Spring Real Estate Investment Trust

春泉產業信託

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 01426)

Managed by

Spring Asset Management Limited

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 AND CLOSURE OF REGISTER OF UNITHOLDERS

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.

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 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.

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.

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.

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.

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 polices 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 ppts	**351**	(2.2%)
	Premium Grade A	**88.2%**	7.4 ppts	**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.

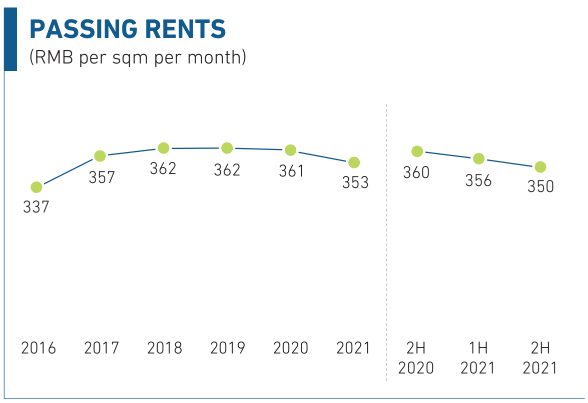
A 2.7% YoY decrease in property operating expenses was recorded, which was in line with the slight decrease in revenue. As a result, net property income remain at stable level.

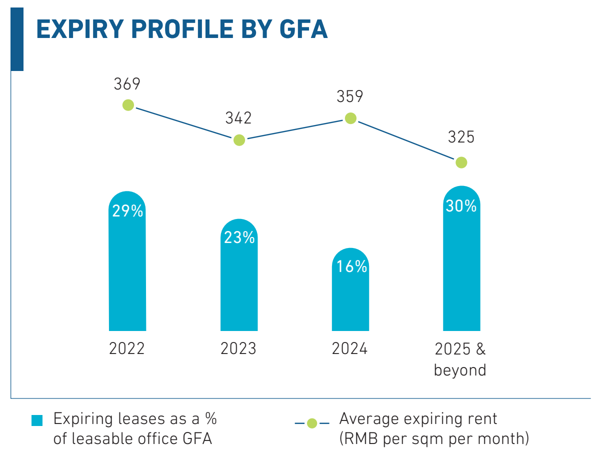
Rental Income

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 rate[1] 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 rate[2] 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%





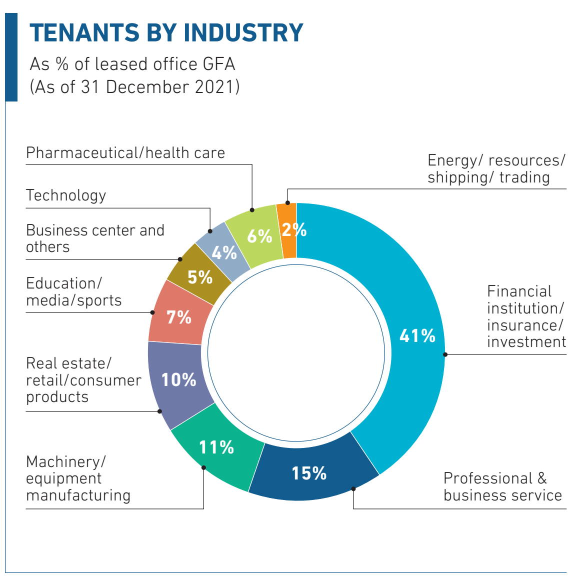
1. Retention rate illustrates the proportion of the total area under all the expired leases that was taken up by the same tenants entering into new leases during the relevant period.
2. Rental reversion is calculated on the basis of the difference in the effective rent for only existing tenants who renewed their lease in the same space with the same area during the relevant period.
3. 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.
4. Occupancy rate is an average of the month-end figures throughout the specified period.

