

Apr 2022

Proposed Acquisition of HUAMAO PLACE In Huizhou, China

Table of contents

Section 1	Executive Summary	3
Section 2	Transaction Overview	7
Section 3	Property Overview	10
Section 4	Financial Impact	17
Section 5	Q&A	20
Section 6	Appendix	21

SECTION 1

Executive
Summary



Spring REIT at a glance

Quality property portfolio

China Central Place – Tower 1 & Tower 2 (Office Floors)

- **Premium assets:** Premium Grade office properties in Beijing
- **Prime location:** In the heart of Central Business District
- **Quality tenants:** Epson, Condé Nast, Zhong De Securities, Deutsche Bank, Fidelity, Richemont, Bain & Company, KDB, White & Case and many more
- **High occupancy:** Maintaining high occupancy of above 90% since IPO



- Appraised value: RMB8,638 million
- Approx. 93% of REIT portfolio in terms of value

Retail Portfolio in the UK

- **Diversified locations:** 84 separate retail properties across the UK
- **Quality tenant:** Kwik-Fit, a market-leading car servicing operator in the UK
- Lease type: triple-net basis
- Occupancy rate: 100%
- Annual contract rental income: GBP4.55 million



- Appraised value: RMB669 million
- Approx. 7% of REIT portfolio in terms of value

Strong operating track record

High occupancy rate of CCP ⁽¹⁾

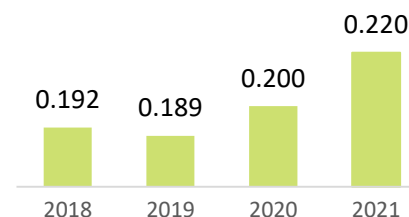


98%

Average Occupancy
for 4Q21

- Performing better than Beijing office market, in which premium grade A occupancy rate was 88.2% in 2021 ⁽²⁾

Growing distribution per unit (HKD \$)



Distribution Yield:

8.5%

Based on Spring REIT's unit closing price of HK\$ 2.58 as of 31 Dec 2021

Strategically expanding Spring REIT's portfolio with an iconic high-end shopping mall in CBD Huizhou



- ✓ **Iconic** destination mall
- ✓ **Primely located** in CBD Jiangbei, Huizhou
- ✓ **Unrivalled** transportation network
- ✓ **Average footfall** of more than 50,000 on weekends



- ✓ **Occupancy rate** consistently above 96% since 2018
- ✓ **96.2%** as of 28th Feb 2022



- ✓ Appraised value: RMB 2,691m as of 28th Feb 2022
- ✓ Net property income: RMB 169.1m for the year ended 31 Dec 2021
- ✓ **Net property yield: 6.9%** ⁽¹⁾



- ✓ **403 tenancies**
- ✓ **Seven-storey** (including two basement floors)
- ✓ 700 underground and 50 above-ground carpark spaces



- ✓ Gross floor area: 144,925 sq.m.
- ✓ Gross lettable area: 107,089 sq.m.
- ✓ Part of a prime complex which includes 3 Grade-A office, 3 residential and a serviced apartment buildings



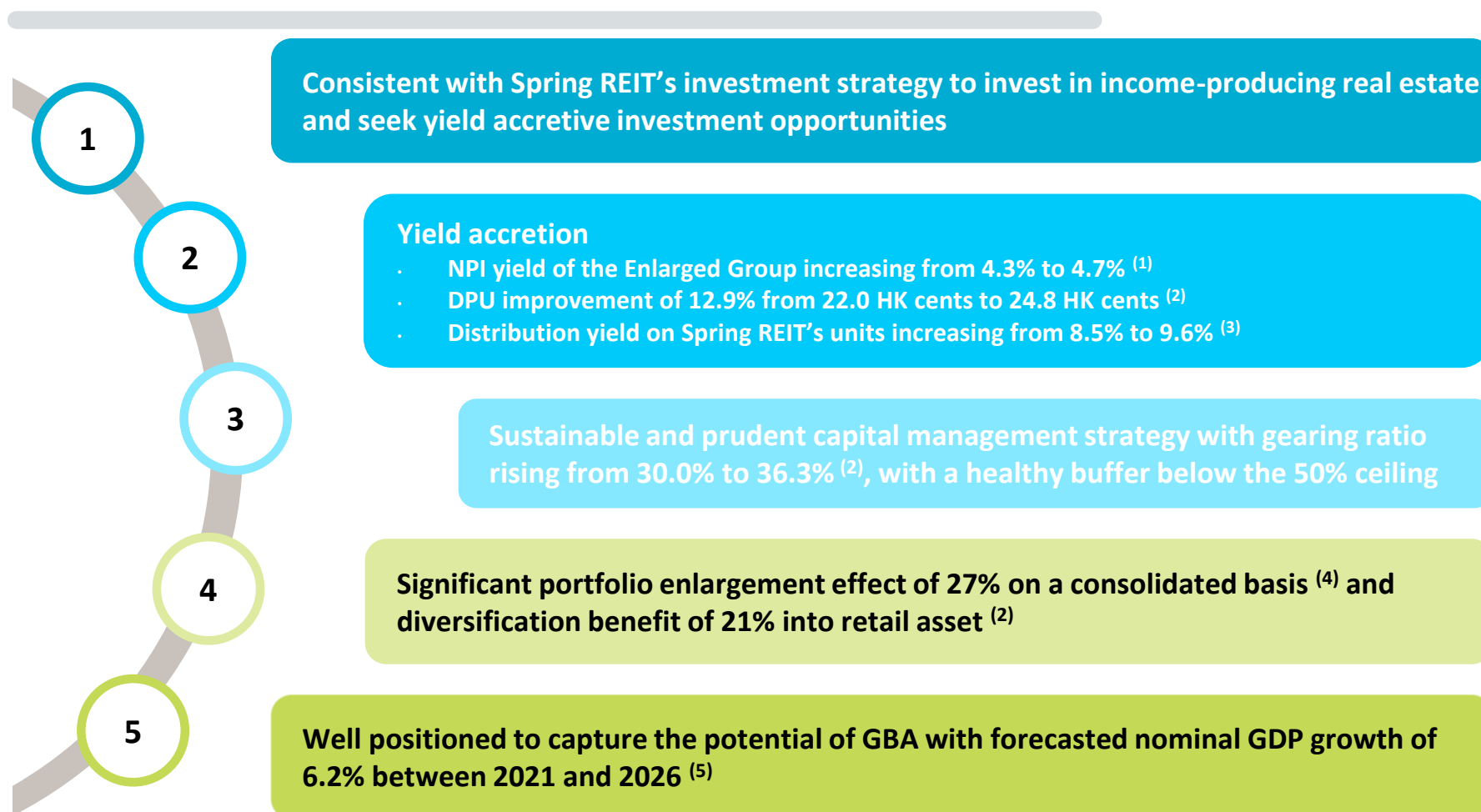
- ✓ WALE as of 31st Dec 2021: **29.0 months** ⁽²⁾
- ✓ Average rent for the year ended 31 Dec 2021: **RMB146.36/sq.m.**



