

SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

Stock Code : 01426



2022
ANNUAL REPORT

Managed by
Spring Asset Management Limited



ABOUT SPRING REIT

Spring Real Estate Investment Trust ("**Spring REIT**") is a real estate investment trust constituted by a trust deed entered into on 14 November 2013 as amended 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.



CONTENTS

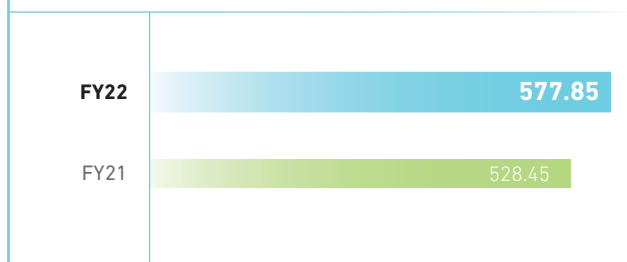
2	Performance Highlights	11	Management Discussion and Analysis
3	Distribution	26	Environmental, Social and Governance Report
5	Chairman's Statement	62	Board of Directors, Senior Management and Key Members
		69	Corporate Governance
		98	Risk Management and Internal Control
		102	Connected Party Transactions
		110	Disclosure of Interests
		115	Valuation Report
		150	Trustee's Report
		151	Independent Auditor's Report
		157	Consolidated Income Statement
		158	Consolidated Statement of Comprehensive Income
		159	Consolidated Statement of Distributions
		161	Consolidated Statement of Financial Position
		162	Consolidated Statement of Changes in Equity and Net Assets Attributable to Unitholders
		164	Consolidated Statement of Cash Flows
		165	Notes to the Consolidated Financial Statements
		207	Performance Table and Other Information
		208	Corporate Information



PERFORMANCE HIGHLIGHTS

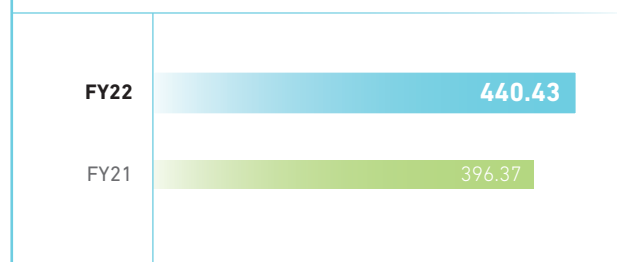
Total Revenue

(RMB million)



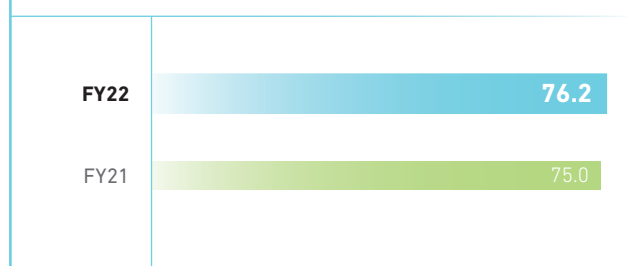
Net Property Income

(RMB million)



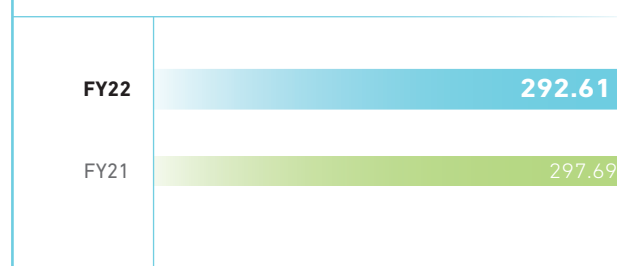
Net Property Income Margin

(%)



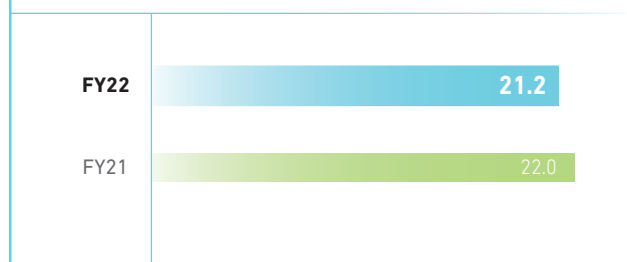
Total Distributable Income

(RMB million)



