SpringREIT

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 2022 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**") and to a landmark shopping mall Huamao Place in Huizhou, located in Greater Bay Area, which comprises seven-storey shopping mall and 750 carpark spaces (the "**Huamao Place**"). 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 2022, 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 2022 to 31 December 2022 (the "**Reporting Period**", "**2H 2022**" or "**2022 Final Distribution Period**") of HK10.0 cents per Unit ("**2022 Final Distribution**") to unitholders of Spring REIT (the "**Unitholders**") whose names appear on the register of Unitholders on 28 April 2023 (the "**Record Date**"). However, this 2022 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 2023 and 28 April 2023. Before any such adjustment and together with the interim distribution of HK11.2 cents per Unit, total distributions for the year ended 31 December 2022 ("**FY2022**", "**Reporting Year**") amounts to a total of HK21.2 cents per Unit (FY2021: HK22.0 cents per Unit), representing a payout ratio of 92.5% (FY2021: 90%).

Based on the closing price of HK$2.40 per Unit as at 30 December 2022, the Reporting Year Distribution per Unit ("**DPU**") represents a distribution yield of 8.8%. 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 2022 Final Distribution is HK$1 = RMB0.8946, which represents the average of month-end central parity rates in the 2022 Final Distribution Period (as announced by the People's Bank of China).

The Manager confirms that the 2022 Final Distribution is composed only of consolidated profit after tax, before transactions with Unitholders attributable to Unitholders and non-cash adjustments for the 2022 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 2022 Final Distribution will be 28 April 2023. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 27 April 2023 to 28 April 2023, both days inclusive, during which period no transfer of Units will be registered. The 2022 Final Distribution is expected to be payable on 15 May 2023 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2022 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 26 April 2023.

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 2022. This year has brought its fair share of twists and turns, with the ongoing COVID saga, geopolitical tensions and a distressed real estate sector all negatively affecting the operating environment. Our DPU for the Reporting Year was HK 21.2 Cents, down 3.6% Year-on-Year ("**YoY**"). The 11.1% YoY increase in net property Income was offset by a rising interest rate, which resulted in a 1.7% decline in total distributable income. Nonetheless, I am pleased to say that the year has been one of satisfying achievements for Spring REIT. We have made an exciting addition to our portfolio and further enhanced our capital structure.

The exceptional work of our Beijing property management team helped us maintain steady occupancy at our Beijing property, China Central Place Office Tower 1 and 2 ("**the CCP property**") in the face of some powerful headwinds. We completed an important acquisition of a majority stake in the Huamao Place shopping mall in Huizhou, taking advantage of the platform offered by our strategic partner Huamao Property Holdings Limited ("**Huamao Property**") to gain an interest in an iconic high-quality commercial asset in the GBA. On the financial side, ongoing rationalisation of our capital structure brought enhanced benefits to Spring REIT, further stabilising our interest expenses at a time of rampant inflationary pressure.

Performance review

At the macro level, the year started on a positive note, as China's stringent COVID policy proved effective in protecting the country from significant disruptions to the economy and industry. The outlook in the early part of the year was upbeat, as was the atmosphere in the Beijing office market. However, an outbreak of COVID in Shanghai in April, which resulted in a strict lockdown of the city and extensive disruptions to business, was the first sign that the country's zero-COVID policy was about to face serious economic and social pressures.

Parallel to this, serious brakes were placed on the real estate sector by the government's continuation of stringent controls designed to rein in highly leveraged real estate developers. With no relaxation to these controls through the middle of the year and a reluctance on the part of banks to extend further financing to the real estate sector, market participants had to endure an extended period of correction.

All this had a direct knock-on effect on the Beijing office market in the second half, with the contraction in economic activities impacting on tenants' office renewal decisions. In Beijing, a limited number of new office tenants entered the office market while many withdrew from the market altogether in the face of the challenging economic conditions. This resulted in intense competition among landlords to retain existing tenants or attract new ones to their properties. Overall, rents remained soft as the financial health of many tenants deteriorated, with even top-tier tenants becoming slower to pay rent or demanding rent concessions to tide them over difficult times.

Spring REIT's CCP Property in Beijing was not immune to these pressures. However, our team worked tirelessly to retain tenants and attract new ones in a market where nervous tenants – particularly those with operations affected by lockdowns – were reconsidering their office arrangements. It is a credit to the team's exceptional efforts in a difficult environment that the CCP Property achieved a high average occupancy level of around 94.7% for the year. Although we prioritised high occupancy and a sustainable tenant mix over rental reversion during the year, the overall strong performance of the CCP Property in this volatile environment bears witness to the excellent quality of service provided there as well as its valuable strategic location.

The rolling lockdowns in Beijing posed challenges both to managing ongoing maintenance of the CCP Property and attracting new tenants, as major renovations and on-site property viewings for prospective tenants were suspended. Nonetheless, the team continued to work diligently to enhance the property's appeal to tenants, for example by carrying out a number of Environmental, Social and Governance ("**ESG**") projects for more efficient use of electricity generally, and of the air-conditioning system in particular. At the same time, the team looked for ways to enhance tenants' engagement and foster a sense of community within the CCP Property. Social events were organised that included basic first aid training for employees and tenants, and the property also participated in various events for Earth Day. A few cases of COVID were reported in the building, but the team was very well-prepared and instigated response measures quickly and efficiently in a manner that earned praise from both tenants and local government officials.

The landmark achievement of Spring REIT in the year was the acquisition of a majority stake in Huamao Place, an upmarket shopping mall in the GBA city of Huizhou, which boasts a population of around 6 million people. The acquisition was completed on 28 September 2022, when the property formally became part of the Spring REIT portfolio. As a retail property, Huamao Place has diversified Spring REIT's portfolio and balanced its exposure, which was previously dominated by our Beijing office property. The mall has become an ideal destination for Huizhou shoppers, being not only one of the best places to be seen in the city but also the destination of choice for many high-end products. Despite the impact of COVID-19, the gross merchandise value of the mall in November 2022 and December 2022 were RMB 148 million and RMB 141 million respectively, and market research has shown that it has continuously ranked first in the city in this respect. As the nation recovers from the pandemic, we are optimistic that the performance of the mall will continue to rebound in 2023.

A shopping mall of this calibre requires innovative and insightful management to ensure it remains in tune with changing consumer tastes and trends. We are fortunate to be working in partnership with our strategic partner, Huamao Property, which owns the experienced management company responsible for running the shopping mall. Current changes underway to enhance the shopping experience and reflect changing shopping trends include repositioning the premium space on the first floor into a showcase prominent electric vehicles brands like Tesla and Nio. The mall is also enhancing its offerings of high-end cosmetic brands, and reconfiguring the space of what was formerly a supermarket into a new concept marketplace, selling specialist products. This latter move is expected to generate higher rents for Spring REIT as well as giving us greater ability to control the product mix. We are hopeful that these ongoing enhancements, together with our many online and offline promotions and creative marketing activities, will bear fruit in 2023.

This is a good moment to express my sincere thanks to our new joint venture partner, Huamao Property, with whom we have already established a strong working relationship. The company has helped Spring REIT navigate an important new market, and is contributing essential expertise in shopping mall management. I look forward to seeing further fruits from our collaboration as strategic partners. This arrangement has enabled Spring REIT to diversify its portfolio in a way that is enabling us to capture the growth potential arising from the Greater Bay Area (the "**GBA**")'s robust economic growth and increasing strategic importance.

Meanwhile, Spring REIT's UK portfolio of 84 separate commercial properties continued to perform stably as expected and according to plan in the year. Spring REIT has the right to initiate a rent review every five years under the current lease term of its sole tenant Kwik-Fit (GB) Limited ("**Kwik-Fit**"), a nationwide car servicing company, and anticipates there may be a small rent increase in the coming year upon conclusion of the next rent review.

The high inflation environment of 2022 led to significant rises in global interest rates, which in turn led to volatility in foreign exchange markets. Both these factors had a direct impact on Spring REIT in terms of interest coverage, asset-liability management, and maintaining a sustainable capital structure following the debt-funded Huizhou acquisition. Vigilant and prudent capital management strategies have always been a hallmark of Spring REIT's approach, and these strategies underpinned the initiatives we took during the year to address these different challenges, with positive outcomes.

Interest rate rises in 2022 exceeded the expectations of most observers, especially in the second half of the year, increasing the cost of borrowing. Spring REIT has entered into a series of IRS contracts to mitigate the impact of rising rates, to the extent that at the end of 2022, around 81% of all Spring REIT's HKD-denominated loan principal was covered by its interest rate hedging programme. We are continuing to closely monitor market conditions and interest rate movements with a view to enhancing the existing interest rate hedging arrangements as appropriate.

In June 2022, Spring REIT entered into a deed of amendment to upsize the loan facilities for its CCP Property in Beijing (the "**CCP Facilities**"), while also extended its maturity to September 2025. At the same time, the loan currency of the CCP Facilities was switched from USD to HKD, ahead of the official replacement of the US LIBOR by the Secured Overnight Financing Rate ("**SOFR**"). This latter move was a prudent step to avoid any uncertainties associated with the transition from LIBOR to SOFR. It brought the loan currency under Hong Kong's HIBOR, which the Hong Kong Monetary Authority has said it has no plans to discontinue in the immediate future.

The upsizing of the CCP Facilities in June gave Spring REIT the debt headroom it needed to successfully complete the debt-funded acquisition of the Huamao Place shopping mall in Huizhou in September 2022. Via the acquisition, Spring REIT has also assumed an onshore bank loan denominated in RMB, with maturity in 2032. Bringing RMB borrowings into the mix has diversified Spring REIT's asset-liability profile, helping to protect the balance sheet against the consequences of a possible RMB depreciation against the USD. During the course of 2022, Spring REIT also successfully refinanced its GBP loan facility, covering its UK portfolio, and extended its maturity to 2025.