Note: (1) Based on the agreed property value and the net property income of the Target Property for the year ended 31 Dec 2021

(2) Excluding the Supermarket Lease which was in the process of being terminated as at the Latest Practicable Date

Accompanied with solid transaction rationale



Note:

(1) Based on pro forma financial results for the year ended 31 Dec 2021 and value of investment properties

(2) Based on pro forma financial results for the year ended 31 Dec 2021

(3) Based on pro forma financial results for the year ended 31 Dec 2021 and closing price of HK\$2.58 per Spring REIT unit as of 31 Dec 2021

(4) On a non-consolidated basis, Spring REIT's 68% interest in the Target Property will bring an increase to the value of Spring REIT's property portfolio by approximately 18%

(5) Based on Market Consultant Report

SECTION 2

Transaction
Overview



Highlights of the Target Property



Prime location and proximity to public transportation



Consistent market leader with demonstrated resilience in economic downturn



Experienced management team with solid track record, complemented by joint ownership structure



Accurate and tested strategies for optimising footfall and lessee mix



Capture of strong growth potential of the Greater Bay Area and Huizhou



Transaction overview

Proposed acquisition	<ul style="list-style-type: none">Acquisition of an aggregate 68% interest in Huamao Place from Huamao Property	Consideration ⁽³⁾	<ul style="list-style-type: none">Upsizing the existing loan facilities of Spring REIT for an available amount of HKD 1,731.6 millionAssumption of Novated payables owing by the Onshore Seller to the Project Company								
Agreed property value	<ul style="list-style-type: none">RMB 2,442.0 million, representing an approximate 9.3% discount to the Appraised Value of RMB 2,691 million as of 28th Feb 2022										
Consideration	<ul style="list-style-type: none">Illustrative consideration of RMB 1,637.2 million comprising of:<ul style="list-style-type: none">(a): the outstanding amount under the PAB Facility is expected to be RMB 800.0 million as at Completion(b): the Project Company Adjusted NAV ⁽¹⁾ was approximately RMB 206.2 million as at 31 December 2021(c): the Other Group Adjusted NAV ⁽²⁾ was nil as at 31 December 2021(d): the requisite adjustments as prescribed by the Acquisition Agreements, which mainly entail recognition of called-up capital receivable, cash replenishment to fulfill the minimum cash balance at Completion and changes in intercompany balances, are expected to lead to an increase in the Project Company Adjusted NAV by RMB 823.8 million(e): the recognition of called-up capital payable by the PRC Intermediary Company is expected to lead to a decrease in the Other Group Adjusted NAV by RMB 179.7 millionBased on Relevant Proportion of Agreed Property Value, Relevant Proportion of (a), (b) and (d), and (c) and (e), and for illustrative purpose only, the illustrative consideration would be RMB1,637.2 million										
		<table><tr><td>Use of funds</td><td>RMB m</td></tr><tr><td>Acquisition Consideration</td><td>1,637.2</td></tr><tr><td>Total fees and charges</td><td>47.7</td></tr><tr><td>Total use of funds</td><td>1,684.9</td></tr></table>	Use of funds	RMB m	Acquisition Consideration	1,637.2	Total fees and charges	47.7	Total use of funds	1,684.9	
Use of funds	RMB m										
Acquisition Consideration	1,637.2										
Total fees and charges	47.7										
Total use of funds	1,684.9										
	<table><tr><td>Source of funds</td><td>RMB m</td></tr><tr><td>Upsized Existing Facility</td><td>794.9</td></tr><tr><td>Novated payables</td><td>890.0</td></tr><tr><td>Total source of funds</td><td>1,684.9</td></tr></table>	Source of funds	RMB m	Upsized Existing Facility	794.9	Novated payables	890.0	Total source of funds	1,684.9		
Source of funds	RMB m										
Upsized Existing Facility	794.9										
Novated payables	890.0										
Total source of funds	1,684.9										

Note: (1) Project Company Adjusted NAV is defined as all assets of the Project Company (excluding the Target Property) minus all liabilities of the Project Company (excluding deferred tax liabilities and amounts outstanding under the PAB Facility)

(2) Other Group Adjusted NAV is defined as all assets of the Target Group (excluding assets held through the Project Company and the nominal value of the share capital investment in the HK Intermediary Company, the PRC Intermediary Company and the Project Company) minus all liabilities of the Target Group (excluding liabilities held through the Project Company)

(3) Residual payables arrangement refers to the expected cash settlement of the then payables owing by the Project Company to members of the Sellers' group after Completion in the amount of RMB 10.5 million as at Completion

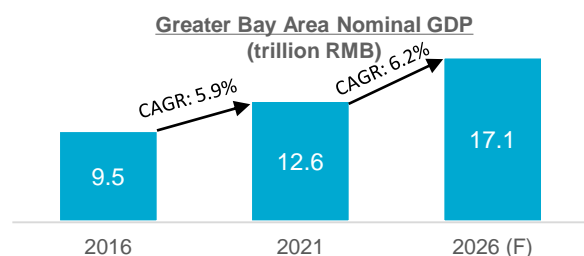
SECTION 3

Property
Overview

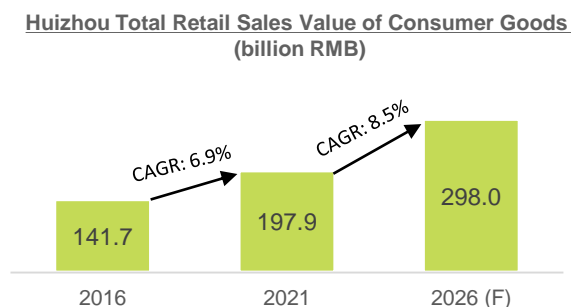


Iconic destination mall in CBD Huizhou with catchment extending to the entire City

