW	6,544	Freehold	£ 124,027	20/03/2007	19/03/2032	4.75%	4.68%	£ 2,650,000
	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	5.75%	6.14%	£ 425,000
	A terraced single storey unit from the 1950s with a steel frame, brick walls and a steel truss supported pitched roof. Internally the layout includes a 3 bay workshop, customer reception, tyre store, mezzanine storage and WCs. There is parking to the front for 6 vehicles.									
66	STIRLING: Craigs Roundabout, Burghmuir Road	FK7 7PE	4,980	Freehold	£ 57,964	20/03/2007	19/03/2032	5.50%	6.01%	£ 965,000
	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, staff room and WCs.									
67	STONEHAVEN: 110 Barclay Street	AB39 2AP	5,998	Freehold	£ 46,371	20/03/2007	19/03/2032	5.25%	5.36%	£ 865,000
	A semi-detached single storey industrial unit with painted rendered brick walls under a steel truss framed pitched roof. The internal layout includes a reception, 4 bay workshop, office, tyre store, staff room and WCs. There is parking for 2 vehicles to the front with on-street parking available.									
68	SUNDERLAND: Monk Street	SR6 0DB	7,938	Freehold	£ 56,225	20/03/2007	19/03/2032	4.75%	5.07%	£ 1,110,000
	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	5.75%	6.12%	£ 480,000
	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	4.50%	4.59%	£ 2,335,000
	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: Hightown	TR1 3PY	9,626	Freehold	£ 83,468	20/03/2007	19/03/2032	5.25%	6.28%	£ 1,330,000
	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.									

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value (£)
72	WARRINGTON: Priestly Street	WA5 1TE	5,721	Leasehold expiring 2071	£ 48,600	20/03/2007	19/03/2032	6.25%	6.47%	£ 640,000
	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	5.25%	5.78%	£ 1,510,000
	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	6.25%	7.15%	£ 1,065,000
	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	5.25%	5.52%	£ 1,155,000
	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.									
76	GLOUCESTER: Unit 3, Northbrook Road	GL4 3DP	16,814	Freehold	£ 68,397	20/03/2007	19/03/2032	5.75%	5.52%	£ 1,240,000
	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	5.25%	5.41%	£ 685,000
	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	5.25%	5.58%	£ 630,000
	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	8.25%	54.82%	£ 70,000
	A detached single storey industrial building from the 1950s with two storey offices to the front. The industrial unit has brick walls and a steel truss supported pitched roof. The offices are concrete framed with a flat roof. The internal layout includes a 4 bay workshop, tyre store, WCs and additional storage in the first floor offices. There is parking on site for 8 vehicles.									
80	EDINBURGH: 40 Portobello Road	EH8 7EL	4,006	Freehold	£ 46,371	20/03/2007	19/03/2032	5.00%	5.76%	£ 805,000
	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.									

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Passing Rent (£)	Lease Start	Lease End	Capitalisation Rate	Estimated Net Property Yield	Market Value (£)
81	LICHFIELD: 8-9 Europa Way	WS14 9TZ	1,835	Freehold	£ 15,804	20/03/2007	19/03/2032	5.75%	5.96%	£ 265,000
	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	6.75%	7.19%	£ 505,000
	A semi-detached two storey building from the 1960s with concrete frame, brick and block walls and flat roofs. The internal layout includes a customer reception area, 6 bay workshop, staff room and WCs. On the first floor is a tyre store. There is parking on site for circa 15 vehicles.									
83	THORNABY ON TEES: 212 Thornaby Road	TS17 8AA	5,169	Freehold	£ 41,661	20/03/2007	19/03/2032	5.00%	5.02%	£ 830,000
	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: Winterspoke Road	BS23 3YE	2,849	Freehold	£ 31,609	20/03/2007	19/03/2032	5.75%	7.62%	£ 415,000
	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			5.43%	5.70%	£ 77,825,000

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	£390,000
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	£100,000
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	£200,000
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	£1,900	£30,000
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	£100,000
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	£95,000
SR79	Tyre City	902 Coventry Road	BIRMINGHAM	B10 0UA	LH	29/09/2035	£8,000	£345,000
SR82	Kwik Fit	130 Leeds Road	NELSON	BB9 9XB	LH	20/09/2972	£0	£0

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 2021 to 31 December 2021

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 and the First Amending and Restating Deed dated 28 May 2021) for the period from 1 January 2021 to 31 December 2021.

DB Trustees (Hong Kong) Limited

(in its capacity as trustee of Spring Real Estate Investment Trust)

Hong Kong, 17 March 2022

INDEPENDENT AUDITOR'S REPORT

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"), which are set out on pages 133 to 178, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity and net assets attributable to the Unitholders for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of distributions for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 2021, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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.