As at 31 December 2022, Spring REIT's gearing ratio (i.e. its total borrowings to gross asset value) stood at approximately 37.6%. Spring REIT continues to have a healthy balance sheet, providing our Unitholders with a protective buffer against economic volatility and putting us in a position to take on future growth opportunities as they arise. We expect interest rates to remain elevated throughout much of 2023, and the resulting increase in interest costs to have some effect on Spring REIT's financial performance given the much lower starting point of interest rates in early 2022. However, the initiatives taken in 2022 have certainly enhanced the robustness of Spring REIT's capital management profile and helped to contain our borrowing costs. The capital management measures we have undertaken over recent years have been important in enabling us to maintain a steady distribution for our unitholders, and we will continue to explore ways to optimise the capital management structure in the year ahead.

In summary, Spring REIT has accomplished some significant milestones in a difficult year. We finished the year in a strong position, having expanded our portfolio, and further strengthened our capital management structure.

Outlook

After a strong start for China's economy in early 2022, the largest wave of COVID-19 in two years disrupted the country's growth trajectory. Economic growth stalled during the Reporting Period, reflecting the impact of the Omicron outbreaks and of structural adjustments being made by many industries (including the real estate sector) to conform with national policies. Despite the temporary economic headwinds, recovery was in sight by the end of 2022, driven by policy stimulus measures and the easing of domestic COVID-19 restrictions.

While the global economy battles inflation and geopolitical tension, the Chinese economy will need time to adapt to government policies promoting balanced and healthy growth in such strategic sectors as technology and real estate. We therefore anticipate continued volatility in the office market in Beijing. Nonetheless, market sentiment in Beijing has improved with a pickup in activities across all areas of life. The number of tenant enquiries has also risen to an extent, and the situation regarding rental arrears and concessions and early terminations has continued to improve. Stiff market competition to fill up existing vacancies is still expected to weigh on rental levels in the short term. However, we remain cautiously optimistic that the dynamics of the Beijing office market will gradually improve as business activities recover.

A significant proportion of the major leases at Spring REIT's CCP Property that were due to expire in the first half of 2023 have been secured for renewal. Rental reversion was negative 0.3% in 2022, reflecting the harsh realities of the broader market. On the positive side, we were pleased to have maintained occupancy at 92.6% at the end of the year. In the longer term, we will look to further enhance the quality of the tenant base, while incorporating a greater focus on sustainable development into our leasing and operation strategy.

The Beijing office market is closely linked to the state of the global and Chinese economies, but our new acquisition, Huamao Place in Huizhou, more closely reflects domestic consumption in the GBA. The GBA has been designated an area of strategic importance for the future development of the nation. Its population, including that of Huizhou City, is expected to become more affluent in the coming years as a result of economic development, ongoing urbanisation, consumption upgrades and continued government support. As Huizhou's premier shopping mall, Huamao Place is well placed to profit from the long-term success of this special region.

In the coming year, we anticipate a normalised full-year contribution from our Huizhou operation. That follows a challenging 2022, when the retail sector (including Huamao Place) was a victim of Covid pandemic and related social restrictions. Fortunately, thanks to the untiring efforts of the local Huizhou management team, the occupancy rate at Huamao Place was kept steady, with a significant portion of the major leases that were due to expire in the first half of 2023 being secured for renewal. The tenants' configuration has also been updated to better position the mall for the expected post-Covid recovery in domestic consumption.

In terms of capital management, we are paying close attention to interest rate and inflation trends both globally and domestically. Fortunately, our earlier initiative to implement float-to-fixed interest rate hedges has significantly reduced the impact of interest rate volatility on Spring REIT. In addition, our RMB-denominated loan is based on the relatively stable PRC Loan Prime Rate, meaning that only 23% of Spring REIT's loans are now exposed to a floating HKD or GBP interest rates. Given this firm footing, we are optimistic that its efforts to create value through its asset management strategies will translate into an enhanced distribution for Unitholders.

In closing, our acquisition of a 68% interest in Huamao Place in 2022 marked Spring REIT's first investment in a retail property asset in the PRC, and its first investment in the GBA. We were pleased to receive 99.99% support for the acquisition from Unitholders at the EGM on 26 May 2022. This transaction has been structured according to a clear vision of Spring REIT for diversification within the PRC and DPU accretion. We are committed to adhering to this consistent vision as we look to grow the Spring REIT portfolio in the years ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

CCP PROPERTY OPERATION REVIEW

Beijing office market overview

The Beijing CBD, where our Beijing CCP Property is located, 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 2.8 million sqm as at the end of 2022 and accounting for 25.7% of the city's total Grade-A office space of 10.9 million sqm.

After an encouraging start in early 2022 which saw moderate improvements in overall rent and occupancy, the office market in Beijing was adversely affected by the Omicron outbreak in the second quarter of 2022. This outbreak and the ripple effects of the lockdown in Shanghai cancelled out Beijing's encouraging economic rebound in the first quarter. In the final quarter of 2022, another outbreak swept the city and brought all economic and social activities to a standstill. Construction activities were suspended for an extended period, as was access to many office buildings. Because of these interruptions, Beijing's GDP growth only managed to record a minor increase of 0.7% YoY for the whole year. The primary driver of this growth was the services (tertiary) sector, which registered a YoY increase of 3.4%, while the manufacturing (secondary) sector contracted by 11.4% YoY.

The office market remained subdued throughout 2022. Although a few tenants took advantage of the weak market to trade up to better premises or to move premises in order to cut costs, lease enquiries and new lettings were limited. Multinational activities remained on the sideline, and domestic tenants made up the majority of overall activity. The weak economic climate exacerbated the financial strains on many CBD tenants with operations throughout the country. Delayed rental payments, rent relief requests and early terminations by CBD office tenants were common, and our CCP Property was not immune.

Beijing Office Market Vacancy and Rental Rates in 2022

		Occupancy Rate[1]	YoY change	Average Rental Rate[2] (RMB/sqm/ month)	YoY change
CBD	Grade A	**89.7%**	2.5 ppts	**354**	1.0%
	Premium Grade A	**92.8%**	4.6 ppts	**399**	1.3%

1 Data as at 31 December 2022.

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

Source: JLL Research

Despite the challenging economic environment, the fundamentals of the Beijing property market have stabilised. The improvement in occupancy in the first quarter of 2022, prior to the onset of Omicron, was helped by a lack of new office completions. New office space that had accumulated over the last few years was also largely taken up, alleviating pressures on both rent and occupancy. At the time of writing, no new office supply is expected in the CBD until 2025. With COVID measures having been relaxed in December 2022, we look forward to a recovery in 2023.

CCP Property Operation Performance

(in RMB million) **For the Year Ended 31 December**	**2022**	**2021**	**Change**
Revenues			
– Rental income	**476.26**	478.80	(0.5%)
– Car park income	**4.78**	4.87	(1.8%)
– Other income (note i)	**9.85**	5.33	84.8%
	490.89	489.00	0.4%
Property Operating Expenses			
– Property management fee	**(10.80)**	(10.34)	4.4%
– Property taxes (note ii)	**(59.29)**	(57.09)	3.9%
– Withholding tax (note iii)	**(49.87)**	(47.88)	4.2%
– Other taxes (note iv)	**(0.42)**	(4.03)	(89.6%)
– Leasing Commission	**(2.79)**	(10.63)	(73.8%)
– Other expenses (note v)	**(2.36)**	(1.46)	61.6%
	(125.53)	(131.43)	(4.5%)
Net Property Income	**365.36**	357.57	2.2%

Notes:

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

ii Property taxes represent real estate tax and land use tax.

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

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

v Other expenses mainly represent reinstatement cost.

Throughout the year we focused on retaining high quality tenants and building a tenant profile that would be sustainable within a highly competitive market. We are therefore pleased to report that with a marginally positive rental reversion of 0.3% for the second half of the year, we managed to achieve an encouraging occupancy rate of 92.6% at year-end, and an average retention rate of 69% for the year.

For the full year of 2022, the CCP Property reported a 0.4% increase in revenue YoY, with rental income generated from the office space decreasing by 0.5% YoY.

Property operating expenses are mainly comprised of tax expenses, namely property taxes, withholding tax and other taxes. Tax expenses in aggregate accounted for 87.3% of the total property operating expenses. The property management fee, payable at 2.0% of total revenue, accounted for 8.6% of the total property operating expenses.

A 4.5% YoY decrease in property operating expenses was recorded, which was mainly due to a drop in leasing commission.

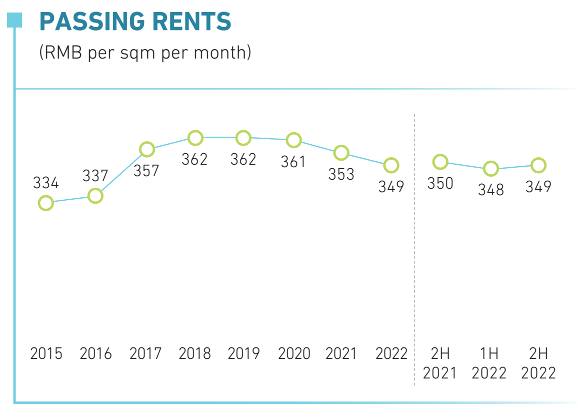
As a result, net property income was up by 2.2%.

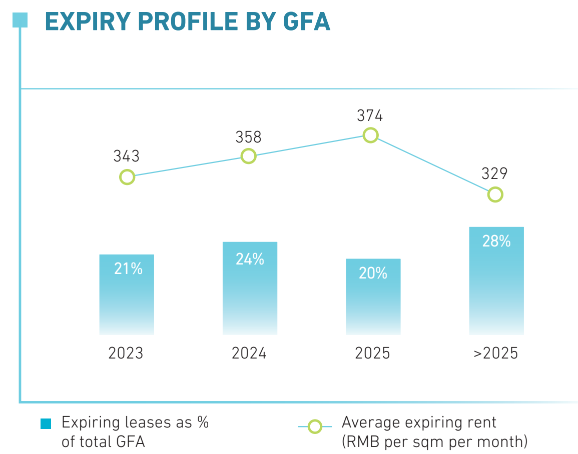
Rental Income

The CCP Property registered an average occupancy of 93% in 2H 2022, and a total area of 40,868 sqm was leased out and renewed during the Reporting Year. The retention rate[1] was 69% for the full year. Of the newly leased area, 19.7% was attributable to new lettings, with the remainder being renewals. Average passing rent (net of Value-Added Tax ("**VAT**")) increased marginally to RMB349 per sqm in 2H 2022, with a positive rental reversion rate[2] of 0.3%, and a full year reversion of negative 0.3%. (FY2021: negative 4.5%).