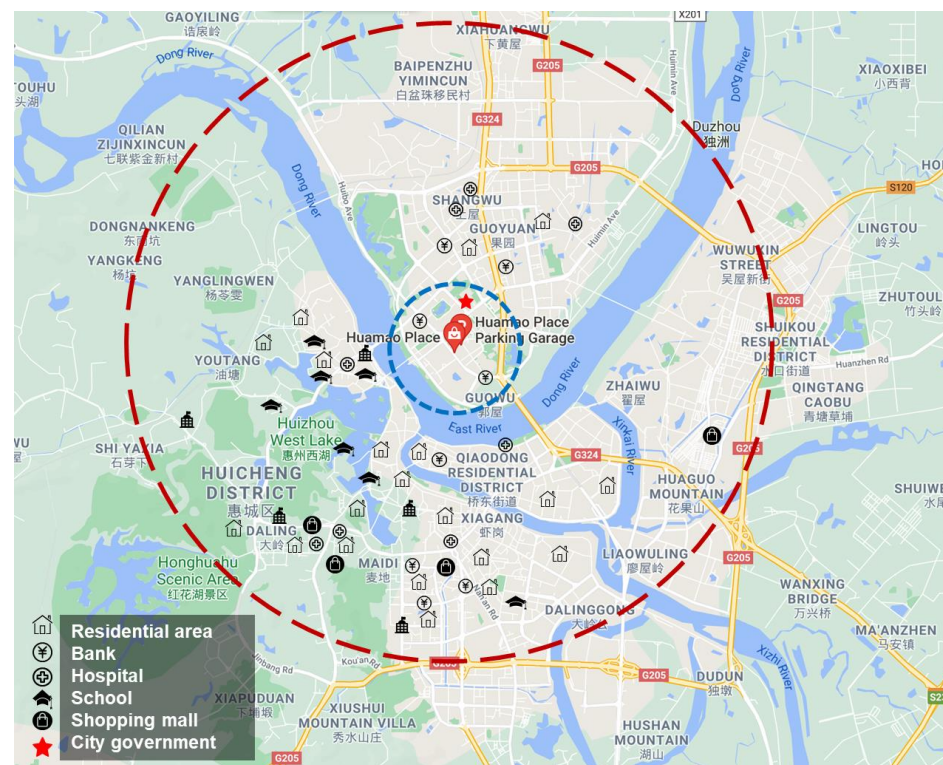
- Huizhou is known to be a serene and scenic city, with a strategic focus on energy and materials in GBA



- Huicheng District is the economical, political and cultural hub
- Jiangbei Area is the only CBD in Huizhou, opposite to city hall

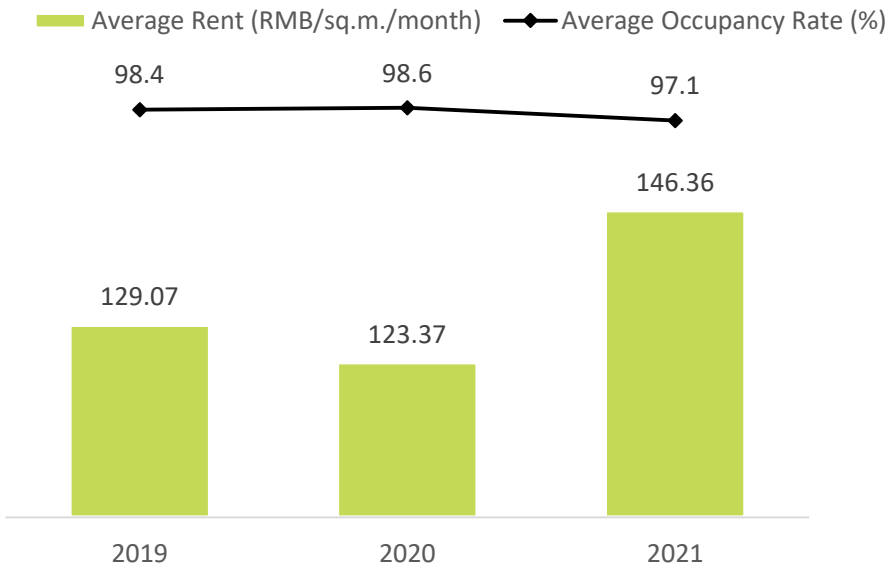


- Targeted Customers are white-collar workers, middle and upper-class residents, and young groups
- Average daily footfall of over 30,000 on weekdays and over 50,000 on weekends in 2021

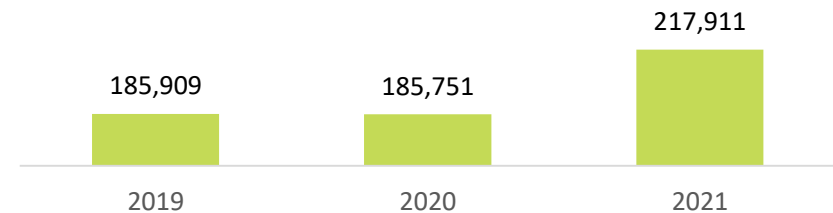


Sound performance notwithstanding Covid-19

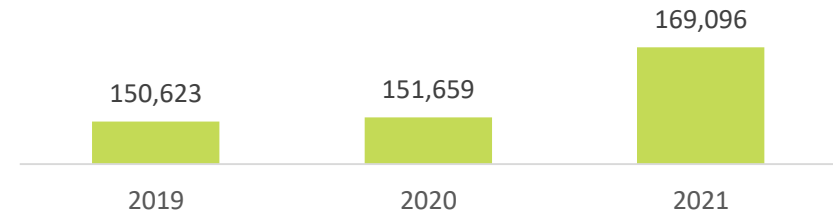
Average rent and average occupancy rate



Revenue (RMB '000)



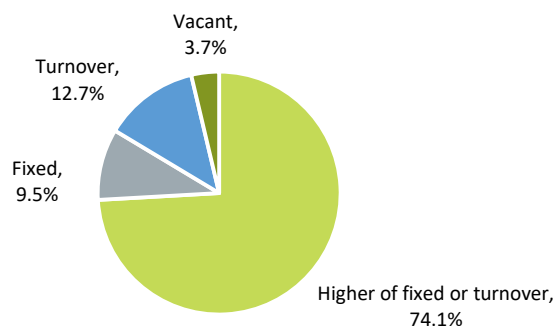
Net property income (RMB '000)



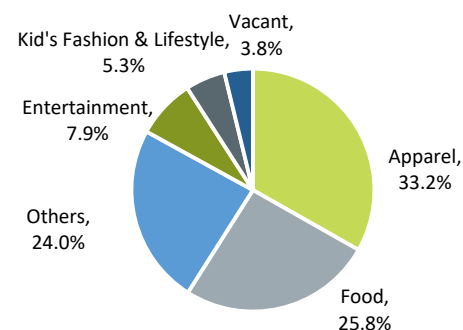
- Steadily growing average rent with a mild correction at times of Covid-19 pandemic
- Accompanied with consistently high occupancy rate
- Resilient performance delivered during the COVID-19 outbreak with minimal rental concession granted to the Tenants which was discontinued immediately thereafter

Best-in-class tenant mix

Contract type in terms of GLA (as at 31 Dec 2021)



Trade sector in terms of GLA (as at 28 Feb 2022)



- ✓ Approximately 83.6% of GLA was leased on a fixed rent or higher of fixed/ turnover rent basis
- ✓ The lease structure composition provides reasonable revenue cushion in case of an economic downturn when retail sale might be negatively impacted
- ✓ This also presents growth potentials to the mall as it manages to capture growth potential by tracking tenants' sales in good years

- ✓ Apparel categories includes international premium brands of Hugo Boss, which emphasizes on-site experience and are rarely seen in other shopping malls in Huizhou
- ✓ The introduction of famous chain restaurant brands and other entertainment is hardly replaceable by rising e-commerce competitors