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Investment Properties Refer to notes 2(e), 4(a) and 13 to the consolidated financial statements The valuation of the Group's investment properties is a key component of the net asset value attributable to the Unitholders and underpins the Group's result for the year. The valuation of investment properties in the consolidated statement of financial position was RMB9,307 million as at 31 December 2021 and the fair value gain of investment properties for the year ended 31 December 2021 was RMB128 million. The valuation of the Group's investment properties is inherently subjective to, among other factors, the individual nature of the property, its location and the expected future rentals for that particular property. The valuation was carried out by a third party valuer (the "Valuer"). The Valuer was engaged by 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.	 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. We read the Valuer's reports which confirm that the valuation was prepared in accordance with the HKIS Valuation Standard, the RICS Valuation – Global Standards, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Investment Properties In determining investment properties' valuation, the Valuer adopted the income capitalisation approach cross-checked by the direct comparison approach where applicable. The Valuer took into account property-specific information such as the current tenancy agreements and rental income in the valuation process. The Valuer applies assumptions for capitalisation rate and market rent, which are influenced by the prevailing market yields and comparable market transactions. The existence of significant estimation uncertainty on the key assumptions warrants specific audit focus in this area.	We checked on a sample basis on the data used by the Valuer from which the valuation was based upon. This data included key terms of lease agreements and rental income schedules which we agreed to appropriate supporting documentation. We involved our internal valuation 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. We considered that the methodologies used in preparing the valuations were appropriate and key assumptions were supportable in light of available and comparable market evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF THE MANAGER AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either 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 the Trust Deed dated 14 November 2013, as amended by the First Supplemental Deed dated on 22 May 2015 and the First Amending and Restating Deed dated on 28 May 2021 (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)

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

REPORT ON MATTERS UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hung Nam.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenues	5	528,446	533,171
Property operating expenses	6	(132,073)	(135,691)
Net property income		396,373	397,480
General and administrative expenses	7	(65,266)	(72,073)
Fair value gain/(loss) of investment properties	13	128,015	(672,678)
Fair value gain/(loss) of right-of-use assets	14	710	(664)
Other gains, net	8	72,108	90,729
Operating profit/(loss)		531,940	(257,206)
Bank interest income		2,392	3,168
Finance (costs)/income on interest-bearing borrowings	9	(17,926)	66,774
Profit/(loss) before taxation and transactions with Unitholders		516,406	(187,264)
Income tax expense	10	(6,456)	(2,660)
Profit/(loss) for the year, before transactions with Unitholders (note i)		509,950	(189,924)
Distributions paid to Unitholders:			
– 2019 final distribution		—	(117,685)
– 2020 interim distribution		—	(121,415)
– 2020 final distribution (note ii)		(128,170)	—
– 2021 interim distribution (note ii)		(131,314)	—
		250,466	(429,024)
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units and units bought back for cancellation		212,195	(500,920)
Amount arising from exchange reserve movements regarding translations of financial statements		38,271	71,896
		250,466	(429,024)

Notes:

- (i) Earnings/(loss) per unit, based upon profit/(loss) for the year, before transactions with Unitholders and the weighted average number of units in issue, is set out in note 12.
- (ii) 2021 interim distribution and 2020 final distribution of RMB131,314,000 and RMB128,170,000 respectively were paid during the year ended 31 December 2021. Total distribution for the year ended 31 December 2021 is presented in the consolidated statement of distributions.

The notes on pages 141 to 178 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	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 2021				
Profit for the year		509,950	(471,679)	38,271
Other comprehensive income:				
<i>Items that may be reclassified to consolidated income statement</i>				
Exchange losses on translation of financial statements of subsidiaries		(3,614)	—	(3,614)
<i>Items that may not be reclassified to consolidated income statement</i>				
Exchange losses on translation of financial statements of Spring REIT		(34,657)	—	(34,657)
Total comprehensive income for the year	ii	471,679	(471,679)	—
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 of subsidiaries		(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 loss for the year	ii	(261,820)	261,820	—

Notes:

- (i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB259,484,000 (2020: RMB239,100,000), and change in net assets attributable to Unitholders excluding issuance of new units and unit bought back for cancellation, which is an increase of RMB212,195,000 (2020: a decrease of RMB500,920,000).
- (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 141 to 178 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Profit/(loss) for the year, before transactions with Unitholders	509,950	(189,924)
Adjustments:		
– Fair value (gain)/loss of investment properties	(128,015)	672,678
– Fair value (gain)/loss of right-of-use assets	(710)	664
– Gain on disposal of investment properties	(149)	—
– Gain on conversion of convertible bonds	—	(56,699)
– Net fair value (gain)/loss of derivative financial instruments	(50,125)	13,993
– Deferred taxation on change in fair values of investment properties	2,849	—
– Manager's fee expenses in units in lieu of cash	31,006	32,302
– Amortisation of transaction costs for host liability components of bank borrowings (FY20: convertible bonds and bank borrowings)	22,594	15,864
– Unrealised foreign exchange gains	(89,713)	(220,154)
Distributable income for the year (note i)	297,687	268,724
Total distributions of the year (note ii)	267,918	255,288
Represented by:		
Interim distribution, paid (note iii)	131,314	121,415
Final distribution, to be paid (note iv)	136,604	133,873
Total distributions of the year (note ii)	267,918	255,288
Percentage of total distribution over distributable income for the year	90%	95%
Distributions per unit to Unitholders		
– Interim distribution per unit, paid (note iii)	HK10.8 cents	HK9.5 cents
– Final distribution per unit, to be paid (note iv)	HK11.2 cents	HK10.5 cents
Distribution per unit for the year (note v)	HK22.0 cents	HK20.0 cents