We have paid close attention to rental arrears. As of 31 December 2022, outstanding arrears stood at RMB0.9 million, representing 2.3% of our total rental income receivable in December 2022. While 77% of the rental arrears as of the end of December had been recovered within 30 days, we will remain diligent in monitoring the situation going forward.

For the Six Months Ended	31-Dec-2022	Change	30-Jun-2022	Change	31-Dec-2021
Average Monthly Passing Rent (RMB/sqm)[3]	**349**	0.3%	348	(0.6%)	350
Average Occupancy[4]	**93.0%**	-3.3 ppts	96.3%	—	96.3%





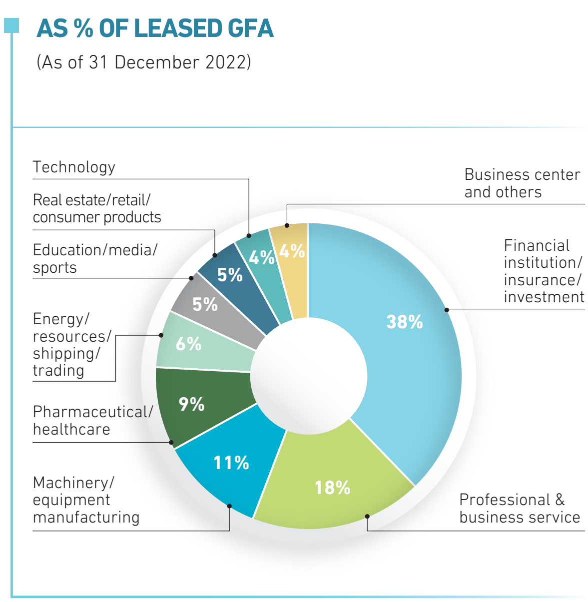
1. Retention rate illustrates the proportion of the total area under all the expired leases that was taken up by the same tenants entering into new leases during the relevant period.
2. Rental reversion is calculated on the basis of the difference in the effective rent only for existing tenants who renewed 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.

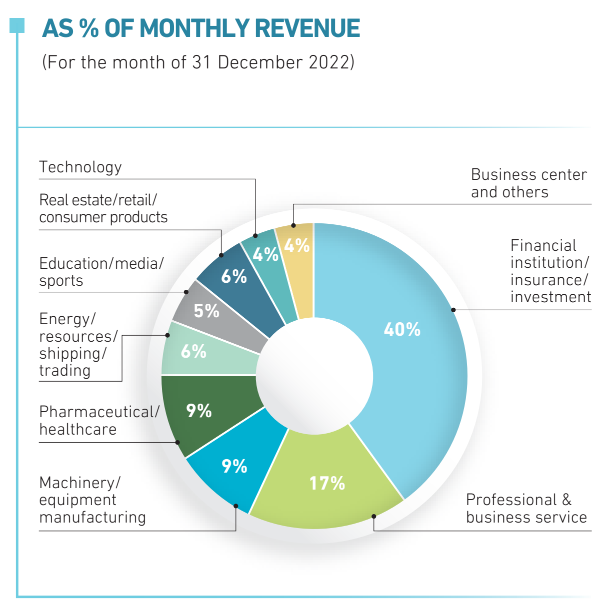
As at 31 December 2022, the weighted average lease expiry in terms of GFA was 747 days for the CCP Property. Leases expiring in the years ending 31 December 2023 and 31 December 2024 accounted for 20.9% and 24.1% of the total leasable GFA respectively, and the average monthly unit rents for the expiring leases were RMB343 per sqm and RMB358 per sqm respectively.

Tenancy base

The CCP Property had a total of 184 tenancies as at 31 December 2022. The top five tenants in terms of GFA accounted for 19.4% of the total revenue for the Reporting Year, and occupied 21.8% of total leased GFA as at 31 December 2022. Details of the top five tenants in terms of GFA are set out in the table below.

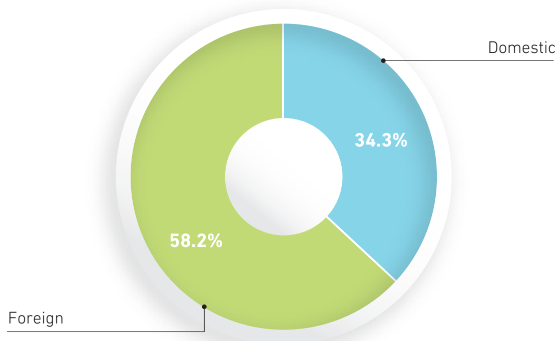
Tenants	Portion of total leased GFA
Epson	6.0%
Zhong De Securities	4.3%
Global Law	4.2%
The Executive Office	4.1%
Condé Nast	3.2%
Total	21.8%





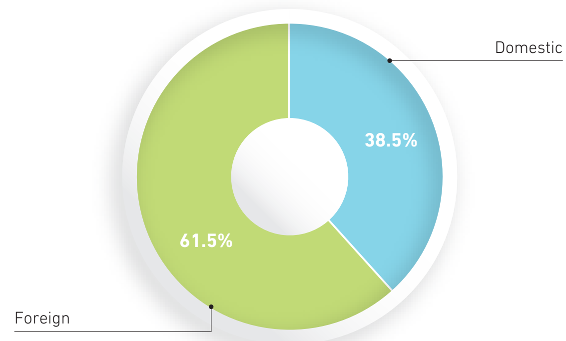
AS % OF LEASED GFA

(As of 31 December 2022)



AS % OF MONTHLY REVENUE

(For the month of 31 December 2022)



HUAMAO PLACE OPERATION REVIEW

Huizhou City Overview

Huizhou is one of the 9+2 cities in the GBA in Guangdong Province, and is rich in natural, energy and tourism resources with a total area of about 11,000 square kilometres. With a residential population of 6.2 million, it serves as an important gateway and a vital connection between eastern and northern Guangdong Province. Huizhou is also one of the closest mainland cities to Hong Kong, adding to its strategic significance in the region. Thanks to its superior geographical location and rich resources, Huizhou has attracted many high-quality enterprises, and has enjoyed industrial spill-over transfers from nearby cities of Shenzhen and Dongguan, supporting the economic and population development of the city.

In recent years, there has been rapid development of urban transportation systems in the city, with Huizhou being the only city in Guangdong Province with nine high-speed rail stations, connecting Jiangxi-Shenzhen, Guangzhou-Shantou and Xiamen-Shenzhen and Jiangxi-Shenzhen high-speed rail. By 2025, Huizhou is set to complete the Huizhou section of the Guangzhou-Shantou Railway, as well as the Huizhou North section of the Dongguan-Huizhou Intercity Railway. This will enable seamless 30-minute interchanges between Huizhou-Guangzhou and Huizhou-Shenzhen, creating a more modern and efficient infrastructure system.

Huizhou Retail Market Review

Huizhou's shopping mall industry has experienced robust growth, driven by high economic growth potential, ongoing urbanisation, consumption upgrading, expanding retail facilities, and continued government support. According to researcher China Insights Consultancy, the overall gross merchandise value (GMV) of shopping malls in Huizhou increased from RMB14.6 billion in 2017 to RMB20.4 billion in 2022, with a CAGR of 6.9%. However, growth was interrupted by the COVID-19 pandemic between 2020 and 2022. As the economy recovers on the back of stimulus measures and the easing of domestic COVID-19 restrictions, the shopping mall industry in Huizhou is expected to regain momentum. China Insights Consultancy projects the total GMV of the shopping mall industry in Huizhou to reach RMB38.8 billion by 2027, with a CAGR of 13.8% from 2022 to 2027, outpacing the growth of other cities in the GBA.

According to researcher China Insights Consultancy, as at 31 December 2022, Huizhou had 41 shopping malls in operation covering a total retail GFA of approximately 2.7 million sqm, managed by approximately 35 operators. Huizhou's shopping mall industry is not highly concentrated, with the top five shopping mall management service providers accounting for 32.4% of the market in terms of retail GFA.

In 2022, the retail shopping sector in Huizhou was notably affected by the COVID-19 pandemic, resulting in a decrease in the market occupancy rate of shopping malls to around 70%, down from about 80% in 2021. The average unit rent of Huizhou's shopping malls also decreased by around 10% to about RMB63/sqm/month compared to the previous year, according to researcher China Insights Consultancy. However, with the swift relaxation of COVID-19 control policies at the end of 2022, it is expected that the economy will recover and domestic consumption will increase, providing support for the recovery of the shopping mall industry in Huizhou.

Huamao Place Operation Performance

Spring REIT completed the acquisition of Huamao Place in Huizhou on 28 September 2022, and the operation of the property contributed to the REIT's financial performance in Q4 of 2022. Despite the severe impact of the COVID-19 pandemic on consumer sentiment during the final quarter of 2022, Huamao Place achieved relatively resilient operating results with an average occupancy of 92% and limited rental arrears. However, footfall was affected during the quarter. Only after the relaxation of COVID policies in late December did we see a recovery in consumer confidence and footfall. On New Year's Eve, signs of a rebound in shopper traffic were observed, with an estimated of 63,000 shoppers on the day alone, an increase of 15.8% compared to 2021.