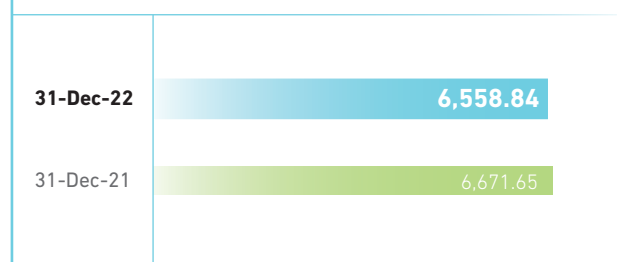
DPU

(HK cents)



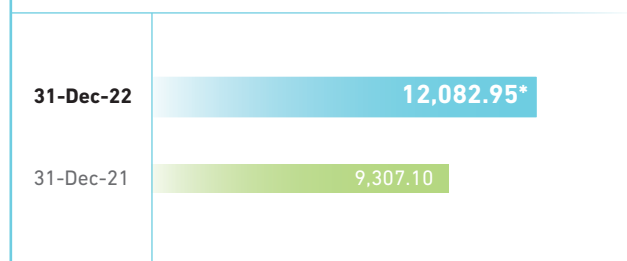
Net Asset Value attributable to Unitholders

(RMB million)



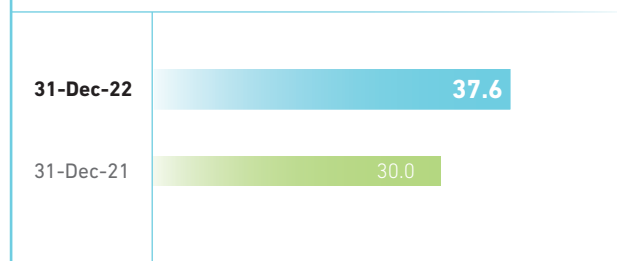
Property Valuation

(RMB million)



Gearing Ratio

(%)



* The acquisition of 68% interest of Huamao Place in Huizhou was completed on 28 September 2022.

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'S STATEMENT

**Toshihiro
Toyoshima**

*Chairman and
Non-executive Director*



CHAIRMAN'S STATEMENT

Dear Unitholders,

On behalf of the Board of the Manager, I am pleased to present the financial results of Spring REIT for the financial year ended 31 December 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 Greater Bay Area ("**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.

CHAIRMAN'S STATEMENT (continued)

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 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.

CHAIRMAN'S STATEMENT (continued)

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.

CHAIRMAN'S STATEMENT (continued)

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.

Toshihiro Toyoshima

Chairman and Non-executive Director

Spring Asset Management Limited

(as Manager of Spring REIT)

22 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW OF SPRING REIT'S PROPERTIES

CCP PROPERTY

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

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



HUAMAO PLACE

Seven-storey shopping mall, Huizhou, Greater Bay Area

Through Huamao Place, Spring REIT offers investors an exposure to the retail scene in Greater Bay Area. With a gross floor area of 144,925.07 sq.m., the asset comprises: (a) the entire seven-storey shopping mall (including two basement floors); and (b) 700 underground and 50 above-ground carpark spaces. The property is the retail component of a larger integrated development known as "Huizhou Central Place", surrounded by major roads and other public facilities and attractions, such as Huizhou West Lake, Huizhou Museum, Huizhou Science & Technology Museum and Dayun Temple. It is accessible by expressways and intercity railway to the rest of the Greater Bay. As a landmark shopping mall in the heart of Huizhou, investors are well positioned capture the growth potential from the region's robust economic growth and increasing strategic importance of the GBA to the PRC.



UK PORTFOLIO

84 Commercial Properties

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



OVERVIEW OF CHINA CENTRAL PLACE

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



OFFICE
Premium Grade offices

- A Top 20 Office Building in China
- Direct underground connection to Beijing Subway