CONSOLIDATED STATEMENT OF DISTRIBUTIONS (continued)

For the year ended 31 December 2021

Notes:

- (i) Under the terms of the Trust Deed, the distributable income represents the profit/(loss) 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 of HK10.8 cents for the six months ended 30 June 2021 was calculated based on the interim distribution of RMB131,314,000 for the period and 1,468,953,364 units in issue as at 9 September 2021, being the record date of 2021 Interim Distribution, rounded to the nearest HK0.1 cents. Interim distribution was paid to Unitholders on 21 September 2021.
- (iv) The final distribution per unit of HK11.2 cents for the year ended 31 December 2021 is calculated based on the final distribution to be paid to Unitholders of RMB136,604,000 for the second half of the financial year and 1,472,383,580 units in issue as at 22 March 2022, being the date of declaration of the final distribution, rounded to the nearest HK0.1 cents.

The final distribution for the year ended 31 December 2021 is expected to be paid to Unitholders on 29 April 2022. Such final distributions per unit, however, may be subject to adjustment upon the issuance of new units and units bought back and cancelled between 22 March 2022 (being the date of the declaration of the final distribution) and 19 April 2022 (the "Record Date"), if any.

The final distribution per unit of HK10.5 cents for the year ended 31 December 2020 was calculated based on the final distribution paid to the Unitholders of RMB133,873,000 for the second half of the financial year and 1,463,905,546 units in issue as at 19 April 2021, being the record date of 2020 Final Distribution, rounded to the nearest HK 0.1 cent. The final distribution for the year ended 31 December 2020 was paid to Unitholders on 29 April 2021.

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

The notes on pages 141 to 178 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
		2021	2020
	Notes	RMB'000	RMB'000
Assets			
Investment properties	13	9,307,096	9,202,902
Right-of-use assets	14	15,217	15,073
Derivative financial instruments	15	33,414	—
Restricted bank balances	17	320,223	313,924
Trade and other receivables	16	52,006	26,531
Cash and cash equivalents	17	156,047	154,435
Total assets		9,884,003	9,712,865
Liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	19	2,960,830	3,024,232
Derivative financial instruments	15	—	16,550
Deferred tax liabilities	21	2,760	—
Lease liabilities	14	11,009	11,504
Rental deposits	18	150,639	147,980
Trade and other payables	18	84,225	77,033
Income tax payable		2,887	2,669
Total liabilities, excluding net assets attributable to Unitholders		3,212,350	3,279,968
Net assets attributable to Unitholders		6,671,653	6,432,897
Units in issue ('000)	22	1,472,384	1,460,873
Net asset value per unit attributable to Unitholders			
In RMB		4.53	4.40
In HK\$		5.56	5.23

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

Leung Kwok Hoe, Kevin
Executive Director

Chung Wai Fai, Michael
Executive Director

The notes on pages 141 to 178 are an integral part of these consolidated financial statements.

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

For the year ended 31 December 2021

	Reserves (note) RMB'000	Net assets attributable to Unitholders RMB'000
As at 1 January 2021	—	6,432,897
Profit for the year and before transactions with Unitholders	—	509,950
Exchange losses on translation of financial statements	(38,271)	—
Amount arising from exchange reserve movements	38,271	(38,271)
Distributions paid to Unitholders:		
– 2020 final distribution	—	(128,170)
– 2021 interim distribution	—	(131,314)
Change in net assets attributable to Unitholders for the year ended 31 December 2021, excluding issuance of new units and units bought back for cancellation	—	212,195
Issuance of units (note 22)	—	30,918
Units bought back for cancellation (note 22)	—	(4,357)
	—	26,561
As at 31 December 2021	—	6,671,653

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 141 to 178 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