Despite the relatively soft market conditions in the fourth quarter of 2022, we are pleased to report satisfactory progress on several initiatives to improve the market position and competitiveness of Huamao Place. One major accomplishment is the resolution of the litigation with the supermarket lessee at the basement area. Thanks to the hard work of our local team, we successfully completed the reconfiguration of the space by the end of the year. Our goal was to create a new shopping concept that focuses on consumer experience while enhancing the unit rent of the area. We transformed the space into a new-concept marketplace called "ONES," featuring specialty shops that offer fresh produce, household products, and social dining options. Our local property management team has successfully finished the reconfiguration and leased out 100% of the retail space, resulting in a more than 300% increase in total rent for the area compared to before.

Another major initiative we have undertaken to further enhance the positioning of Huamao Place is the introduction of a cluster of international cosmetics brands to the shopping mall. With many of these brands currently exclusive to Huamao Place in Huizhou, this will create a sense of exclusivity and luxury, solidifying the shopping mall's high-end position. We believe that this strategy will help differentiate our shopping mall from competitors in the city, reaffirming it as the premium destination for shoppers. In 2022, we expanded our coverage of high-end cosmetic brands from Estée Lauder, Lancôme, Kiehl's, WHOO, GUERLAIN, and DIOR, to also include YSL and 3CE in December 2022, with Shu Uemura and SkinCeuticals to follow in January 2023.

Besides, our local property management team has been working tirelessly to optimize the trade mix within the shopping mall to provide a more enhanced shopping experience. The first floor has been repositioned to showcase prominent electric vehicles brands like Tesla and Nio, as well as stores featuring latest electronic products from DJI and Apple authorized retailer. Over the course of 2022, we have successfully signed leases with 198 new merchants. Additionally, for the 189 merchants up for renewal that we signed in 2022, we achieved an average rental reversion rate of 9.8%. With these enhancements, we believe Huamao Place is well-positioned to capitalise on the anticipated recovery of consumption demand in 2023.

Financial Highlights

(in RMB million)

For the period from 28 September 2022 to 31 December 2022

Revenues	
– Total rental income (note i)	**49.3**
– Other income (note ii)	**0.7**
	50.0
Property Operating Expenses	
– Property management fee	**6.2**
– Property taxes (note iii)	**4.1**
– Other taxes (note iv)	**0.7**
	11.0
Net Property Income	**39.0**

Notes:

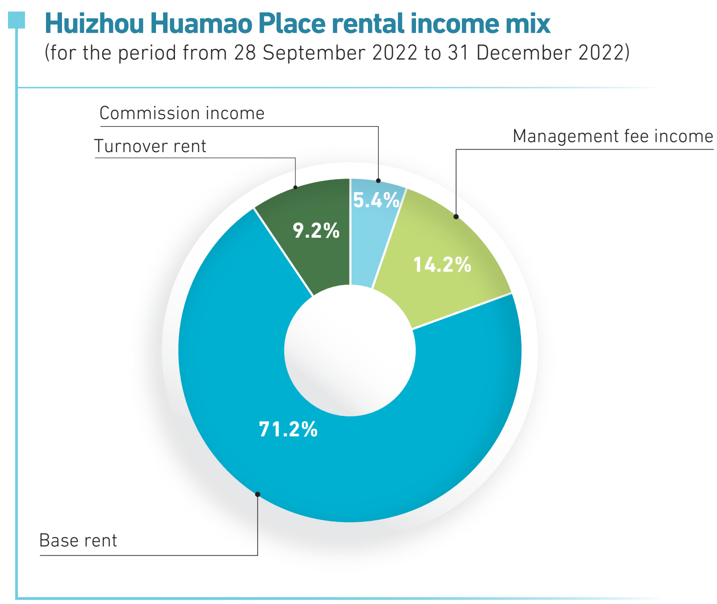
i Total rental income mainly represents base rental income, turnover rent, commission income and service fee income.

ii Other income mainly represents advertising income.

iii Property taxes represent real estate tax and land use tax.

iv Other taxes includes consumption tax, urban construction and maintenance tax, education surcharge and stamp duty.

For the period from 28 September 2022 to 31 December 2022, Huamao Place reported revenue of RMB49.3 million, comprised of base rent, management fee income, turnover rent and commission income. Base rent is the fixed rent provided for in lease agreements, while management fee income represents additional income from tenants for services provided by the local property management team, such as promotion and events. Turnover rent is collected from certain tenants in the form of a percentage of their sales receipts. Commission income represents a share in the sales receipts for products sold on consignment.



Property operating expenses are mainly comprised of property management fee and tax expenses, namely property taxes and other taxes. Tax expenses in aggregate accounted for 44.9% of the total property operating expenses. The property management fee, payable at 3.0% of total revenue and actual human resources costs of the property manager of Huamao Place, accounted for 55.1% of the total property operating expenses.

The contribution of Huizhou Huamao Place in terms of Net Property Income amounted to RMB39.0 million for the period from 28 September 2022 to 31 December 2022.

Rental Income

From 28 September 2022 to 31 December 2022, the mall was adversely affected by the pandemic. Fortunately its operating performance remained encouraging due to the conclusion of the litigation with the supermarket lessee and the reletting of the space previously occupied by them. Occupancy rebounded from around 90% on 28 September 2022 to 96.3% as of 31 December 2022, resulting in an average occupancy of 92.2% for the period. Meanwhile, the reletting of the space also raised the average monthly rent of the mall from RMB 144 per sqm in February 2022 to RMB 150 per sqm on 31 December 2022.

For the Quarter Ended	**2022 Q4**
Average Monthly Rent (RMB/sqm)[1]	148
Average ccupancy rate[2]	92%

1. Average monthly rent is presented net of business tax and VAT (where applicable) and is comprised of base rental income, turnover rental income, consignment sales income and service fee income.
2. Occupancy rate is an average of the month-end figurers throughout the specific period.

Expiry Profile by GFA

	by GFA
2023	28%
2024	17%
2025	14%
2026 and beyond	37%
Total	96%

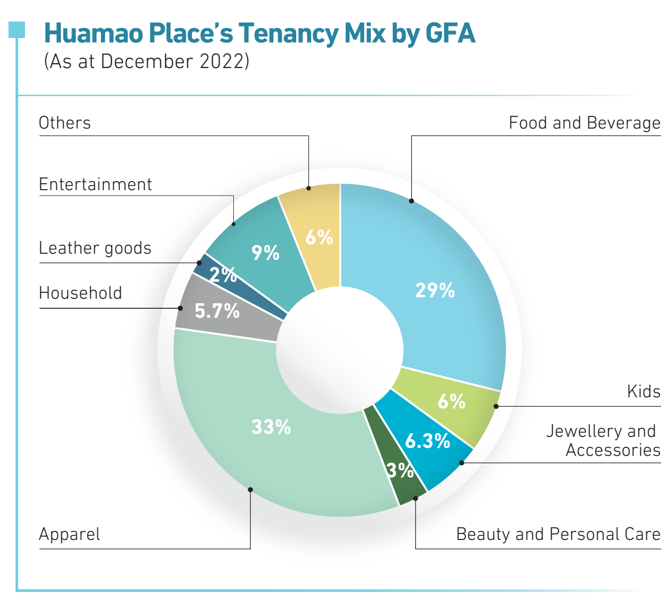
As at 31 December 2022, leases expiring in the years ending 31 December 2023 and 31 December 2024 accounted for 28% and 17% of the total leasable GFA respectively.

Tenancy base

As a flagship mall in Huizhou, Huamao Place's trade mix is oriented towards high-end and lifestyle items. Food and beverage stores are mainly reputable local and international brands, and are critical anchors for achieving continuous footfall. Apparel, that is currently the biggest sector in Huamao Place, attracts a wide range of target customers, but their share in the mall is being slowly replaced by beauty and personal care items such as high-end cosmetics. Currently, the focus is to increase our exposure in electric vehicle and digital products, which are being clustered on the first floor. The area previously occupied by the supermarket lessee has been relaunched with new stores focusing on fresh produce and high-quality food items.

No.	Trade sector of top 10 tenants	Expiry	by GFA	by Rental income[1]
1	Entertainment	June 2026	7.0%	1.3%
2	Food and Beverage	April 2026	4.1%	0.8%
3	Apparel	June 2026	3.3%	0.4%
4	Others	March 2026	1.7%	0.4%
5	Apparel	June 2028	1.4%	0.2%
6	Apparel	June 2031	1.4%	0.6%
7	Food and Beverage	September 2026	1.4%	0.7%
8	Food and Beverage	June 2029	1.1%	0.4%
9	Entertainment	April 2025	1.1%	0.5%
10	Entertainment	March 2024	1.1%	0.5%
	Total		23.6%	5.8%

1. Rental income is for the month of 31 December 2022.



UK Portfolio Operation Review

Each of the UK Portfolio's 84 properties is under a long-term lease with the tenant Kwik-Fit (GB) Limited ("**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 GBP4.62 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.).

Financial Results Highlights

For the Year Ended 31 December	**2022**	**2021**	**Change**
(in RMB millions unless otherwise specified)			
Revenue	**577.85**	528.44	9.4%
Property operating expenses	**(137.42)**	(132.07)	4.1%
Net property income	**440.43**	396.37	11.1%
Net property income margin	**76.2%**	75.0%	+1.2ppt
G&A expenses	**(74.65)**	(65.27)	14.4%
Cash interest expenses	**(110.18)**	(62.18)	77.2%
Profit after taxation attributable to Unitholders	**28.35**	509.95	(94.4%)
Total distributable income	**292.61**	297.69	(1.7%)

Units Information	**2022**	**2021**	**Change**
DPU (HK cents)	**21.2**	22.0	(3.6%)
Payout ratio	**92.5%**	90%	+2.5 ppts
Net asset value per Unit (HK$)	**4.95**	5.56	(11.0%)
Number of Units outstanding	**1,484,931,187**	1,472,383,580	0.9%

As at 31 December	**2022**	**2021**	**Change**
Property valuation	**12,082.95**	9,307.10	29.8%
Total assets	**12,930.99**	9,884.00	30.8%
Total borrowings	**4,857.35**	2,960.83	64.1%
Net asset value attributable to Unitholders	**6,558.84**	6,671.65	(1.7%)
Gearing ratio	**37.6%**	30.0%	+7.6ppts

Financial Performance

Spring REIT's revenue for the Reporting Year was RMB577.85 million, 9.4% higher than that in 2021. After taking into account property operating expenses, net property income amounted to RMB440.43 million, representing a 11.1% increase YoY and a net property income margin of 76.2% (FY2021: 75.0%).