Brand coverage

Calvin Klein

Lancôme

Pizza Hut

Chow Tai
Fook

Estee Lauder

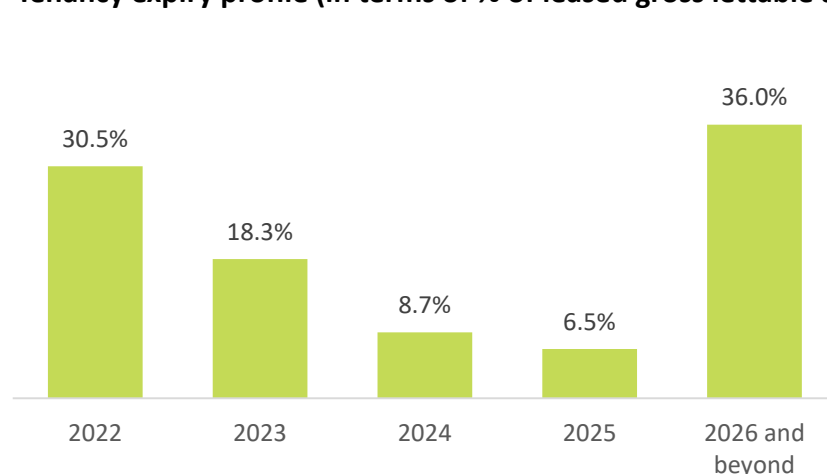
Haidilao
Hot Pot

Hugo Boss

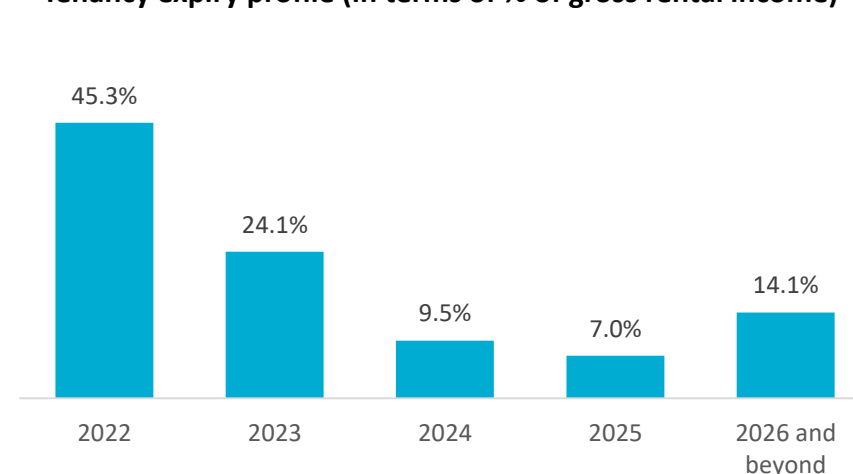
BOSE

Secured long-term contracts with anchor tenants , balanced with tenant optimization flexibility

Tenancy expiry profile (in terms of % of leased gross lettable area)



Tenancy expiry profile (In terms of % of gross rental income)



No.	Trade sector of top 10 Tenants (by gross rental income)	Occupancy expiry	Gross lettable area (%) ⁽²⁾	Gross rental income (%) ⁽³⁾
1	Others	31 August 2022	0.2%	3.7%
2	Entertainment	12 June 2026	6.8%	2.7%
3	Others	31 March 2026	1.7%	2.1%
4	Others	31 March 2023	0.2%	2.0%
5	Supermarket ⁽¹⁾	30 April 2031	7.2%	1.2%
6	Entertainment	30 April 2025	1.1%	1.0%
7	Food	24 September 2026	1.4%	0.9%
8	Others	31 March 2023	0.7%	0.9%
9	Apparel	23 December 2024	0.6%	0.9%
10	Food	18 April 2026	4.0%	0.8%

Note: (1) The Supermarket Lease was in the process of being terminated as at the Latest Practicable Date

(2) Proportion of gross lettable area as at 28 Feb 2022 for the top 10 Tenants by gross rental income

(3) Proportion of total gross rental income for Feb 2022 for the top 10 Tenants by gross rental income

Dynamic strategies and experienced management

Flexible tenancy types for different classes of tenants



Leases

- The most common type of the tenancy agreement chosen by a majority of tenants
- Majority of the leases have terms ranging from 1 to 5 years; 5.6% of lessees with terms > 5 years



Joint Operation Agreements

- Flexible tenancy arrangement for tenants who have no local legal entity to enter into lease tenancy
- Similar economics compared to lease tenancy with clearly defined responsibilities and liabilities



Direct Operations Agreements

- Normal operating model in China for international beauty brands without retail operational risks for Project Company
- Managed under Direct Operation Leasing Framework Agreement between Project company and Direct Operation Lessee

Experienced management under ongoing supervision of Spring REIT

Property Manager

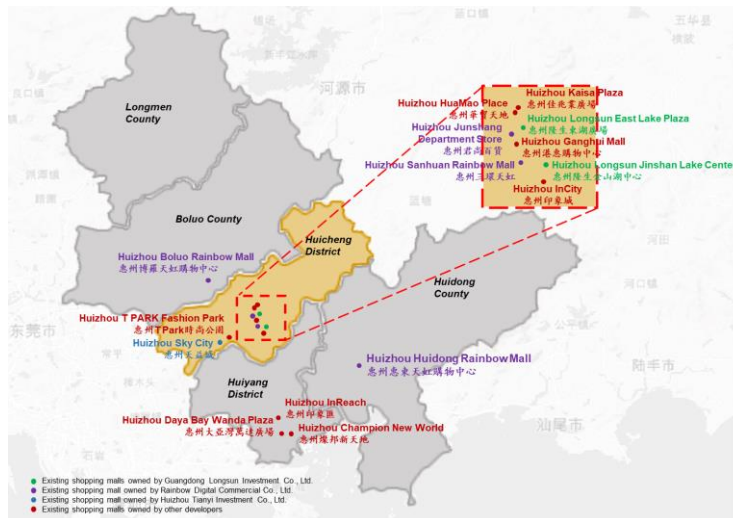
- Huizhou Huamao Operations Management Co., Ltd. serves as Property Manager
- Services to be provided include leasing/joint operation management services, property management advisory services, marketing advisory services, financial management services and operational management services

Building Manager

- Beijing Huamao Property Management Co., Ltd. Huizhou Branch serves as Building Manager
- Services to be provided include upkeep, repair and maintenance of the common areas and facilities, monitoring and security services, leasing services of the carpark spaces, fire safety services etc.