For the year ended 31 December 2021

	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 22)	—	488,877
Units bought back for cancellation (note 22)	—	(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 141 to 178 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	23	348,334	344,525
Interest received		2,392	3,168
Income tax paid		(3,281)	(2,089)
Net cash generated from operating activities		347,445	345,604
Cash flows from investing activities			
Additions to investment properties		(2,914)	(26,291)
Net proceeds from disposal of investment properties		1,791	—
Net cash used in investing activities		(1,123)	(26,291)
Cash flows from financing activities			
Payment of lease liabilities		(1,009)	(1,088)
Repurchase of units in issued		(4,357)	(2,835)
Repayment of borrowings		(2,138)	—
Interest paid		(62,175)	(95,776)
Other borrowing cost paid		—	(1,979)
(Increase)/decrease in restricted bank balances		(9,666)	60,433
Distributions to Unitholders		(259,484)	(239,100)
Net cash used in financing activities		(338,830)	(280,345)
Net increase in cash and cash equivalents		7,493	38,968
Cash and cash equivalents at beginning of the year		154,435	124,992
Exchange loss on cash and cash equivalents		(5,881)	(9,525)
Cash and cash equivalents at end of year		156,047	154,435

The notes on pages 141 to 178 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 GENERAL INFORMATION

Spring Real Estate Investment Trust ("Spring REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Spring REIT was established on 25 November 2013 and its units are listed on the main board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 5 December 2013. Spring REIT is governed by a trust deed entered into on 14 November 2013 as amended and supplemented by the first supplemental deed dated 22 May 2015 and the First Amending and Restating Deed entered into between Spring Asset Management Limited (the "Manager") and DB Trustees (Hong Kong) Limited (the "Trustee") on 28 May 2021 (collectively, the "Trust Deed") and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "REIT Code"). The addresses of the registered offices of the Manager and the Trustee are Room 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 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 Group has adopted the liquidity basis in the presentation of the consolidated statement of financial position as it is considered to be more relevant and meaningful to readers based on the timing of their realisation or settlement of assets and liabilities as justified by the market situation.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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 IASB that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2021.

New standards, amendments, improvements and interpretation to existing standards effective in 2021:

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

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 beyond 30 June 2021	1 April 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
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 and IFRS 17 Amendments	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of Spring REIT and its subsidiaries as at 31 December 2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property operating expenses

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

(e) Investment properties

Investment properties, principally comprising freehold land, leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs.

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

(f) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at its fair value at the end of each reporting year. The change in the fair value is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The amount of the provision is recognised in the consolidated income statement.

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

(h) Cash and cash equivalents

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

(i) Interest-bearing borrowings

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

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

(j) Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Payables and provisions

(i) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are 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.

(l) Taxation

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

Current income tax

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

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation arising from investment property is determined based on the expected manner as to how the investment properties will be recovered through sale or through use with the corresponding tax rate applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Spring REIT's functional currency is HK\$ 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 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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 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.

(o) Unitholders' funds as a financial liability

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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 2021, if US\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, profit for the year would have been decreased/increased by RMB158,324,000 (2020: loss for the year would increased/decreased by RMB163,575,000) 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 2021, if GBP had strengthened/weakened by 5% against the USD with all other variables held constant, profit for the year would have been increased/decreased by RMB7,941,000 (2020: loss for the year would have been decreased/increased by RMB9,167,000) 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 2021

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 2021, the Group has six plain vanilla interest rate swaps with notional amount of US\$50 million each (approximately RMB1,907 million) 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 2021, if interest rates had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been RMB3,036,000 lower/higher (2020: loss for the year would RMB3,249,000 higher/lower) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings 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 2021

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. Taking into account the liquidity position, covenants and regulatory compliance (including the gearing ratio) of the Group, management expected the Group has adequate resources to meet its liabilities and commitment as and when they fall due and to continue in operational existence for the foreseeable future.

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 2021				
Restricted bank balances	2,923	—	317,300	—
Trade and other receivables	3,225	—	—	—
Cash and cash equivalents	156,047	—	—	—
At 31 December 2020				
Restricted bank balances	—	—	313,924	—
Trade and other receivables	1,643	—	—	—
Cash and cash equivalents	154,435	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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 2021				
Trade and other payables	26,236	—	—	—
Rental deposits	50,429	31,070	65,398	3,742
Interest payable on borrowings	63,763	74,178	80,948	—
Derivative financial instruments	1,392	—	—	—
Interest-bearing borrowings	428,838	—	2,561,508	—
Lease liabilities	1,003	1,003	3,006	48,846
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	7,412	6,265	3,744	—
Interest-bearing borrowings	—	445,933	2,565,190	—
Lease liabilities	1,037	1,037	3,110	63,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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 divided by total assets.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total borrowings (note 19)	2,960,830	3,024,232
Total assets	9,884,003	9,712,865
Gearing ratio	30.0%	31.1%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

At 31 December 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	—	33,414	—	33,414
At 31 December 2020				
Liabilities				
Derivative financial instruments	—	16,550	—	16,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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

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

As at 31 December 2021, the level 2 derivative financial instruments represented six (2020: six) 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.