General and administrative expenses amounted to RMB74.65 million. Meanwhile, a total finance cost on interest-bearing borrowings of RMB397.73 million (FY2021: RMB17.93 million) was registered, which consisted of a non-cash foreign exchange loss of RMB252.90 million (FY2021: non-cash foreign exchange gain of RMB67.88 million) when US dollar and HKD bank borrowings were converted to RMB in the financial statements. Cash interest expenses amounted to RMB110.18 million, increased by 77.2% as compared to RMB62.18 million in 2021. Of the RMB48.00 million increase, RMB24.98 million resulted from the additional cash interest expenses for the debt-funded acquisition of Huamao Place, while RMB23.02 million was due to the net effect of higher market interest rates (being US LIB OR, HKD HIBOR and GBP SONIA rates), offset by the interest rate hedges we had in place.

Taking into account the increase in the total fair value of the CCP Property, Huamao Place and the UK Portfolio of RMB268.73 million (FY2021: RMB128.02 million), profit after taxation for the Reporting Year was RMB118.43 million (FY2021: RMB509.95 million) and the profit after taxation attributable to Unitholders was RMB28.35 million (FY2021: RMB569.95 million).

Spring REIT's total distributable income for the Reporting Period was RMB292.61 million, representing a decrease of 1.7% YoY. Among other adjustments, the reported amount excludes the foreign exchange loss, the increase in the fair value of the Spring REIT's portfolio attributable to Unitholders, which are non-cash in nature.

Financial Position

Spring REIT's principal valuer, Knight Frank Petty Limited ("**Knight Frank**" or the "**Principal Valuer**"), performed the valuation of the Spring REIT portfolio as at 31 December 2022. The CCP Property was appraised at RMB8,640 million as at 31 December 2022, remaining stable in value compared to its valuation as at 31 December 2021. The valuation of the CCP Property was arrived at using the income capitalization approach, and cross-checked by the direct comparison approach. The capitalization rate/reversionary yield was 5.0% (30 June 2022: 5.0%; 31 December 2021: 5.0%).

The Huamao Place was appraised at RMB2,823 million as at 31 December 2022, representing a 0.9% increase in value compared to its valuation as at 28 September 2022. The valuation of the Huamao Place was arrived at using the income approach, and cross-checked by the direct comparison approach. The capitalization rate/reversionary yield was 6.0% (28 September 2022: 6.0%).

The UK Portfolio was appraised at GBP74.3 million (equivalent to RMB619.95 million) as at 31 December 2022, representing a 4.5% decrease in GBP terms and a 7.3% decrease in RMB terms compared to its valuation as at 31 December 2021. The valuation of the UK Portfolio was arrived at using the income approach. The net initial yield ranged from 3.70% to 8.15%.

As at 31 December 2022, Spring REIT had in place aggregate debt facilities of approximately RMB4,857.35 million, comprising:

1. a facility of HKD4,150 million and an uncommitted undrawn term loan facility of HKD725 million (HKD4,875 million in total) (the "**CCP Facilities**"), both of which bear an interest rate of 1-month HKD HIBOR plus 1.60% per annum and will mature in September 2025.

2. a facility of GBP51 million (the "**UK Facility**") extended by Sumitomo Mitsui Banking Corporation ("**SMBC**") and put in place in January 2022, in which GBP 50.5 million has been drawn down. The UK Facility bears an interest rate of 2.20% margin per annum plus Sterling Overnight Index Average ("**SONIA**") plus Credit Adjustment Spread ("**CAS**") and will expire in January 2025.

3. a facility of RMB900 million which bears an interest rate of 60 basis points above the loan prime rate for more than five years and will mature in March 2032, of which RMB800 million has been drawn down and RMB768 million was outstanding as at the end of the Reporting Year.

As at 31 December 2022, the gearing ratio, i.e. total borrowings to gross asset value, was 37.6%, compared with 30.0% at 31 December 2021.

Spring REIT had entered into float-to-fixed interest rate swaps ("**IRS**") contracts of varied tenures to hedge interest rate risk. As at 31 December 2022, the aggregate notional amount of these IRS contracts was HKD3,355 million, representing 80.8% of the HKD loans of Spring REIT with a weighted average swap rate off 1.21% per annum.

Spring REIT's investment properties, rent receivables, restricted bank balances, ordinary shares of certain subsidiaries of the Group were pledged to secure the loan facilities where applicable. Throughout the Reporting Year, Spring REIT and other subsidiaries of the Group 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 RMB202.43 million as at 31 December 2022, compared with RMB156.05 million as at 31 December 2021. The Group also had total undrawn bank loan facilities of HKD725 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 HKD. The Group's liquidity and financing requirements are reviewed regularly.

As at 31 December 2022, the gross asset value of the Group was RMB12,930.99 million, representing an increase of 30.8% YoY.

Net Assets Attributable to Unitholders

As at 31 December 2022, net assets attributable to Unitholders stood at RMB6,558.84 million.

The net asset value per Unit as at 31 December 2022 was HK$4.95 (31 December 2021: HK$5.56). This represented a 106.3% premium to the closing price of the Units of HK$2.40 as at 30 December 2022, the last trading day in the Reporting Year.

Capital Commitments

As at 31 December 2022, 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) 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 SFC 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. Ms. Alice Yu ceased being the RO and the Head of Compliance of the Manager on 11 August 2022.

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 14,674,607 new Units were issued to the Manager as payment of part of the Manager's fee. Please refer to the announcements dated 25 March 2022, 29 April 2022, 11 August 2022 and 28 October 2022 for more details.

During the Reporting Year, the Manager (on behalf of Spring REIT) bought back a total of 2,127,000 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 2022 was 1,484,931,187 Units.

Purchase, Sale or Redemption of Units

During the Reporting Year, the Manager (on behalf of Spring REIT) bought back a total of 2,127,000 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*
2022				
May	306,000	2.7180	2.6612	826
June	502,000	2.7063	2.6373	1,340
July	191,000	2.6700	2.6380	507
September	488,000	2.6900	2.4181	1,234
October	145,000	2.5805	2.4430	363
November	495,000	2.2777	2.0958	1,064

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$2.51 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 2022.

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 2022 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 2022 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 28 April 2023.

Annual General Meeting

The 2023 annual general meeting of Spring REIT will be held on or around 13 June 2023, 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 2023

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 2022

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Revenues	5	**577,851**	528,446
Property operating expenses	6	**(137,423)**	(132,073)
Net property income		**440,428**	396,373
General and administrative expenses	7	**(74,651)**	(65,266)
Fair value gain of investment properties	13	**268,730**	128,015
Fair value (loss)/gain of right-of-use assets	14	**(312)**	710
Other (losses)/gains, net	8	**(18,695)**	72,108
Operating profit		**615,500**	531,940
Bank interest income		**4,166**	2,392
Finance costs on interest-bearing borrowings	9	**(397,726)**	(17,926)
Profit before taxation and transactions with Unitholders		**221,940**	516,406
Income tax expense	10	**(103,508)**	(6,456)
Profit for the year, before transactions with Unitholders		**118,432**	509,950
Distributions paid to Unitholders:			
– 2020 final distribution		**—**	(128,170)
– 2021 interim distribution		**—**	(131,314)
– 2021 final distribution (note ii)		**(139,224)**	—
– 2022 interim distribution (note ii)		**(137,386)**	—
		(158,178)	250,466

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units and units bought back for cancellation		**(140,732)**	212,195
Amount arising from exchange reserve movements regarding translations of financial statements		**(107,526)**	38,271
Non-controlling interests		**90,080**	—
		(158,178)	250,466
Profit for the year, before transactions with Unitholders attributable to:			
– Unitholders (note i)		**28,352**	509,950
– Non-controlling interests		**90,080**	—
		118,432	509,950

Notes:

(i) Earnings per unit, based upon profit for the year, before transactions with Unitholders attributable to Unitholders and the weighted average number of units in issue, is set out in note 12.

(ii) 2022 interim distribution and 2021 final distribution of RMB137,386,000 and RMB139,224,000 respectively were paid during the year ended 31 December 2022. Total distribution for the year ended 31 December 2022 is presented in the consolidated statement of distributions.

The notes on pages 43 to 78 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Before transactions with Unitholders *RMB'000*	Transactions with Unitholders (note i) *RMB'000*	After transactions with Unitholders (note ii) *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
For the year ended 31 December 2022					
Profit for the year	**28,352**	**(135,878)**	**(107,526)**	**90,080**	**(17,446)**
Other comprehensive income:					
Items that may be reclassified to consolidated income statement					
Exchange gains on translation of financial statements of subsidiaries	**29,633**	**—**	**29,633**	**—**	**29,633**
Items that may not be reclassified to consolidated income statement					
Exchange gains on translation of financial statements of Spring REIT	**77,893**	**—**	**77,893**	**—**	**77,893**
Total comprehensive income for the year	**135,878**	**(135,878)**	**—**	**90,080**	**90,080**
For the year ended 31 December 2021					
Profit for the year	509,950	(471,679)	38,271	—	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)	—	(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)	—	(34,657)
Total comprehensive income for the year	471,679	(471,679)	—	—	—

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB276,610,000 (2021: RMB259,484,000), change in net assets attributable to Unitholders excluding issuance of new units and units bought back for cancellation, which is a decrease of RMB140,732,000 (2021: an increase of RMB212,195,000).

(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 attributable to Unitholders after transactions with Unitholders is zero.