SHOPPING
SKP Beijing and other shopping areas

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



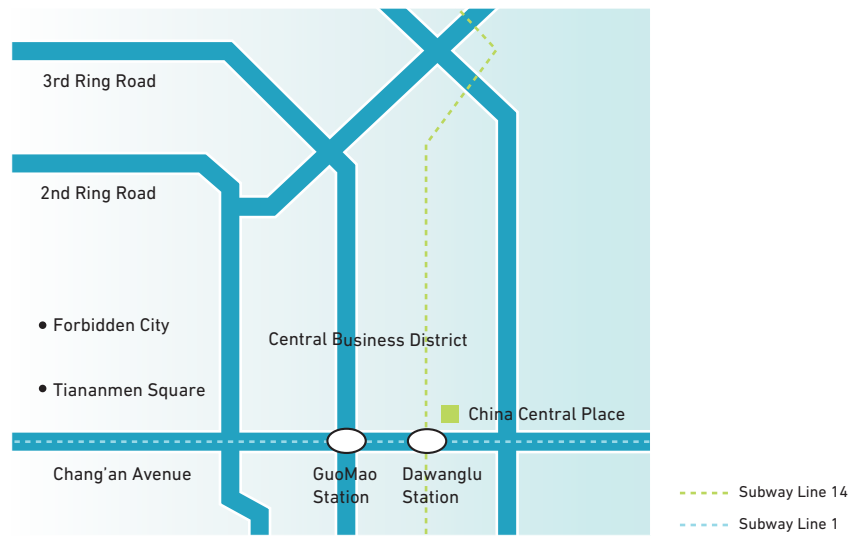
RESIDENTIAL
Residential area

- Residential and serviced apartments with a clubhouse



HOTELS
Five-star luxury hotels

- Ritz-Carlton Hotel Beijing
- JW Marriott Hotel Beijing



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 pts	354	1.0%
	Premium Grade A	92.8%	4.6 pts	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

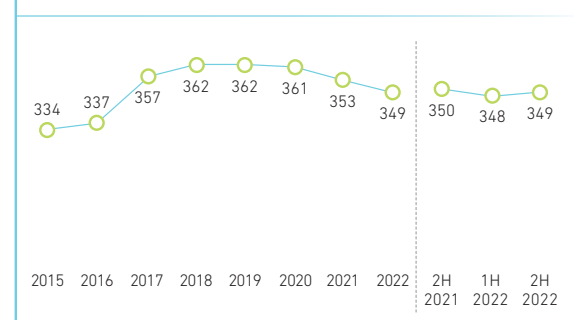
The CCP Property registered an average occupancy of 93% in 2H 2022, and a total area of 40,868 sqm was leased out and renewed during the Reporting Year. The retention rate¹ was 69% for the full year. Of the newly leased area, 19.7% was attributable to new lettings, with the remainder being renewals. Average passing rent (net of Value-Added Tax ("VAT")) increased marginally to RMB349 per sqm in 2H 2022, with a positive rental reversion rate² 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.

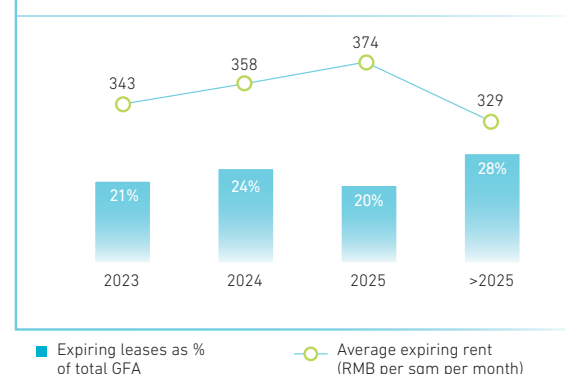
For the Six Months Ended	31-Dec-2022	Change	30-Jun-2022	Change	31-Dec-2021
Average Monthly Passing Rent (RMB/sqm) ³	349	0.3%	348	(0.6%)	350
Average Occupancy ⁴	93.0%	-3.3 ppts	96.3%	—	96.3%

PASSING RENTS

(RMB per sqm per month)



EXPIRY PROFILE BY GFA



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

As at 31 December 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.