Consistent market leader albeit new market players entry

	Opening year	GMV (RMB m)	Coverage	Position	Retail GFA ('000 sq.m.)
Huamao Place	2011	2,130	Huicheng District on weekdays; Huizhou City on weekends	High-end	145
Huizhou Ganghui Mall	2008	1,500-2,000	Central urban area in Huizhou	Middle to high-end	130
Huizhou Daya Bay Wanda Plaza	2017	1,160	Daya Bay area	Middle to high-end	130
Huizhou Kaisa Plaza	2013	c. 820	Mainly Jiangbei commercial area	Middle to high-end	65
Huizhou Sky City	2016	760	Mainly Chen Jiang commercial area	Middle-end	120



- Going forward, with several new residential areas added to the area near Jiangbei CBD in the past few years, Jiangbei is attracting a great deal of property investment from developers, promoting development of Huizhou's shopping mall industry
- This includes Zhonghai Plaza developed by China Overseas Land and Investment Ltd., which is located beside Huizhou HuaMao Place

SECTION 4

Financial Impact

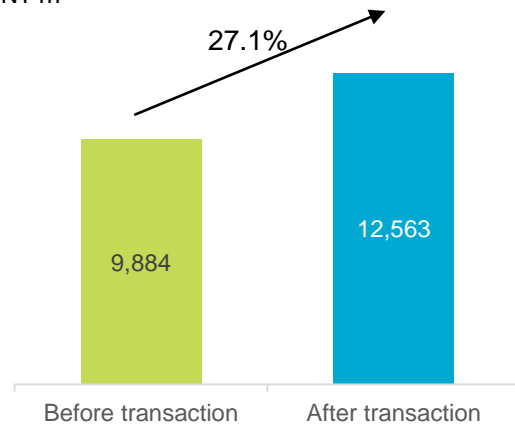


Pro Forma Financial Impact

As of 31 Dec 2021

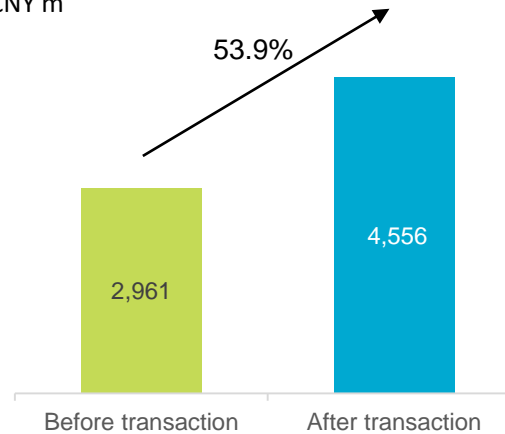
Total assets

CNY m



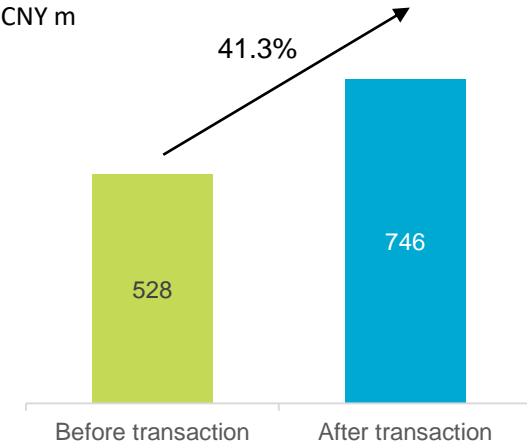
Interest-bearing borrowings

CNY m



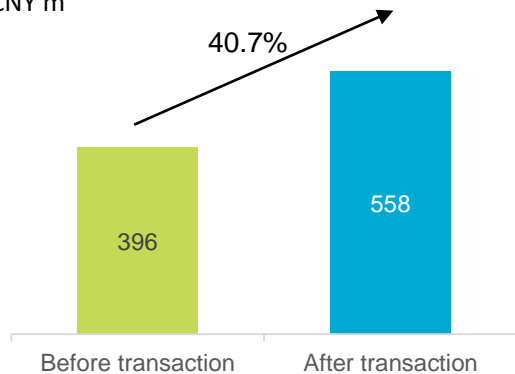
Revenue

CNY m



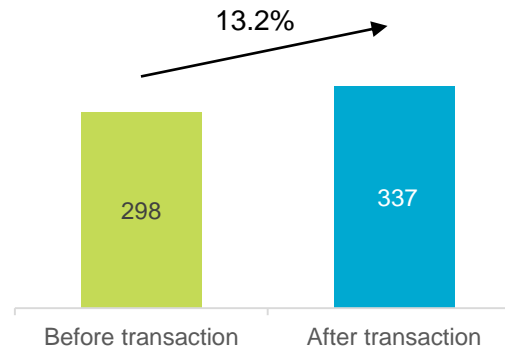
Net property income

CNY m



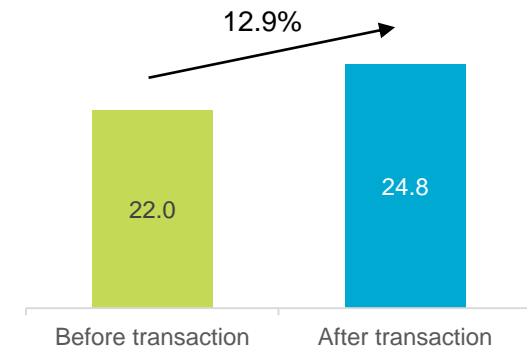
Total distributable income

CNY m



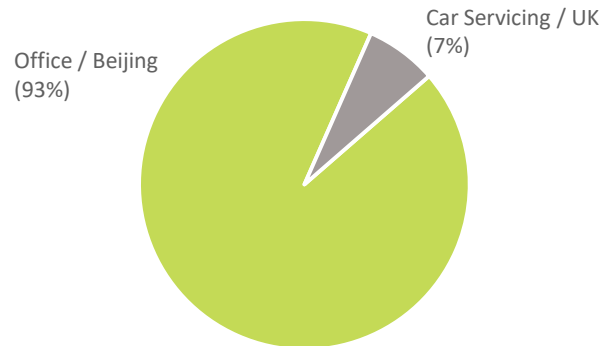
Distribution per unit

HKD cents

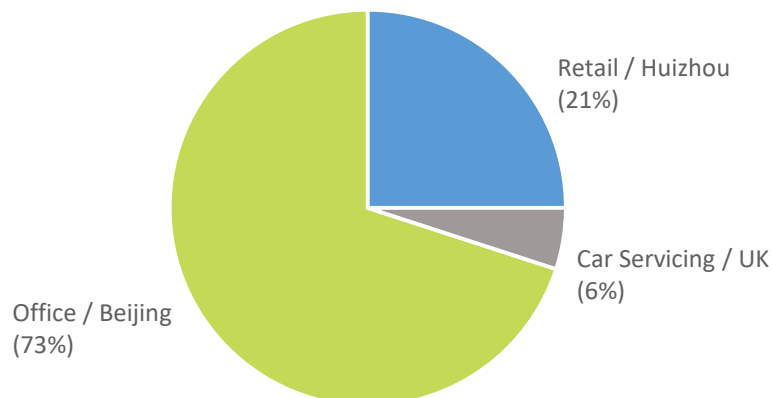


Pro Forma Financial Impact

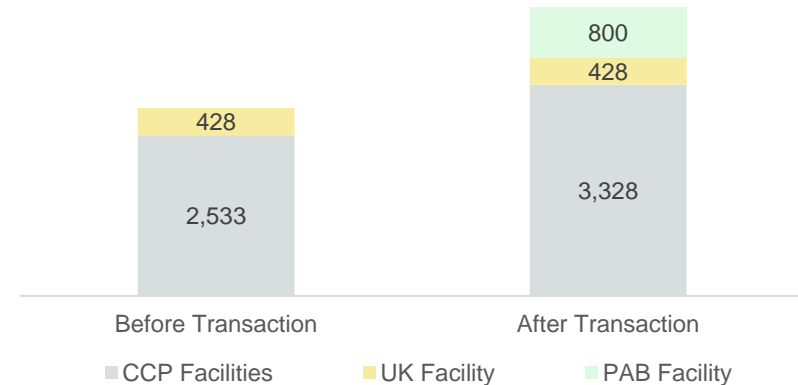
Existing Property Value
RMB9.3bn



Enlarged Property Value
RMB11.8bn



Debt Profile (Amounts Drawn, in RMB mn) ⁽¹⁾



Spring REIT's debt facilities upon completion:

- HKD denominated upsized CCP Facilities:
 - Interest rate of HIBOR + 1.55% per annum
 - Mature and repayable 3 years from the effective date of the Upsized Existing Facility
- GBP50.5 mn under UK Facility:
 - Interest rate of SONIA + CAS + 2.2% per annum
 - Expire in Jan 2025
- PAB Facility:
 - Drawdown amount of RMB800 mn:
 - (i) Interest rate of 60 basis points above the loan prime rate for more than five years as announced by the National Interbank Funding Center on the business day immediately preceding the drawdown date and updated monthly
 - (ii) Mature in 2032

SECTION 5

Q&A



SECTION 6

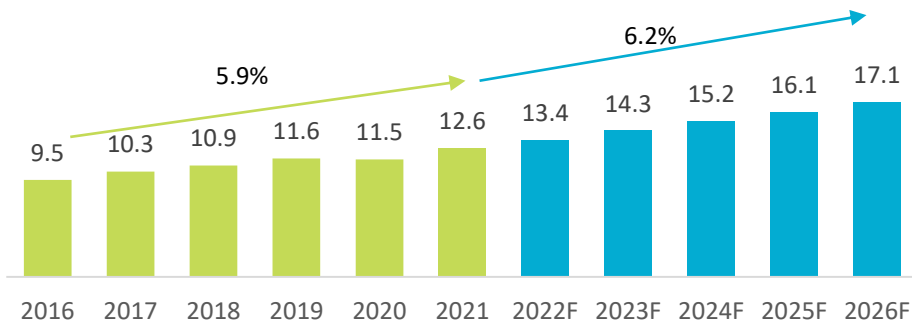
Appendix



Capturing strong growth potential of the Greater Bay Area

With an envision to become a vibrant world-class city cluster, Greater Bay Area has played an important and irreplicable strategic position in China's national development

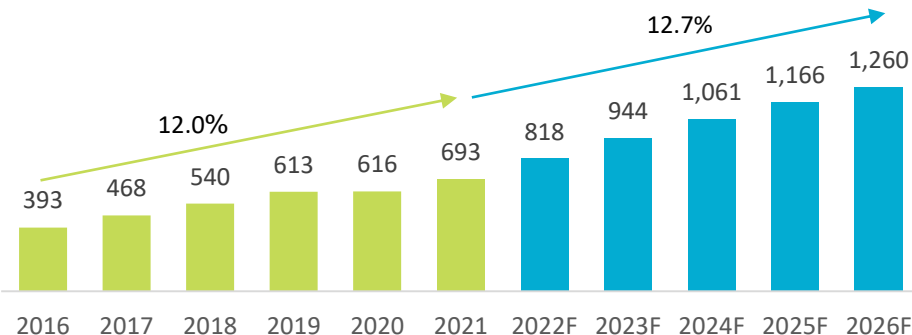
Nominal GDP (RMB tn), GBA, 2016-2026E



Favourable macroeconomic environment in GBA

- One of the key regions in China with the highest degree of openness and the strongest economic vitality in China
- With the steadily increasing living standards and purchasing power of residents in the GBA, it presents vast growth potential for the retail industry
- The higher GDP increments in 2022F-2026F is driven by tertiary industry growth momentum

Shopping mall GMV (RMB bn), GBA, 2016-2026E



Huge potential in shopping mall segment

- Mild residential population growth, accompanied with gradually increasing urbanization rate in GBA drives up demand in the consumer goods industry
- The continual expansion of local economy contributes to higher per capita disposable income of urban households in GBA, boosting consumption power and willingness to spend

Capturing strong growth potential of Huizhou

Huizhou City

Residential population	<ul style="list-style-type: none"> 6.06 million
Location	<ul style="list-style-type: none"> East Bank of the Greater Bay Area Connecting the Pearl River Delta city group with eastern and northern Guangdong Province
Nominal GDP in 2021	<ul style="list-style-type: none"> RMB 497.7 billion
GDP CAGR (2016-2021)	<ul style="list-style-type: none"> 8.2%
Per capita disposable income of urban households in 2021	<ul style="list-style-type: none"> RMB 49,300
Per capita disposable income of urban households CAGR (2016-2021)	<ul style="list-style-type: none"> 8.2%
Retail sales value of consumer goods in 2021	<ul style="list-style-type: none"> RMB 197.9 billion
Retail sales value of consumer goods CAGR (2016-2021)	<ul style="list-style-type: none"> 6.9%
Urbanization rate	<ul style="list-style-type: none"> 73.2%



Key infrastructure map of Huizhou

Strong economic growth	<ul style="list-style-type: none"> Driving force includes industrial system development and continuous improvement of transportation network to neighboring cities Higher residential population growth rate at a CAGR of 1.5% in 2016-2021, outpacing national average
Favorable consumption growth	<ul style="list-style-type: none"> With the rapidly growing Huizhou's economy and residents' income levels, Huizhou's total retail sales value of consumer good are projected at 8.5% (CAGR 2021-2026F)

Geographical advantages of Huizhou

Geographical advantages of Huizhou

- The closest city in Chinese mainland to **Hong Kong** apart from Shenzhen
- Strategically positioned as part of the **Pearl River Delta economic belt**
- The only GBA city with **nine high-speed rail stations**, providing direct access to **Shenzhen, Guangzhou** and Xiamen



Continuing connected transactions and annual caps

- **Property Management Agreement:**
 - Provision of property management services by the Property Manager
 - A fee equivalent to 3% of the annual revenue of the Project Company (excluding revenue generated by the carpark spaces), which shall be settled on a monthly basis and subject to an annual adjustment based on the annual audit of the Project Company, and the corresponding value-added tax
 - A fee equivalent to the Property Manager's human resource costs, and the corresponding value-added tax
- **PM Office Lease:**
 - The leasing of approximately 0.4% of the gross floor area of the Target Property to the Property Manager
 - Annual rent of RMB114,300 (including value-added tax) which will be payable annually in advance
- **Direct Operation Leasing Framework Agreement (including the Existing Direct Operation Leases):**
 - Direct Operation Leasing Framework Agreement refers to the agreement to be entered into between the Project Company and the Direct Operation Lessee (which is also the Property Manager) on the Completion Date setting out the framework terms governing Direct Operation Leasing Transactions
 - Direct Operation Leasing Transactions refer to the leasing and licensing transactions conducted or to be conducted between the Project Company as lessor or licensor and the Direct Operation Lessee or its designated associate as lessee or licensee in connection with any Direct Operation Agreement, including the Existing Direct Operation Leases
 - Direct Operation Agreements relate to the authorised retail sale of merchandise on premises within the Target Property
 - Existing Direct Operation Leases refer to the Leases entered or to be entered into with the Direct Operation Lessee in relation to any existing Direct Operation Agreement