The notes on pages 43 to 78 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RMB'000	*RMB'000*
Profit for the year, before transactions with Unitholders attributable to Unitholders	**28,352**	509,950
Adjustments:		
– Fair value gain of investment properties attributable to Unitholders	**(153,350)**	(128,015)
– Fair value loss/(gain) of right-of-use assets	**312**	(710)
– Gain on disposal of investment properties	**—**	(149)
– Net fair value gain of derivative financial instruments	**(81,767)**	(50,125)
– Deferred taxation on change in fair values of investment properties attributable to Unitholders	**63,499**	2,849
– Manager's fee expenses in units in lieu of cash	**34,500**	31,006
– Amortisation of transaction costs for host liability components of bank borrowings	**39,361**	22,594
– Unrealised foreign exchange losses/(gains)	**361,699**	(89,713)
Distributable income for the year (note ii)	**292,606**	297,687
Total distributions of the year (note iii)	**270,661**	267,918
Represented by:		
Interim distribution, paid (note iv)	**137,386**	131,314
Final distribution, to be paid (note v)	**133,275**	136,604
Total distributions of the year (note iii)	**270,661**	267,918
Percentage of total distribution over distributable income for the year	**92.5%**	90.0%
Distributions per unit to Unitholders		
– Interim distribution per unit, paid (note iv)	**HK11.2 cents**	HK10.8 cents
– Final distribution per unit, to be paid (note v)	**HK10.0 cents**	HK11.2 cents
Distribution per unit for the year (note vi)	**HK21.2 cents**	HK22.0 cents

Notes:

(i) All distributions to Unitholders are determined and paid in Hong Kong dollar. For Unitholder's reference, the distributions per unit to Unitholders expressed in RMB term is as follows:

	2022	2021
Distributions per unit to Unitholders		
– Interim distribution per unit	**RMB9.3 cents**	RMB9.0 cents
– Final distribution per unit	**RMB9.0 cents**	RMB9.3 cents
Distribution per unit for the year	**RMB18.3 cents**	RMB18.3 cents

(ii) Under the terms of the Trust Deed, the distributable income represents the profit for the year before transactions with Unitholders attributable to Unitholders, adjusted to eliminate the effects of certain non-cash transactions which have been recorded in the consolidated income statement for the year.

(iii) 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.

(iv) The interim distribution per unit of HK$11.2 cents for the six months ended 30 June 2022 was calculated based on the interim distribution of RMB137,386,000 for the period and 1,482,022,576 units in issue as at 8 September 2022, being the record date of 2022 Interim Distribution, rounded to the nearest HK0.1 cents. The interim distribution was paid to Unitholders on 22 September 2022.

(v) The final distribution per unit of HK10.0 cents for the year ended 31 December 2022 is calculated based on the final distribution to be paid to Unitholders of RMB133,275,000 for the second half of the financial year and 1,484,931,187 units in issue as at 22 March 2023, 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 2022 is expected to be paid to Unitholders on 15 May 2023. 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 2023 (being the date of the declaration of the final distribution) and 28 April 2023 (the "Record Date"), if any.

The final distribution per unit of HK$11.2 cents for the year ended 31 December 2021 was calculated based on the final distribution paid to the Unitholders of RMB136,604,000 for the second half of the financial year and 1,472,383,580 units in issue as at 19 April 2022, being the record date of 2021 Final Distribution, rounded to the nearest HK 0.1 cent. The final distribution for the year ended 31 December 2021 was paid to Unitholders on 29 April 2022.

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

The notes on pages 43 to 78 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Assets			
Investment properties	13	**12,082,952**	9,307,096
Right-of-use assets	14	**14,460**	15,217
Derivative financial instruments	15	**159,994**	33,414
Restricted bank balances	17	**366,840**	320,223
Trade and other receivables	16	**104,313**	52,006
Cash and cash equivalents	17	**202,434**	156,047
Total assets		**12,930,993**	9,884,003
Liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	19	**4,857,346**	2,960,830
Deferred tax liabilities	20	**97,313**	2,760
Lease liabilities	14	**10,601**	11,009
Rental deposits	18	**204,566**	150,639
Trade and other payables	18	**217,279**	84,225
Income tax payable		**37,880**	2,887
Total liabilities, excluding net assets attributable to Unitholders		**5,424,985**	3,212,350
Non-controlling interests		**947,165**	—
Net assets attributable to Unitholders		**6,558,843**	6,671,653
Units in issue ('000)	21	**1,484,931**	1,472,384
Net asset value per unit attributable to Unitholders			
In RMB		**4.42**	4.53
Equivalent in HK$		**4.95**	5.56

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

Leung Kwok Hoe, Kevin	**Chung Wai Fai, Michael**
Executive Director	*Executive Director*

The notes on pages 43 to 78 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 2022

	Reserve *RMB'000*	Net assets attributable to Unitholders *RMB'000*	Non-controlling interest *RMB'000*	Total *RMB'000*
As at 1 January 2022	**—**	**6,671,653**	**—**	**6,671,653**
Acquisition of subsidiaries (note 23)	**—**	**—**	**857,085**	**857,085**
Profit for the year, before transactions with Unitholders	**—**	**28,352**	**90,080**	**118,432**
Exchange gains on translation of financial statements	**107,526**	**—**	**—**	**107,526**
Amount arising from exchange reserve movements (note)	**(107,526)**	**107,526**	**—**	**—**
Distributions paid to Unitholders:				
– 2021 final distribution	**—**	**(139,224)**	**—**	**(139,224)**
– 2022 interim distribution	**—**	**(137,386)**	**—**	**(137,386)**
Change in net assets attributable to Unitholders for the year ended 31 December 2022, excluding issuance of new units and units bought back for cancellation	**—**	**(140,732)**	**90,080**	**(50,652)**
Issuance of units (note 21)	**—**	**32,664**	**—**	**32,664**
Units bought back for cancellation (note 21)	**—**	**(4,742)**	**—**	**(4,742)**
	—	**27,922**	**—**	**27,922**
As at 31 December 2022	**—**	**6,558,843**	**947,165**	**7,506,008**

Note: The amount represented earnings retained for the year to offset the reserve movements.

The notes on pages 43 to 78 are an integral part of these consolidated financial statements.

	Reserves	Net assets attributable to Unitholders
	RMB'000	*RMB'000*
As at 1 January 2021	—	6,432,897
Profit for the year, before transactions with Unitholders	—	509,950
Exchange losses on translation of financial statements	(38,271)	—
Amount arising from exchange reserve movements (note)	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 21)	—	30,918
Units bought back for cancellation (note 21)	—	(4,357)
	—	26,561
As at 31 December 2021	—	6,671,653

Note: The amount represented earnings retained for the year to offset the reserve movements.

The notes on pages 43 to 78 are an integral part of these consolidated financial statements.

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. On 12 December 2022, the address of the registered offices of the Manager was changed to Room 2602, 26/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong.

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

On 29 April 2022, the Group entered into conditional acquisition agreements, pursuant to which they would acquire an aggregate 68% interest in Huizhou Runxin Shopping Mall Development Co., Ltd. ("Huizhou Runxin") and its investment holding companies from the associates of a substantial Unitholder. Huizhou Runxin owns a seven-storey shopping mall and certain carpark spaces in Huizhou City, the PRC. The acquisition was completed on 28 September 2022. Detail is set out in note 23 to the consolidated financial statements.

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 2022.

New standards, amendments, improvements and interpretation to existing standards effective in 2022:

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

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
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 4 Amendments	Extension of the temporary exemption from applying IFRS 9 and IFRS 4	1 January 2023
IFRS 17 and IFRS 17 Amendments	Insurance Contracts	1 January 2023
IAS 1 Amendments	Non-current Liabilities with Covenants	1 January 2024
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 16 Amendments	Lease Liability in a Sale and Leaseback	1 January 2024
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 2022 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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the units issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed in the consolidated income statement during the period in which they are incurred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of financial position and statement of changes in equity and net assets attributable to Unitholders respectively.

(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.

(iii) Rental deposit

Rental deposits arise when the Company enters into lease agreement directly with a tenant.

(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 properties 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 properties using the fair value model applied to its investment properties.

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$ and HK$.

As at 31 December 2022, if US$ had strengthened/weakened by 5% against the RMB with all other variables held constant, profit for the year, before transactions with Unitholders, would have been decreased/increased by RMB45,817,000 (2021: RMB158,324,000) respectively, mainly as a result of foreign exchange differences on translation of monetary assets and liabilities being denominated in US$ that is not the functional currency items in the PRC such as cash and bank balance, other payables and borrowings.

As at 31 December 2022, if HK$ had strengthened/weakened by 5% against the RMB with all other variables held constant, profit for the year, before transactions with Unitholders, would have been decreased/increased by RMB126,829,000 (2021: RMB7,000) respectively, mainly as a result of foreign exchange differences on translation of monetary assets and liabilities being denominated in HK$ that is not the functional currency items in the PRC such as cash and bank balance, other payables and borrowings.

As at 31 December 2022, if GBP had strengthened/weakened by 5% against the US$ with all other variables held constant, profit for the year, before transactions with Unitholders, would have been decreased/increased by RMB8,308,000 (2021: RMB7,941,000) respectively, mainly as a result of foreign exchange differences on translation of monetary assets and liabilities being denominated in US$ 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 2022, the Group has three (2021: six) plain vanilla interest rate swaps with total notional amount of HK$3,355 million (approximately RMB2,967 million) (2021: total notional amount of US$300 million (approximately RMB1,907 million)) to hedge the interest rate risk arising from the variable rate bank borrowings. The Group pays interest at fixed rates from 1.144% to 1.250% per annum (2021: 0.450% to 0.565% per annum) and receives interest at the rate of 1-month HK$ HIBOR (2021: 3-month US$ LIBOR) until 29 December 2023 and 23 September 2025.