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

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 2021

5 REVENUE AND SEGMENT INFORMATION

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

For the year ended 31 December 2021, revenue of RMB489 million (2020: RMB493 million) is attributable to tenants from the PRC investment properties and RMB39 million (2020: RMB40 million) is attributable to tenants from the UK investment properties. As at 31 December 2021, investment properties of RMB8,638 million (2020: RMB8,553 million) is located in the PRC and RMB669 million (2020: RMB650 million) is located in the UK. Right-of-use assets of RMB 15 million (2020: RMB15 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenues		
Rental income	518,245	518,810
Car park income	4,871	4,862
Other income (note i)	5,330	9,499
	528,446	533,171

Note:

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

6 PROPERTY OPERATING EXPENSES

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Property management fee	10,896	11,314
Property taxes (note i)	57,090	59,866
Other taxes (note ii)	4,034	5,992
Withholding tax (note iii)	47,883	49,830
Leasing commission	10,629	1,899
Reinstatement costs	636	2,171
Others	905	4,619
	132,073	135,691

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

7 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Manager's fee (note i)	51,437	50,763
Trustee fee	1,730	1,763
Valuation fee	635	829
Auditor's remuneration		
– Audit services	1,588	1,788
– Other assurance services	599	2,238
– Other non-assurance services	295	681
Legal and other professional fees	7,793	13,036
Others	1,189	975
	65,266	72,073

Note:

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

8 OTHER GAINS, NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net fair value gain/(loss) of derivative financial instruments at fair value through profit or loss	50,125	(13,993)
Gain on conversion of convertible bonds (note 20)	—	56,699
Foreign exchange gains, net	21,834	48,023
Gain on disposal of investment properties	149	—
	72,108	90,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

9 FINANCE (COSTS)/INCOME ON INTEREST-BEARING BORROWINGS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expenses on bank borrowings (note i)	(77,849)	(94,172)
Interest expenses on convertible bonds	—	(4,299)
Interest expenses on derivative financial instruments	(7,029)	(3,969)
Interest expenses on lease liabilities	(927)	(938)
Foreign exchange gains on bank borrowings (note ii)	67,879	172,131
Other borrowing costs	—	(1,979)
	(17,926)	66,774

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 on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies.

10 INCOME TAX EXPENSE

For the subsidiary with operation in the PRC, it is not subject to the corporate income tax. It is subject to withholding tax as disclosed in note 6(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%. 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	
	2021	2020
	RMB'000	RMB'000
Current tax		
Current income tax	3,017	2,690
Under/(over) provision in prior year	590	(30)
	3,607	2,660
Deferred taxation	2,849	—
	6,456	2,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

10 INCOME TAX EXPENSE (continued)

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the country concerned, and the Group's tax charge for the years were as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit/(loss) before income tax and transactions with unitholders	516,406	(187,264)
Exclude (profit)/loss from the PRC operation which is not subject to income tax (note 6 (iii))	(501,516)	170,025
	14,890	(17,239)
Tax calculated at the Hong Kong profit tax rate at 16.5% (2020: 16.5%)	2,457	(2,844)
Effect on different taxation rate on overseas operations	1,693	236
Income not subject to tax	(2,857)	(11,897)
Expenses not deductible for tax purposes	10,078	17,195
Effect on temporary differences previously not recognised	(5,505)	—
Under/(over) provision in prior year	590	(30)
	6,456	2,660

11 MANAGER'S FEE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Base fee	39,536	38,839
Variable fee	11,901	11,924
	51,437	50,763

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 4 December 2020 and 10 December 2019 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% (2020: same), and Variable Fee to be paid to the Manager in the form of cash entirely (2020: same), arising from any real estate of Spring REIT for the year ended 31 December 2021 and 2020 in accordance with the Trust Deed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

12 EARNINGS/(LOSS) PER UNIT

	2021 RMB'000	2020 RMB'000
Profit/(loss) for the year, before transactions with Unitholders	509,950	(189,924)
Adjustment for dilutive convertible bonds	—	(52,372)
Profit/(loss) for the year, before transactions with Unitholders for calculating diluted earnings/(loss) per unit	509,950	(242,296)
Weighted average number of units for the year for calculating basic earnings/(loss) per unit	1,466,529,351	1,435,823,789
Adjustment for dilutive units issuable in respect of the Manager's fee	3,472,203	—
Adjustment for dilutive convertible bonds	—	18,432,495
Weighted average number of units for the year for calculating diluted earnings/(loss) per unit	1,470,001,554	1,454,256,284
Basic earnings/(loss) per unit based upon profit/(loss) before transactions with Unitholders	RMB34.8 cents	(RMB 13.2 cents)
Diluted earnings/(loss) per unit based upon profit/(loss) before transactions with Unitholders	RMB34.7 cents	(RMB16.7 cents)

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 2021

13 INVESTMENT PROPERTIES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	9,202,902	9,873,265
Additions	2,596	26,609
Disposal	(1,642)	—
Exchange differences recognised in other comprehensive income	(24,775)	(24,294)
Changes in fair value recognised in consolidated income statement	128,015	(672,678)
At end of the year	9,307,096	9,202,902

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.