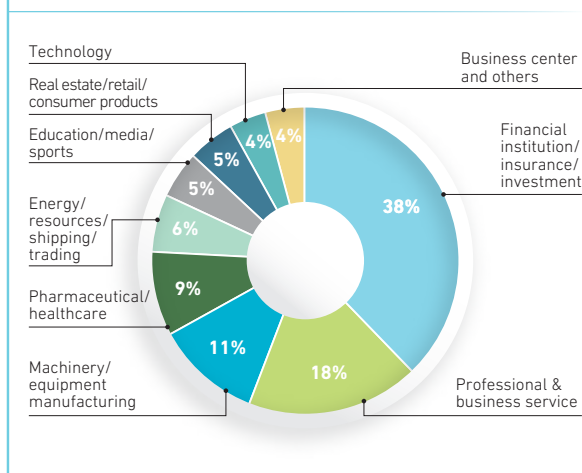
TENANCY BASE

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%

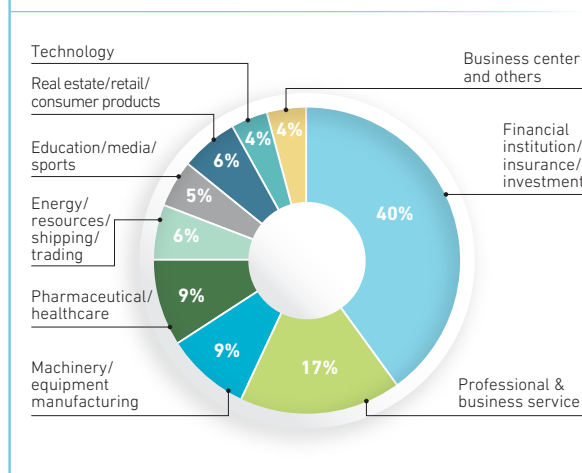
AS % OF LEASED GFA

(As of 31 December 2022)



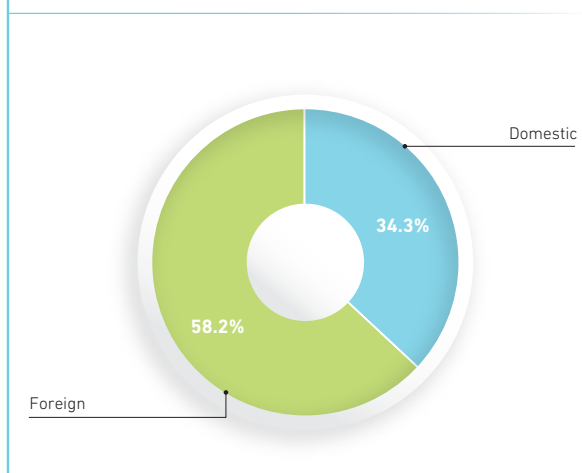
AS % OF MONTHLY REVENUE

(For the month of 31 December 2022)



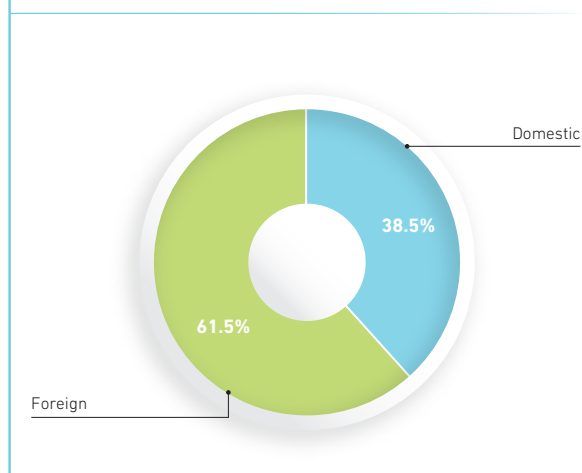
AS % OF LEASED GFA

(As of 31 December 2022)



AS % OF MONTHLY REVENUE

(For the month of 31 December 2022)



OVERVIEW OF HUAMAO PLACE

Huamao Place, located in Jiangbei area at the heart of Huizhou’s CBD, is the retail component of a larger integrated development known as “Huizhou Central Place” (惠州華貿中心) which includes, among other things, three Grade-A office buildings, three residential buildings and a serviced apartment building.

Huamao Place is the #1 shopping mall in Huizhou in terms of gross merchandise value in 2022¹, and is also the fourth largest shopping mall in the city in terms of retail gross floor area, covering a total of 144,925 sqm.



¹ According to market research by China Insights Consultancy, 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.

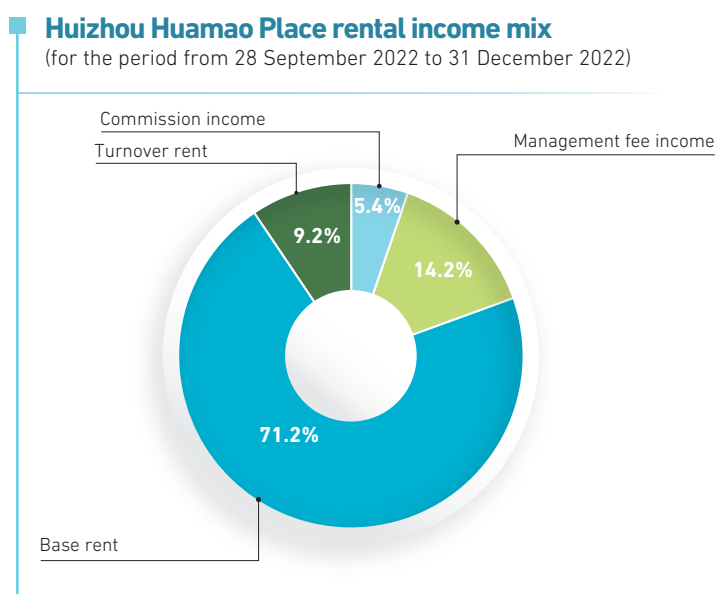
FINANCIAL HIGHLIGHTS

(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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 occupancy 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 figures throughout the specific period.