Annual caps (In RMB'000)

	For the seven months ending 31 December 2022 ⁽¹⁾	For the year ending 31 December 2023	For the year ending 31 December 2024
Property Management Agreement	18,283	33,975	36,777
PM Office Lease	67	114	114
Direct Operation Leasing Framework Agreement	2,790	5,118	5,477

Note: (1) The annual cap for the seven months ending 31 December 2022 is calculated on a pro-rata basis which assumes Completion to take place immediately after the EGM in May 2022

Introduction of Joint Operation Agreements

- Joint Operation Agreements refer to the joint operation agreements entered into between the Project Company and the operators for certain premises within the Target Property
- All such operators are internationally or regionally recognised fashion retailers, except for one which is an internationally recognised jewellery chain
- The economic features of Joint Operation Agreements are akin to Leases in that:
 - I. The Project Company receives a monthly rent-equivalent expressed as a percentage of the premises' gross income (similar to monthly turnover rent under a lease) and, in approximately half of the cases, subject to a minimum amount (similar to monthly base rent under a lease)
 - II. The operator enjoys the profit (or bears the loss) from its operation of the premises after payment of its monthly rent-equivalent to the Project Company
 - III. Other common lease terms (such as those relating to term, security deposit, maintenance) that are documented in the Joint Operation Agreements
- One difference between the Joint Operation Agreements and Leases is that under the former, the Project Company is responsible for issuing tax invoices in its own name to end customers, which may potentially cause the Project Company to be responsible for mainly product liability and/or quality control claims, customer disputes and/or administrative penalties arising from the operators' operation of the relevant premises
- The Manager's PRC legal adviser has advised that under PRC law, the liabilities of a limited company, being a legal entity separate from its shareholder(s), are limited to the assets of that company. Accordingly, any liability in connection with product liability or quality control claims and administrative penalties will be limited to the extent of the Project Company's assets
- Under the Joint Operation Agreements, operators are required to resolve and settle any product liability or quality control claims or administrative penalties arising from the operators' operation of the relevant premises
- If the Project Company suffers a loss as a result of the operators' delay in resolving or settling such claims or penalties, the operators shall also indemnify the Project Company for any such loss, or the Project Company may claim against the operators for any such loss

Introduction of Direct Operation Agreements

- As at the Latest Practicable Date, there were six designated units (each, a “**Beauty Store**”) under Direct Operation Agreements entered into in respect of five internationally recognised beauty products brands (the “**Beauty Retailers**”)
- One had been entered into between the Project Company and the Beauty Retailer with the remaining being entered into between the Direct Operation Lessee and the Beauty Retailer
- Under the Direct Operation Agreements:
 - I. The Project Company or the Direct Operation Lessee (as the case may be) is appointed as an authorised retailer of the relevant Beauty Retailer’s merchandise
 - II. They agree to acquire merchandise from the relevant Beauty Retailer at a discount to the retail price
 - III. They offer such merchandise for sale at the retail price at the relevant Beauty Store within the Target Property
 - IV. The price difference will be retained by the Project Company or the Direct Operation Lessee (as the case may be) as profit from the operation of the relevant Beauty Store
- The Project Company or the Direct Operation Lessee (as the case may be) will be responsible for issuing tax invoices in its own name to end customers
- To accommodate such arrangement without the Project Company assuming the risk of the retail operations:
 - I. The Direct Operation Lessee or its designated associate will assume the Project Company’s rights, obligations and liabilities under the existing Direct Operation Agreement to which the Project Company is a party
 - II. They will also assume the aforementioned rights, obligations and liabilities for any other Direct Operation Agreements which may be entered into by the Project Company prior to Completion
 - III. The Project Company will in turn lease the relevant premises to which each such Direct Operation Agreement relates to the Direct Operation Lessee or its designated associate

Pro forma financial



Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group as at 31 December 2021

	The Group as at 31 December 2021	The Offshore Target Company as at 31 December 2021	The Project Company as at 31 December 2021	Pro Forma adjustment		
				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2021		
	RMB\$'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 1	Note 2	Note 2	Note 3	Note 6	
Assets						
Plant and equipment	-	-	551			551
Investment properties	9,307,096	-	2,691,000	(178,870)		11,819,226
Right-of-use assets	15,217	-	-			15,217
Derivative financial instruments	33,414	-	-			33,414
Restricted bank balances	320,223	-	1,000	39,000		360,223
Amount due from ultimate holding company	-	-	63,140	(63,140)		-
Amounts due from fellow subsidiaries	-	-	1,573,927	(1,573,927)		-
Trade and other receivables	52,006	-	21,844	55,423		129,273
Inventory	-	-	3,509	(3,509)		-
Cash and cash equivalents	156,046	-	16,305	(762,204)	794,899	205,047
Total assets	9,884,003	-	4,371,276			12,562,951

Pro forma financial (cont'd)



Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group as at 31 December 2021 (Cont'd)

	The Group as at 31 December 2021	The Offshore Target Company as at 31 December 2021	The Project Company as at 31 December 2021	Pro forma adjustment		
				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2021		
	RMB\$'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 1	Note 2	Note 2	Note 3	Note 6	
Liabilities, excluding net assets attributable to Unitholders						
Deferred income tax liabilities	2,760	-	576,588	(576,588)		2,760
Interest-bearing borrowings	2,960,830	-	287,500	512,500	794,899	4,555,729
Lease liabilities	11,009	-	-			11,009
Rental deposits	150,639	-	47,381			198,020
Amount due to the immediate holding company	-	-	757,449	(757,449)		-
Amounts due to fellow subsidiaries	-	-	233,084	(222,584)		10,500
Income tax payable	2,887	-	47,101			49,988
Trade and other payables	84,225	-	101,604			185,829
Total liabilities, excluding net assets attributable to Unitholders	3,212,350	-	2,050,707			5,013,835
Non-controlling interest				(877,463)		(877,463)
Net assets attributable to Unitholder	6,671,653		2,320,569			6,671,653

Pro forma financial (cont'd)



Unaudited Pro Forma Consolidated Statement of Comprehensive Income of The Enlarged Group for The Year Ended 31 December 2021