On 4 June 2021, the Group completed the disposal of a portion of property located in the UK. The net disposal proceed was RMB1,791,000 and the gain on disposal was RMB149,000.

As at 31 December 2021 and 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 31 December 2021 and 31 December 2020, 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 2021 and 2020, 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 2021

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

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

(ii) UK investment properties

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

Fair value hierarchy

	Fair value measurements using		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
As at 31 December 2021	—	—	9,307,096
As at 31 December 2020	—	—	9,202,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

13 INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

(i) PRC investment properties

(a) Capitalisation rate

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rates used, the lower the fair values of the investment properties. In the 31 December 2021 valuation, a capitalisation rate of 5.0% (2020: 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 RMB392 (2020: RMB387) 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 2021 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 4.00% to 8.25% (2020: 4.60% to 8.50%).

(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 GBP22.50 (2020: GBP4.50 to GBP22.47) per square foot.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

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	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
At beginning of the year	15,073	16,304
Exchange differences recognised in other comprehensive income	(566)	(567)
Changes in fair value recognised in consolidated income statement	710	(664)
At end of the year	15,217	15,073

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Lease liabilities, expected to be settled:		
Within 1 year	88	169
After 1 year	10,921	11,335
	11,009	11,504

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

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 2021	—	—	15,217
As at 31 December 2020	—	—	15,073

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 2021

15 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Asset		
Fair value of the interest rate swaps	33,414	—
Liability		
Fair value of the interest rate swaps	—	16,550

Notes:

The Group has entered into six (2020: six) 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 2021 was USD300 million (approximately RMB1,907 million) (31 December 2020: USD300 million (approximately RMB1,958 million)) with maturity on 20 December 2024.

The Group recorded net fair value gain on interest rate swap for the year ended 31 December 2021 amounting to RMB50,125,000 (2020: losses of RMB13,993,000) (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 recovered/settled after twelve months.

16 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Rent receivables	3,225	1,643
Deferred rent receivables (note iv)	34,486	22,373
Prepayments	13,193	2,332
Other receivables	1,095	54
VAT recoverable	7	129
	52,006	26,531

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 2021 and 2020, 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 2021

17 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Restricted bank balances	320,223	313,924
Cash and cash equivalents	156,047	154,435
	476,270	468,359

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
US\$	215,317	233,856
RMB	203,103	197,949
HK\$	28,246	4,895
GBP	29,604	31,659
	476,270	468,359

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 cash and cash equivalent and restricted bank balances are expected to be recovered as below:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents		
Within 1 year	156,047	154,435
Restricted bank balances		
Within 1 year	2,923	—
After 1 year	317,300	313,924
	320,223	313,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

18 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Rental deposits (note i)	150,639	147,980
Trade and other payables:		
Rental receipts in advance	44,064	43,302
Provision for other taxes (note ii)	227	374
VAT payable	1,926	1,969
Accrued expenses and other payables	38,008	31,388
	84,225	77,033

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	50,429	49,315
After 1 year	100,210	98,665
	150,639	147,980

- (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 are expected to be settled within twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

19 INTEREST-BEARING BORROWINGS

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bank borrowings		
Within 1 year	427,684	—
After 1 year	2,533,146	3,024,232
	2,960,830	3,024,232

Bank borrowings are denominated in the following currencies:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
US\$ (note i)	2,533,146	2,580,135
GBP (note ii)	427,684	444,097
	2,960,830	3,024,232

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	
	2021	2020
	RMB'000	RMB'000
6 months or less	2,533,146	3,024,232

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.

In December 2021, the Group entered into an amendment and restatement agreement to the existing facility agreement with increased loan facility to GBP51 million. In January 2022, the amendment and restatement agreement is effective and the Group refinanced the existing borrowing. The new borrowing will be repayable in full on 26 January 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

19 INTEREST-BEARING BORROWINGS (continued)

As at 31 December 2021 and 31 December 2020, the Group's investment properties (note 13), derivative financial instruments (note 15), rent receivables (note 16) and all future rent receivables (note 24), 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.