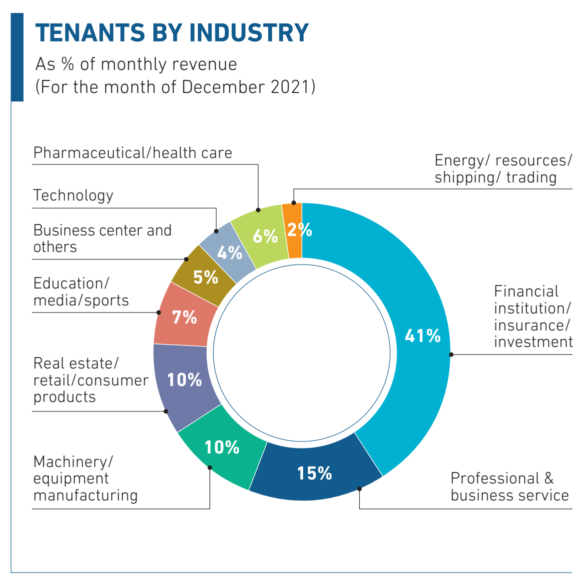
As at 31 December 2021, the weighted average lease expiry in terms of GFA was 813 days for the CCP Property. Leases expiring in the years ending 31 December 2022 and 31 December 2023 accounted for 29.0% and 22.9% of the total leasable GFA respectively, and the average unit rents for the expiring leases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

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%





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.

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.

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.

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 announcement, 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.

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.

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)**
		Highest	**Lowest**	
		HK$	***HK$***	***HK$'000***
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.

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.

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.

Scope of work of the auditor

The figures set out in this announcement in respect of our Group's results for the year ended 31 December 2021 have been agreed by our Group's auditor, PricewaterhouseCoopers, to the amounts set out in our Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong/International Standards on Auditing, Hong Kong/International Standards on Review Engagements or Hong Kong/International Standards on Assurance Engagements, and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Issuance of the Annual Report

The annual report of Spring REIT for the year ended 31 December 2021 will be published on the websites of the Hong Kong Exchanges and Clearing Limited, at www.hkexnews.hk, and Spring REIT, at www.springreit.com, and will be sent to Unitholders on or before 30 April 2022.

Annual General Meeting

The 2022 annual general meeting of Spring REIT will be held on or around 26 May 2022, notice of which will be published and given to Unitholders in due course.

By order of the Board
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Mr. Toshihiro Toyoshima
Chairman of the Manager

Hong Kong, 22 March 2022

As at the date of this announcement, the directors of the Manager are Toshihiro Toyoshima (chairman and non-executive director); Leung Kwok Hoe, Kevin (Chief Executive Officer and executive director) and Chung Wai Fai, Michael (executive director); Hideya Ishino (non-executive director); and Simon Murray, Lam Yiu Kin and Liping Qiu (independent non-executive directors).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*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)

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
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 36 to 68 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:				
Items that may be reclassified to consolidated income statement				
Exchange losses on translation of financial statements of subsidiaries		**(3,614)**	**—**	**(3,614)**
Items that may not be reclassified to consolidated income statement				
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:				
Items that may be reclassified to consolidated income statement				
Exchange losses on translation of financial statements of subsidiaries		(1,842)	—	(1,842)
Items that may not be reclassified to consolidated income statement				
Exchange losses on translation of financial statements of Spring REIT		(70,054)	—	(70,054)
Total comprehensive income for the year	ii	(261,820)	261,820	—

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 36 to 68 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RMB'000	*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

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 36 to 68 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 36 to 68 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 36 to 68 are an integral part of these consolidated financial statements.

	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 36 to 68 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.

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

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.

(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.

(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.

(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.

(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.

(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 it's 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.

(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.

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.

(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.

(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	—	—	—

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

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 RMB'000	2020 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

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.

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	2020
	RMB'000	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	2020
	RMB'000	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.

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

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

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	2020
	RMB'000	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	2020
	RMB'000	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.

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.

13 INVESTMENT PROPERTIES

	Year ended 31 December	
	2021 **RMB'000**	2020 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.

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

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.

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	**Level 2**	**Level 3**
	RMB'000	**RMB'000**	**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.

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.

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

18 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	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	2020
	RMB'000	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.

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.

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 23), 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	2020
	RMB'000	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.

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.

23 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	2020
	RMB'000	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).

24 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.

25 FINANCIAL INSTRUMENTS BY CATEGORY

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
Financial assets			
Financial assets at amortised cost:			
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
Financial assets at fair value through profit and loss:			
Derivative financial instruments	15	**33,414**	—
		512,909	470,002
Financial liabilities			
Financial liabilities at amortised cost:			
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
Financial liabilities at fair value through profit and loss:			
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.

26 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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