EXPIRY PROFILE BY GFA

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

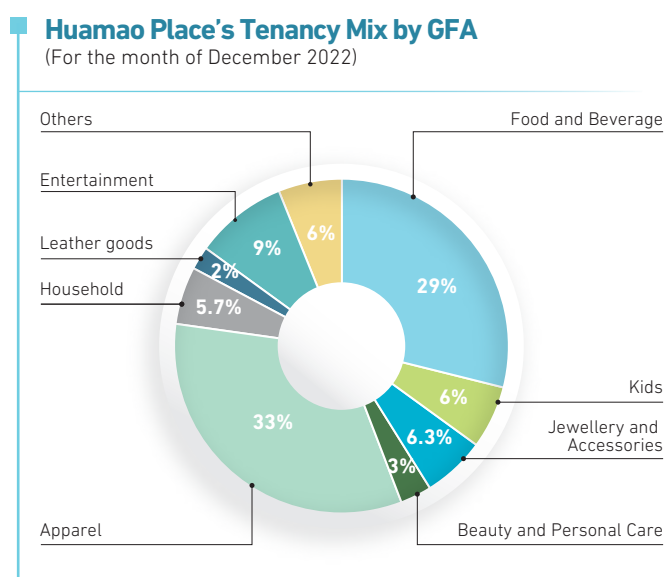
As at 31 December 2022, leases expiring in the years ending 31 December 2023 and 31 December 2024 accounted for 28% and 17% of the total leasable GFA respectively.

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.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 GBP4.55 million. Spring REIT enjoys substantial pass through of rental income as the leases are "full repairing and insuring" in nature, under which the tenant pays all real estate taxes, building insurance, and maintenance (the triple "nets") on the properties in addition to any normal fees that are specified under the agreement (e.g. rent, utilities, etc.).

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%.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS ESG REPORT

Reporting Scope

This annual Environmental, Social and Governance (“**ESG**”) Report (the “**ESG Report**”) presents an overview of Spring REIT’s performances with its ESG governance, policies and initiatives. The ESG Report covers relevant management approaches and practices of the CCP Property¹ in Beijing for the period from 1 January 2022 to 31 December 2022 (the “**Reporting Year**”).

Spring REIT is managed by Spring Asset Management Limited (“**SAML**”) (as manager of Spring REIT, the “**Manager**”, or “**we**”), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. The ESG Report has been reviewed and approved by the Board of Directors (the “**Board**”) of the Manager in March 2023.

Reporting Standard and Principles

The ESG Report is prepared in accordance with the latest requirements of the ESG Reporting Guide, Appendix 27 (“**ESG Reporting Guide**”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEX**”). The ESG Reporting Guide directs the reporting principles for underlining all aspects of the disclosed ESG information. The application of the adopted reporting principles ensures the ESG Report is presenting accurate, objective, transparent and comparable content. The preparation of the ESG Report has complied per the following reporting principles –

Materiality

- We identified the materiality of ESG topics by stakeholder engagement and materiality assessment, therefore focusing on material ESG topics for disclosure in the ESG Report. Relevant details are explained in the section “Materiality Assessment”.

Quantitative

- We disclosed the information on the standards, calculation methodologies and source of conversion factors adopted for the reporting of emissions and energy consumption. Relevant details are demonstrated in the section “Environmental Performance”.

Balance

- The ESG Report presented environmental and social performances on an impartial basis to provide an objective reporting disclosure for readers.

Consistency

- The methodology adopted for disclosing key environmental and social performance indicators is consistent with that of the previous years

¹ The CCP Property is managed by the Manager which has engaged Beijing Hua-re Real Estate Consultancy Co., Ltd (the “**Property Manager**”) as the property manager. The Property Manager has engaged Beijing Huamao Property Management Co., Ltd (the “**Building Manager**”) to provide general building services. Considering the acquisition of Huamao Place completed only in September 2022, the environmental and social performance will be disclosed in the following year. UK portfolio is also excluded from the ESG Report due to limited data availability.