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	
	2021 RMB'000	2020 RMB'000
Host liability components		
At beginning of the year	—	422,013
Finance costs	—	3,307
Exchange difference recognised in other comprehensive income	—	2,694
Conversion of convertible bonds	—	(428,014)
At end of the year	—	—
Derivative components		
At beginning of the year	—	83,226
Exchange difference recognised in other comprehensive income	—	530
Conversion of convertible bonds	—	(83,756)
At end of the year	—	—
At end of the year	—	—

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 2021

21 DEFERRED TAX LIABILITIES

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

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

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

	Investment properties revaluation 2021 RMB'000
At beginning of the year	—
Exchange differences recognised in other comprehensive income	(89)
Deferred tax expense recognised in consolidated income statement	2,849
At end of the year	2,760

22 UNITS IN ISSUE

	Number of units As at 31 December	
	2021	2020
Balance as at beginning of the year	1,460,872,865	1,285,813,315
New units issued for Manager's fee	13,365,715	15,648,521
New units issued for conversion of convertible bonds (note 20)	—	160,626,029
Repurchase of units in issue (note ii)	(1,855,000)	(1,215,000)
Balance as at end of the year	1,472,383,580	1,460,872,865

- (i) Traded market value of the units as of 31 December 2021 was HK\$2.58 (2020: HK\$2.70) per unit. Based on 1,472,383,580 (2020: 1,460,872,865) units, the market capitalisation was HK\$3,799 million (approximately RMB3,097 million) (2020: HK\$3,944 million (approximately RMB3,320 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 1,855,000 units (2020: 1,215,000 units) at an aggregate amount of approximately RMB4,357,000 (2020: RMB2,835,000) during the year ended 31 December 2021. All units bought back were cancelled during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

23 NOTES TO STATEMENTS OF CASH FLOWS

(a) Cash generated from operating activities

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit/(loss) before taxation and transactions with Unitholders	516,406	(187,264)
Fair value (gain)/loss of investment properties	(128,015)	672,678
Fair value (gain)/loss of right-of-use assets	(710)	664
Net fair value (gain)/loss on derivative financial instruments	(50,125)	13,993
Gain on conversion of convertible bonds	—	(56,699)
Gain on disposal of investment properties	(149)	—
Manager's fee expenses in units in lieu of cash	31,006	32,302
Bank interest income	(2,392)	(3,168)
Finance costs (note 9)	17,926	(66,774)
Foreign exchange gains	(21,834)	(48,023)
(Increase)/decrease in trade and other receivables	(26,127)	5,687
Increase/(decrease) in rental deposits	2,659	(7,430)
Increase/(decrease) in trade and other payables	9,689	(11,441)
	348,334	344,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

23 NOTES TO STATEMENTS OF CASH FLOWS (continued)

(a) Cash generated from operating activities (continued)

Material non-cash movement:

- (i) For the year ended 31 December 2021, the Manager's fee amounting RMB31,006,000 (2020: RMB32,302,000) was settled by issuance of new units.

(b) Movement of financial liabilities arising from financing activities

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

	Interest payable (included in trade and other payables) RMB'000	Interest-bearing borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2021	10,930	3,024,232	11,504	3,046,666
<i>Cash flows in financing activities</i>				
Payment of lease liabilities	—	—	(1,009)	(1,009)
Interest paid	(62,175)	—	—	(62,175)
Repayment of borrowings	—	(2,138)	—	(2,138)
Interest expense on bank borrowings (note 9)	55,255	22,594	—	77,849
Interest expense on lease liabilities (note 9)	—	—	927	927
Interest expenses on derivative financial instruments (note 9)	7,029	—	—	7,029
Exchange difference recognised in profit and loss	(241)	(67,879)	—	(68,120)
Exchange difference recognised in other comprehensive income	(64)	(15,979)	(413)	(16,456)
As at 31 December 2021	10,734	2,960,830	11,009	2,982,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

23 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 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
Interest expenses on derivative financial instruments (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 2021

24 FUTURE MINIMUM RENTAL RECEIVABLES

As at 31 December 2021, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	492,552	467,365
1 – 2 years	400,862	355,174
2 – 3 years	289,478	247,423
3 – 4 years	185,437	158,233
4 – 5 years	100,196	115,804
After 5 years	246,783	266,565
	1,715,308	1,610,564

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2020: 3 years).

25 CONNECTED PARTY TRANSACTIONS AND RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2021, RCA Fund 01, L.P. is the immediate and ultimate holding company of the Group.

For the year ended 31 December 2021, 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 2021:

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, x and xi)	An 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
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 2021

25 CONNECTED PARTY TRANSACTIONS AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Income from connected/related parties

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Rental revenue from MIBJ	(ii)	953	956
Rental revenue from DBAG and ZDS	(ii)	43,944	45,219
Rental revenue from PAG Beijing	(ii)	2,534	2,554
Interest income from DBAG	(iii)	2,389	3,160

(c) Expenses to connected/related parties

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Property management fee to HuaRe	(iv)	10,337	10,756
Trustee's fee paid and payable to the Trustee	(v)	1,730	1,763
Manager's fee to Spring Asset Management Limited	(vi)	51,437	50,763
Bank charges to DBAG	(vii)	21	41

(d) Balances with connected/related parties

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000
Lease deposit from MIBJ	(viii)	281	281
Lease deposit from DBAG and ZDS	(viii)	6,767	6,840
Lease deposit from PAG Beijing	(viii)	743	743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