As at 31 December 2022, if interest rates had been 50 basis points higher/lower with all other variables held constant, profit for the year, before transactions with Unitholders, would have been RMB6,616,000 (2021: RMB3,036,000) lower/higher 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022				
Restricted bank balances	**—**	**—**	**326,840**	**40,000**
Trade and other receivables	**50,026**	**—**	**—**	**—**
Cash and cash equivalents	**202,434**	**—**	**—**	**—**
At 31 December 2021				
Restricted bank balances	2,923	—	317,300	—
Trade and other receivables	3,225	—	—	—
Cash and cash equivalents	156,047	—	—	—

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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022				
Trade and other payables	**140,666**	**—**	**—**	**—**
Rental deposits	**64,764**	**51,455**	**84,804**	**3,543**
Interest payable on borrowings	**272,279**	**249,015**	**213,760**	**48,364**
Interest-bearing borrowings	**64,000**	**64,000**	**4,323,131**	**408,000**
Lease liabilities	**1,060**	**1,060**	**3,177**	**50,218**
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

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	
	2022	2021
	RMB'000	*RMB'000*
Total borrowings (note 19)	**4,857,346**	2,960,830
Total assets	**12,930,993**	9,884,003
Gearing ratio	**37.6%**	30.0%

Note: The increase in gearing ratio mainly represents drawdown of borrowing for acquisition of Huizhou Runxin.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2022 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 2022	**Level 1** ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
Assets				
Derivative financial instruments	**—**	**159,994**	**—**	**159,994**
At 31 December 2021				
Assets				
Derivative financial instruments	—	33,414	—	33,414

There were no transfers between levels 1, 2 and 3 during the year (2021: nil).

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

As at 31 December 2022, the level 2 derivative financial instruments represented three (2021: 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 and provision of related services. 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 2022, revenue of RMB541 million (2021: RMB489 million) is attributable to tenants from the PRC investment properties and RMB37 million (2021: RMB39 million) is attributable to tenants from the UK investment properties. As at 31 December 2022, investment properties of RMB11,463 million (2021: RMB8,638 million) is located in the PRC and RMB620 million (2021: RMB669 million) is located in the UK. Right-of-use assets of RMB14 million (2021: RMB15 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenues		
Rental income	**561,631**	518,245
Car park income	**4,784**	4,871
Other income (note i)	**11,436**	5,330
	577,851	528,446

Note:

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

6 Property operating expenses

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Property management fee	**17,563**	10,896
Property taxes (note i)	**63,442**	57,090
Other taxes (note ii)	**1,461**	4,034
Withholding tax (note iii)	**49,867**	47,883
Leasing commission	**2,794**	10,629
Reinstatement costs	**1,551**	636
Others	**745**	905
	137,423	132,073

Notes:

(i) Property taxes represent real estate tax and land use tax in the PRC. Real estate tax applicable to the Group's PRC 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, consumption tax and stamp duty in the PRC.

(iii) Withholding tax is calculated based on 10% of the revenues received from rental operation for the Beijing properties.

7 General and administrative expenses

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Manager's fee (note i)	**54,770**	51,437
Trustee fee	**1,715**	1,730
Valuation fee	**1,210**	635
Auditor's remuneration		
– Audit services	**1,956**	1,588
– Other assurance services	**626**	599
– Other non-assurance services	**334**	295
Legal and other professional fees	**9,173**	7,793
Others	**4,867**	1,189
	74,651	65,266

Notes:

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

(ii) Manager's fee of RMB16.6 million (note 11), trustee fee of RMB0.1 million and auditor's remuneration of RMB3.9 million in related to the acquisition of Huizhou properties were capitalised in the investment properties.

8 Other (losses)/gains, net

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Net fair value gain of derivative financial instruments at fair value through profit or loss	**81,767**	50,125
Foreign exchange (losses)/gains, net	**(108,803)**	21,834
Gain on disposal of investment properties	**—**	149
Other gain	**8,341**	—
	(18,695)	72,108

9 Finance costs on interest-bearing borrowings

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expenses on bank borrowings (note i)	**(165,837)**	(77,849)
Interest income/(expenses) on derivative financial instruments	**21,870**	(7,029)
Interest expenses on lease liabilities	**(863)**	(927)
Foreign exchange (losses)/gains on bank borrowings (note ii)	**(252,896)**	67,879
	(397,726)	(17,926)

Notes:

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

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

10 Income tax expense

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

For the subsidiaries with operation in Huizhou, the PRC and the UK, it is subject to corporate income tax at a rate of 25% and 19% respectively.

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	
	2022	2021
	RMB'000	RMB'000
Current tax		
Current income tax	**8,871**	3,017
(Over)/under provision in prior year	**(2)**	590
	8,869	3,607
Deferred taxation	**94,639**	2,849
	103,508	6,456

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	
	2022	2021
	RMB'000	RMB'000
Profit before taxation and transactions with Unitholders	**221,940**	516,406
Exclude profit from Beijing, the PRC operation which is not subject to income tax (note 6(iii))	**(25,321)**	(501,516)
	196,619	14,890
Tax calculated at the Hong Kong profit tax rate at 16.5% (2021: 16.5%)	**32,442**	2,457
Effect on different taxation rate on overseas operations	**31,970**	1,693
Income not subject to tax	**(1,984)**	(2,857)
Expenses not deductible for tax purposes	**43,756**	10,078
Effect on temporary differences previously not recognised	**(2,674)**	(5,505)
(Over)/under provision in prior year	**(2)**	590
	103,508	6,456

11 Manager's fee

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Base fee	**41,934**	39,536
Variable fee	**12,836**	11,901
	54,770	51,437
Acquisition fee (note (iii, iv))	**16,606**	—
	71,376	51,437

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

(i) Base fee at 0.4% per annum of the value of the Deposited Property ("Base Fee", as defined in the Trust Deed).

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

(iii) Acquisition fee not exceeding 1.0% of the acquisition price of any real estate in the form of land acquired directly or indirectly ("Acquisition fee", as defined in the Trust Deed).

(iv) The acquisition fee incurred for the acquisition of subsidiaries and was capitalised in the investment properties.

Based on the election made by the Manager dated 3 December 2021 and 4 December 2020 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% (2021: same), and Variable Fee to be paid to the Manager in the form of cash entirely (2021: same), arising from any real estate of Spring REIT for the year ended 31 December 2022 and 2021 in accordance with the Trust Deed.

12 Earnings per unit

	2022	2021
	RMB'000	*RMB'000*
Profit for the year before transactions with Unitholders attributable to Unitholders	**28,352**	509,950
Weighted average number of units for the year for calculating basic earnings per unit	**1,478,856,171**	1,466,529,351
Adjustment for dilutive units issuable in respect of the Manager's fee	**4,404,119**	3,472,203
Weighted average number of units for the year for calculating diluted earnings per unit	**1,483,260,290**	1,470,001,554
Basic earnings per unit based upon profit before transactions with Unitholders attributable to Unitholders	**RMB1.9 cents**	RMB34.8 cents
Diluted earnings per unit based upon profit before transactions with Unitholders attributable to Unitholders	**RMB1.9 cents**	RMB34.7 cents

13 Investment properties

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
At beginning of the year	**9,307,096**	9,202,902
Acquisition of subsidiaries (note 23)	**2,442,000**	—
Transaction costs for the acquisition of subsidiaries	**51,024**	—
Additions	**33,731**	2,596
Disposal	**—**	(1,642)
Exchange differences recognised in other comprehensive income	**(19,629)**	(24,775)
Changes in fair value recognised in consolidated income statement	**268,730**	128,015
At end of the year	**12,082,952**	9,307,096

Notes:

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

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

In Huizhou, the investment properties comprises seven-storey shopping mall and 700 underground and 50 above-ground car park spaces located at No. 9 First Wencheng Road, Huicheng District, Huizhou, Guangdong Province, the PRC. The land use rights of the properties have been granted to Huizhou Runxin for 40-year term expiring on 1 February 2048.

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 28 September 2022, the Group completed the acquisition of 68% interest of Huizhou Huamao Place through acquisition of subsidiaries (note 23).

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 2022 and 31 December 2021, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 31 December 2022 and 31 December 2021, the investment properties were pledged to secure the Group's interest-bearing 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 2022 and 2021, the fair values of the investment properties have been determined by Knight Frank Petty Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited respectively. The independent valuer adopted the income capitalisation approach and cross-checked by the direct comparison approach for the valuation where applicable.

Valuation techniques

(i) PRC investment properties

The income capitalisation approach estimates the value 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 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 properties 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 2022	**—**	**—**	**12,082,952**
As at 31 December 2021	—	—	9,307,096

There were no transfers between levels 1, 2 and 3 during the year (2021: nil).

Key unobservable inputs used to determine fair values

(i) Beijing CCP 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 2022 valuation, a capitalisation rate of 5.0% (2021: 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 RMB399 (2021: RMB392) per square meter exclusive of VAT is used in the valuation.

(ii) Huizhou Huamao Place

(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 2022 valuation, a capitalisation rate of 6.0% 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 gross monthly base rent for the retail unit is RMB176 per square meter.

(iii) 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 2022 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 3.70% to 8.15% (2021: 4.00% to 8.25%).

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of taxes, other relevant charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The gross annual unit base rents of 84 investment properties range from GBP4.52 to GBP23.57 (2021: GBP4.50 to GBP22.50) 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	
	2022	2021
	RMB'000	*RMB'000*
Right-of-use assets		
At beginning of the year	**15,217**	15,073
Exchange differences recognised in other comprehensive income	**(445)**	(566)
Changes in fair value recognised in consolidated income statement	**(312)**	710
At end of the year	**14,460**	15,217

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Lease liabilities, expected to be settled:		
Within 1 year	**96**	88
After 1 year	**10,505**	10,921
	10,601	11,009

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 2022	**—**	**—**	**14,460**
As at 31 December 2021	—	—	15,217

There were no transfers between levels 1, 2 and 3 during the year (2021: nil).

15 Derivative financial instruments

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Asset		
Fair value of the interest rate swaps	**159,994**	33,414

The Group has entered into three (2021: 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 2022 was HK$3,355 million (approximately RMB2,967 million) (31 December 2021: US$300 million, approximately RMB1,907 million) with HK$1,000 million mature on 29 December 2023 and HK$2,355 million mature on 23 September 2025 (2021: 20 December 2024).