	The Group for the year ended 31 December 2021	The offshore Target Company for the year ended 31 December 2021	The Project Company for the year ended 31 December 2021	Pro Forma Adjustment							Unaudited Pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 7	Note 8	Note 8	Note 4	Note 5	Note 6	Note 9	Note 10	Note 11	Note 12	
Revenue	528,446	-	217,911						109		746,466
Property operating expense	(132,073)	-	(48,815)					(7,752)	(14)		(188,654)
Net property income	396,373	-	169,096								557,812
General and administrative expenses	(65,266)	-	(11,032)				(10,869)				(87,167)
Fair value gain of investment properties	128,015	-	349,315	(173,130)							304,200
Fair value gain of right-of-use assets	710	-	-								710
Other gains, net	72,108	-	3,578								75,686
Operating profit	531,940	-	510,957								851,241
Finance income	2,392	-	570								2,962
Finance costs	(17,926)	-	(15,571)		(25,197)	(15,432)					(74,126)
Profit before taxation and transactions with Unitholders	516,406	-	495,956								780,077
Income tax expense	(6,456)	-	(131,837)		6,299			1,938	(24)	(4,517)	(134,597)
Profit for the year, before transactions with Unitholders	509,950	-	364,119								645,480

Pro forma financial (cont'd)



Unaudited Pro Forma Consolidated Statement of Comprehensive Income of The Enlarged Group for The Year Ended 31 December 2021 (cont'd)

	The Group for the year ended 31 December 2021	The offshore Target Company for the year ended 31 December 2021	The Project Company for the year ended 31 December 2021	Pro Forma Adjustment							Unaudited Pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000 Note 4	RMB'000 Note 5	RMB'000 Note 6	RMB'000 Note 9	RMB'000 Note 10	RMB'000 Note 11	RMB'000 Note 12	RMB'000
Other comprehensive income for the period :											
<i>Items that may be reclassified to profit or loss</i>											
Exchange loss on translation of financial statements	(3614)	-	-								(3,614)
<i>Items that may not be reclassified to profit or loss</i>											
Exchange loss on translation of financial statements	(34,657)	-	-								(34,657)
Other comprehensive loss for the period	(38,271)	-	-								(38,271)
Total comprehensive income for the period	471,679	-	364,119								607,209
Profit for the year, before transactions with Unitholders attributable to											
Unitholders	509,950	-	364,119								593,694
Non-controlling interest	-	-	-								51,786
	509,950		364,119								645,480
Total distributable income (Note 14)	297,687										336,932
Distribution per unit (HK\$) (Note 15)	22.0 cents										24.8 cents

Pro forma financial (cont'd)

Details of the adjustments

Note 3	<ul style="list-style-type: none">The Acquisition is considered as an asset acquisition under IFRS 3 “Business Combination” issued by the International Accounting Standards Board, as substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset. As a result, the difference between the consideration paid and the fair value of the identifiable net assets acquired was recognised as a fair value adjustment to the carrying amount of the investment property. Such transaction or event does not give rise to goodwill or negative goodwill. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets.
Note 4	<ul style="list-style-type: none">The amount represents the fair value surplus adjustment to the carrying amount of the investment property as if the Acquisition had been completed on 1 January 2021. The difference is recognised as a fair value change in the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 December 2021.
Note 5	<ul style="list-style-type: none">The amount represents the interest expense adjustment and the related tax income arising from the settlement of ICBC Facility and drawdown of PAB Facility. The adjustment has a recurring nature.
Note 6	<ul style="list-style-type: none">The amount represents the additional bank borrowing of HK\$975.0 million (equivalent to RMB794.9 million) to finance the payment of cash consideration and Total Fees and Charges. The borrowing bears interest at a margin of 1.55% over HIBOR. An additional finance cost of HK\$18.6 million (equivalent to RMB15.4 million) would be charged for the year ended 31 December 2021. The adjustment has a recurring nature.

Pro forma financial (cont'd)

Details of the adjustments

Note 9

- Pursuant to the Trust Deed, the Manager of the Spring REIT is entitled to receive in aggregate Manager's fee calculated at 3% per annum of the net property income attributable to the unitholders of Spring REIT and a base fee of 0.4% per annum on the carrying value of the Deposited Property, excluding non-controlling interest's share of the Project Company's carrying value of Deposited Property. An additional variable fee and base fee of RMB3.3 million and RMB7.3 million for the year ended 31 December 2021 would be charged respectively. The adjustment has a recurring nature. On 4 December 2020, the Manager had elected for the base fee payable in the form of cash as to 20% and in the form of Units as to 80%, and for Variable Fee, payable in the form of cash entirely arising from any real estate of Spring REIT, for the year ending 31 December 2021 in accordance with the Trust Deed. As such, an additional 2,512,000 new Units would be issued for payment of the base Manager's fee assuming the Acquisition had been completed on 1 January 2021 (note 15).
- Also, pursuant to the Trust Deed, Spring REIT will pay the Trustee a fee of 0.0175% per annum of the carrying value of the Deposited Property. An additional trustee fee of RMB0.3 million for the year ended 31 December 2021 would be charged. The adjustment has a recurring nature.

Note 10

- Pursuant to the Property Management Agreement, the property of the Project Company will be managed by the Property Manager. The employee benefit expense and the corresponding VAT incurred by the Property Manager would be fully reimbursed together with an additional fee equivalent to 3.0% of the annual revenue of the Project Company per annum. As a result of this arrangement, RMB7.8 million property management fee would be charged. Adjustments also include related income tax saving of RMB1.9 million for the year ended 31 December 2021. The adjustment has a recurring nature.
-

Pro forma financial (cont'd)

Details of the adjustments

Note 11	<ul style="list-style-type: none">The adjustment represents the expected rental income of RMB109,000 and the related property operating expense of RMB14,000 in relation to the lease with the Property Manager entered on or prior to Completion as office space from which the Property Manager will carry out its property management activities. Adjustments also include related income tax expense of RMB24,000 for the year ended 31 December 2021. The adjustment has a recurring nature.
Note 12	<ul style="list-style-type: none">The adjustment represents the 10% withholding tax on the un-distributable earnings attributable to unitholders. The adjustment has a recurring nature.
Note 13	<ul style="list-style-type: none">Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2021. Unless otherwise stated the adjustments above do not have a recurring effect.
Note 15	<ul style="list-style-type: none">The distribution per unit of the Group for the year ended 31 December 2021 is disclosed in the published annual report of the Group for the year ended 31 December 2021.The calculation of distribution per unit of the Enlarged Group is arrived at on the basis of 90% of the total distributable income of the Enlarged Group of RMB336.9 million and on the basis that 1,472,384,000 Units were in issue as at 31 December 2021, 3,619,000 new Units issued in respect of manager's fee paid in lieu of cash on 25 March 2022, 2,512,000 new Units issued for payment of Manager's fee for the Enlarged Group assuming the Acquisition had been completed on 1 January 2021. All distributions to Unitholders are determined and paid in Hong Kong dollar. The exchange rate adopted for the distribution per unit is HK\$1=RMB0.8254, which represents the average of month-end central parity rates in the 2021 Final Distribution Period (as announced by the People's Bank of China).