25 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) Rental revenue was charged in accordance with the terms of the relevant agreements with the connected/related parties.
- (iii) 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.
- (iv) Property management services fees were charged based on mutually agreed terms between the parties.
- (v) 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.
- (vi) Fee to the Manager was charged in accordance with the Trust Deed.
- (vii) Bank charges was charged in accordance with the terms of relevant agreements with DBAG.
- (viii) Lease deposits were received in accordance with the terms of the relevant lease agreements.
- (ix) On 4 December 2020, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, 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. The valuation fee and other professional fee amount were RMB829,000 and RMB428,000 respectively for the year ended 31 December 2020 and were charged based on mutually agreed terms between the parties.
- (x) The Group (as lessor) has entered into a carpark master lease contract dated 1 January 2017 and subsequently renewed with last renewal on 21 December 2021 (the "Carpark Master Lease") with Beijing Huamao Property Consulting Co., Ltd. First Branch (the "Carpark Operator") (as lessee), 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). The Carpark Operator is an independent third party of Spring REIT.

In relation to the Carpark Master Lease, the Group (through its Property Manager) and a wholly-owned 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").

Under the Carpark Master Lease, the transaction amount for the year ended 31 December 2021 was RMB5,309,172 (For the period from 24 December 2020 to 31 December 2020: 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 year ended 31 December 2021 was RMB5,214,377 (For the period from 24 December 2020 to 31 December 2020: RMB112,000), and (ii) the Group's share of the carpark management fees for the year ended 31 December 2021 was RMB1,678,080 (For the period from 24 December 2020 to 31 December 2020: RMB36,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

25 CONNECTED PARTY TRANSACTIONS AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Notes: (continued)

- (xi) On 31 December 2019, the Group and Beijing Guohua, both as owners of their respective portion of the Development have jointly entered into a service contract for a period of 24 months to appoint Beijing Huamao Property Management Co., Ltd., the common area manager (the "Common Area Manager"), for the provision of maintenance and management services for the relevant common areas within the Development (the "Common Area Service Contract").

The Group is responsible for its portion of the management fee payable to the Common Area 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 Common Area 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 year ended 31 December 2021 was RMB3,284,852 (For the period from 24 December 2020 to 31 December 2020: RMB72,000). The Common Area 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 2021 (2020: 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.

26 PRINCIPAL SUBSIDIARIES

Name	Place of establishment and kind of legal entity/ place of operations	Principal activities	Particulars of issued share capital	Interest held 2021	2020
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%
Indirectly held:					
Hawkeye Properties 501 Limited	Jersey, limited liability	Property investment	2 of GBP1 each	100%	100%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

27 FINANCIAL INSTRUMENTS BY CATEGORY

		Year ended 31 December	
	Notes	2021 RMB'000	2020 RMB'000
Financial assets			
<i>Financial assets at amortised cost:</i>			
Trade and other receivables	16	3,225	1,643
Restricted bank balances	17	320,223	313,924
Cash and cash equivalents	17	156,047	154,435
<i>Financial assets at fair value through profit and loss:</i>			
Derivative financial instruments	15	33,414	—
		512,909	470,002
Financial liabilities			
<i>Financial liabilities at amortised cost:</i>			
Accrued expenses and other payables	18	38,008	31,388
Rental deposits	18	150,639	147,980
Interest-bearing borrowings	19	2,960,830	3,024,232
Lease liabilities	14	11,009	11,504
<i>Financial liabilities at fair value through profit and loss:</i>			
Derivative financial instruments	15	—	16,550
		3,160,486	3,231,654

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.

28 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorised for issue by the Manager on 22 March 2022.

PERFORMANCE TABLE

Year ended 31 December	2021	2020
Net assets attributable to Unitholders	RMB6,671.65 million	RMB6,432.90 million
Net assets per Unit attributable to Unitholders	HK\$5.56	HK\$5.23
Total borrowings as a percentage of gross assets	30.0%	31.1%
Market capitalization ¹	RMB3,096.89 million	RMB3,319.57 million
Units issued	1,472,383,580	1,460,872,865

For the year ended 31 December	2021	2020
Highest traded unit price	HK\$3.00	HK\$3.29
Highest premium of the traded unit price to net assets per Unit	N/A	N/A
Lowest traded unit price	HK\$2.52	HK\$2.00
Highest discount of the traded unit price to net assets per Unit	45.3%	61.8%
Distributions per Unit ²	HK22.0 cents	HK20.0 cents
Net yield per Unit ²	8.5%	7.4%

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
(alternate to Mr. Nobumasa Saeki)
(ceased on 24 March 2021)

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

www.springreit.com



Spring Real Estate Investment Trust
春泉產業信託

Stock Code : 01426

www.springreit.com

Managed by
Spring Asset Management Limited