The Group recorded net fair value gain on interest rate swaps for the year ended 31 December 2022 amounting to RMB81,767,000 (2021: RMB50,125,000) (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 after twelve months.

16 Trade and other receivables

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Rent receivables	**7,266**	3,225
Deferred rent receivables (note iv)	**41,135**	34,486
Prepayments	**10,884**	13,193
Other receivables	**2,151**	1,095
VAT recoverable	**117**	7
Indemnified tax recoverable (note v)	**42,760**	—
	104,313	52,006

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.

Fixed monthly rentals are payable in advance by tenants in accordance with the leases while the turnover rent and daily gross receipts from tenants and car parks are received from the car park operators in arrears.

(ii) The Group's exposure from outstanding rent receivables and deferred rent receivables is generally fully covered by the rental deposits from the corresponding tenants (note 18).

(iii) As at 31 December 2022 and 2021, the rent receivables and all future rent receivables in the PRC were pledged to secure the Group's interest-bearing borrowings (note 19).

(iv) Deferred rent receivables represent the accumulated difference between effective rental revenue and actual rental receipts.

(v) Balance represents the tax indemnity from seller in relation to the acquisition of Huizhou properties for any tax liabilities of the project company before the acquisition and the balance was unsecured, interest free, repayable on demand and denominated in RMB.

(vi) The ageing of rent receivables, presented based on the due date, is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
0 – 30 days	**4,939**	2,936
31 – 90 days	**661**	289
Over 90 days	**1,666**	—
	7,266	3,225

(vi) 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	
	2022	2021
	RMB'000	*RMB'000*
Restricted bank balances	**366,840**	320,223
Cash and cash equivalents	**202,434**	156,047
	569,274	476,270

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
US$	**25,206**	215,317
RMB	**305,290**	203,103
HK$	**210,584**	28,246
GBP	**28,194**	29,604
	569,274	476,270

Restricted bank balances are related to bank accounts restricted under the bank borrowing facility agreements of the Group's bank interest-bearing 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	
	2022	2021
	RMB'000	*RMB'000*
Cash and cash equivalents		
Within 1 year	**202,434**	156,047
Restricted bank balances		
Within 1 year	**—**	2,923
After 1 year	**366,840**	317,300
	366,840	320,223

18 Rental deposits and trade and other payables

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Rental deposits (note i)	**204,566**	150,639
Trade and other payables:		
Rental receipts in advance	**52,380**	44,064
Provision for other taxes (note ii)	**16,377**	2,153
Accrued expenses and other payables (note iii)	**148,522**	38,008
	217,279	84,225

Notes:

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**64,764**	50,429
After 1 year	**139,802**	100,210
	204,566	150,639

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

(iii) The balance included the operating expenses payable to related companies which is denominated in RMB and expected to be settled within twelve months.

The carrying amounts of trade and other payables approximate its fair values, mainly denominated in RMB and GBP and is 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	
	2022	2021
	RMB'000	*RMB'000*
Bank borrowings		
Within 1 year	**64,000**	427,684
After 1 year	**4,793,346**	2,533,146
	4,857,346	2,960,830

Bank borrowings are denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
US$ (note i)	**—**	2,533,146
HK$ (note ii)	**3,674,729**	—
RMB (note iii)	**768,000**	—
GBP (note iv)	**414,617**	427,684
	4,857,346	2,960,830

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	
	2022	2021
	RMB'000	*RMB'000*
6 months or less	**4,857,346**	2,533,146

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. The borrowing was repaid in September 2022;

(ii) The borrowing bears interest of 1.60% per annum above 1-month HK$ HIBOR and repayable in full on 23 September 2025;

(iii) The borrowing bears interest of 60 basis point above the loan prime rate for more than five years as announced by the National Interbank Funding Centre, repayable periodically and will mature in March 2032; and

(iv) In December 2021, the Group amended and extended the secured term loan facility. The new secured term loan facility is denominated in GBP for an amount up to GBP51 million. In January 2022, the amendment and restatement agreement is effective and the Group refinanced the borrowing. The new borrowing is repayable in full on 26 January 2025 and bears interest of 2.20% margin plus Sterling Overnight Index Average plus Credit Adjustment Spread.

In June 2022, the Group entered into new HK dollar secured loan facilities of HK$4,875 million. The borrowing bears interest of 1.60% per annum above 1-month HK$ HIBOR. In September 2022, the Group drew down a HK$4,150 million (approximately RMB3,670 million) term loan under the new facilities and the entire HK dollar borrowing will be repayable in full on 23 September 2025. Part of the proceed has been utilised to early repay the US dollar borrowing of an amount of US$403 million.

As at 31 December 2022 and 31 December 2021, the Group's investment properties (note 13), derivative financial instruments (note 15), rent receivables (note 16) and all future rent receivables of the investment properties (note 22), restricted bank balances (note 17), interests in certain subsidiaries of the Group and certain assets of the 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 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 *RMB'000*	**Acceleration depreciation allowance** *RMB'000*	**Total** *RMB'000*
At 31 December 2022			
At beginning of the year	**2,760**	**—**	**2,760**
Exchange differences recognised in other comprehensive income	**(86)**	**—**	**(86)**
Deferred tax expense recognised in consolidated income statement	**92,576**	**2,063**	**94,639**
At end of the year	**95,250**	**2,063**	**97,313**

	Investment properties revaluation *RMB'000*	Acceleration depreciation allowance *RMB'000*	Total *RMB'000*
At 31 December 2021			
At beginning of the year	—	—	—
Exchange differences recognised in other comprehensive income	(89)	—	(89)
Deferred tax expense recognised in consolidated income statement	2,849	—	2,849
At end of the year	2,760	—	2,760

21 Units in issue

	Number of units As at 31 December	
	2022	*2021*
At beginning of the year	**1,472,383,580**	1,460,872,865
New units issued for Manager's fee	**14,674,607**	13,365,715
Repurchase of units in issue (note ii)	**(2,127,000)**	(1,855,000)
At end of the year	**1,484,931,187**	1,472,383,580

Notes:

(i) Traded market value of the units as of 31 December 2022 was HK$2.40 (2021: HK$2.58) per unit. Based on 1,484,931,187 (2021: 1,472,383,580) units, the market capitalisation was HK$3,564 million (approximately RMB3,205 million) (2021: HK$3,799 million (approximately RMB3,097 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 2,127,000 units (2021: 1,855,000 units) at an aggregate amount of approximately RMB4,742,000 (2021: RMB4,357,000) during the year ended 31 December 2022. All units bought back were cancelled during the year.

22 Future minimum rental receivables

As at 31 December 2022, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**633,346**	492,552
1 – 2 years	**493,517**	400,862
2 – 3 years	**327,607**	289,478
3 – 4 years	**162,046**	185,437
4 – 5 years	**74,057**	100,196
After 5 years	**204,317**	246,783
	1,894,890	1,715,308

Note: Most of the operating leases are on fixed terms and of terms of ranging from 1-3 years (2021: 3 years).

23 Acquisition of subsidiaries

On 29 April 2022, the Group entered into conditional acquisition agreements, pursuant to which they would acquire an aggregate 68% interest in Huizhou Runxin and its investment holding companies from the associates of a substantial unitholder. Huizhou Runxiu owns a seven-storey shopping mall and certain carpark spaces in Huizhou City, the PRC. The acquisition was completed on 28 September 2022 at purchase consideration of RMB1,641.5 million and related transaction costs of RMB51.0 million which RMB890.0 million was satisfied by the novation of payable from the seller and the remaining balance were settled in cash. The acquisition have been accounted for by the Group as acquisition of asset under IFRS 3 "Business Combinations" since substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, the Huizhou Huamao Place.

The assets and liabilities arising from the acquisition are as follows:

	RMB'000
Investment properties	2,442,000
Restricted bank balances	40,000
Trade and other receivables (including intergroup balance)	1,132,320
Cash and cash equivalents	55,011
Interest-bearing borrowings	(800,000)
Rental deposits	(53,051)
Trade and other payables	(102,111)
Tax payable	(35,778)
Other net liabilities	(179,776)
Net assets acquired	2,498,615
Non-controlling interests	(857,085)
Purchase consideration for the acquisition	1,641,530
Consideration satisfied by assumption of payable (non-cash transaction)	(890,000)
Cash and cash equivalents acquired	(55,011)
	696,519
Transaction costs (note)	51,024
Transaction costs paid in prior year	(7,813)
Net outflow to cash – investing activities	739,730

Note: The transaction costs related to the acquisition of RMB51 million were capitalised in the investment properties.

24 Principal subsidiaries

Name	Place of establishment and kind of legal entity/place of operations	Principal activities	Particulars of issued share capital	Interest held 2022	2021
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%
RHZ01 Limited	British Virgin Islands, limited liability	Investment holding	1 of US$1 each	**100%**	100%
Huamao Capital Focus 03 Limited	British Virgin Islands, limited liability	Investment holding	1 of US$1 each	**100%**	—
Indirectly held:					
Hawkeye Properties 501 Limited	Jersey, limited liability	Property investment	2 of GBP1 each	**100%**	100%
Huizhou Runxin Shopping Mall Development Co., Ltd.	PRC, limited liability	Property investment	RMB400,000,000	**68%**	—

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 2022 *RMB'000*	 2021 *RMB'000*
Financial assets			
Financial assets at amortised cost:			
Trade and other receivables	16	**50,026**	3,225
Restricted bank balances	17	**366,840**	320,223
Cash and cash equivalents	17	**202,434**	156,047
Financial assets at fair value through profit and loss:			
Derivative financial instruments	15	**159,994**	33,414
		779,294	512,909
Financial liabilities			
Financial liabilities at amortised cost:			
Accrued expenses and other payables	18	**148,522**	38,008
Rental deposits	18	**204,566**	150,639
Interest-bearing borrowings	19	**4,857,346**	2,960,830
Lease liabilities	14	**10,601**	11,009
		5,221,035	3,160,486

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 2023.