Contact Us

Building a trusted relationship with stakeholders is vital for our business sustainability. Your feedback is highly appreciated and will facilitate the Manager to enhance relevant management for the best interests of various stakeholders. You are welcome to provide your comments and suggestions on the ESG Report or towards our performance in respect of sustainability via email to ir@springreit.com.

SUSTAINABILITY GOVERNANCE

Board Statement

After a strong start in early 2022 for China's economy, another wave of COVID-19 disrupted both the global and national economic growth trajectory in the second half of 2022. Economic growth stalled during the Reporting Year, reflecting the impact of Omicron outbreaks along with structural adjustments made by the real estate sector to conform with national policies. Despite the temporary economic headwinds, we continue to strive for sustainable and lasting value for our unitholders. Enlarging the existing portfolio of Spring REIT along with delivering regular rental contributions, we have completed our latest acquisition of 68% interest of a retail property –“Huamao Place” in Huizhou, to capture development and growth potential for the Greater Bay Area in September 2022. Currently, our diligent efforts preserve and protect more than RMB 10 billion of assets located in China and the United Kingdom (the “**UK**”).

The Board continues to believe that having a sound ESG practice would enable us to bolster the community in which we all live and share, under the devastating economic and social disruption caused by the pandemic especially. As facilitated by the Sustainability Committee, we have been enhancing our ESG governance and management procedures. We continue to incorporate various ESG factors into our investment and operational process, therefore building up the resilience across the assets in our portfolio and achieving positive outcomes both financially, environmentally and socially as responsible investments.

In addition, fund managers are suggested to take climate-related risks into consideration in their investment and risk management processes and make appropriate disclosures as required by the Securities and Futures Commission (“**SFC**”). As the SFC finalized climate risk management requirements for fund managers, we have also prepared our first disclosure on climate risks in accordance with SFC's requirements which is developed with reference to the Task Force on Climate-Related Financial Disclosures (“**TCFD**”) recommendations. Moving forward, we will continue to keep abreast with the changing regulatory requirements and strengthen our ESG governance and management framework.

Aside from responding to climate change, we have also escalated our ESG practices in community investment especially. We called for support and care for individuals under home quarantine and anti-virus services when daily economic and social activities were severely restricted in Beijing, as influenced by another surge of COVID-19 outbreak in China. We would like to take this opportunity and express our gratitude for the tremendous dedication and excellent work being done by our volunteering team. In the near future, we will continue to create positive influences on the community through effective volunteering activities and community engagement.

With ESG being a fundamental priority for investors across the globe, the Board will continue to showcase our commitment to driving sustainability throughout our business with promising enhancement in ESG management and therefore performance in the future.

Governance Structure

A well-established governance structure is vital for comprehensive ESG management which involves various working levels and units. A top-down governance structure is adopted in Spring REIT, to direct and manage ESG-related issues and performance.

The Board is responsible for overseeing the ESG strategy and performance. The Board also takes a leading role in providing oversight of the risk management system, which is inclusive of ESG-related risks and opportunities, impacts are assessed therefore strategizing associated business implications for Spring REIT timely.

To support the Board's oversight and systematic management of the ESG issues, the Manager has set up a dedicated Sustainability Committee whose members are appointed directly by the Board. The Sustainability Committee is to direct Spring REIT's ESG-related development through 1) identifying, evaluating and prioritizing material ESG issues, which are further reviewed and endorsed by the Board, with regular stakeholder engagement and materiality assessment, and 2) supervising ESG-related policy formulation and implementation.








The Audit Committee reviews Spring REIT's overall risk management processes, identifies the key risk issues that may require the Board's attention and reports to the Board annually. The Sustainability Committee consolidates the findings and provides recommendations to the Board, through the Audit Committee, on the management responsibilities of the risks of strategic and financial significance.

Our Property Manager and Building Manager are responsible for the execution and management of all the sustainability-related initiatives through effective coordination. Performance reports are submitted to the Sustainability Committee regularly for review, therefore further developing the corresponding improvement plan and preparing the annual ESG report for public disclosure.

STAKEHOLDER ENGAGEMENT

The Manager recognizes the importance of maintaining regular engagement with relevant stakeholders through a variety of communication channels. It enables the Manager to comprehend stakeholders' expectations, concerns, and perspectives in relation to Spring REIT's business operations and ESG performances. Their helpful feedback and insights allow the Manager to further enhance relevant strategic business policies and planning, so as to achieve sustainable business operations. The Manager, the Property Manager and the Building Manager therefore, strive to maintain an open and transparent communication platform across the daily operations of Spring REIT.

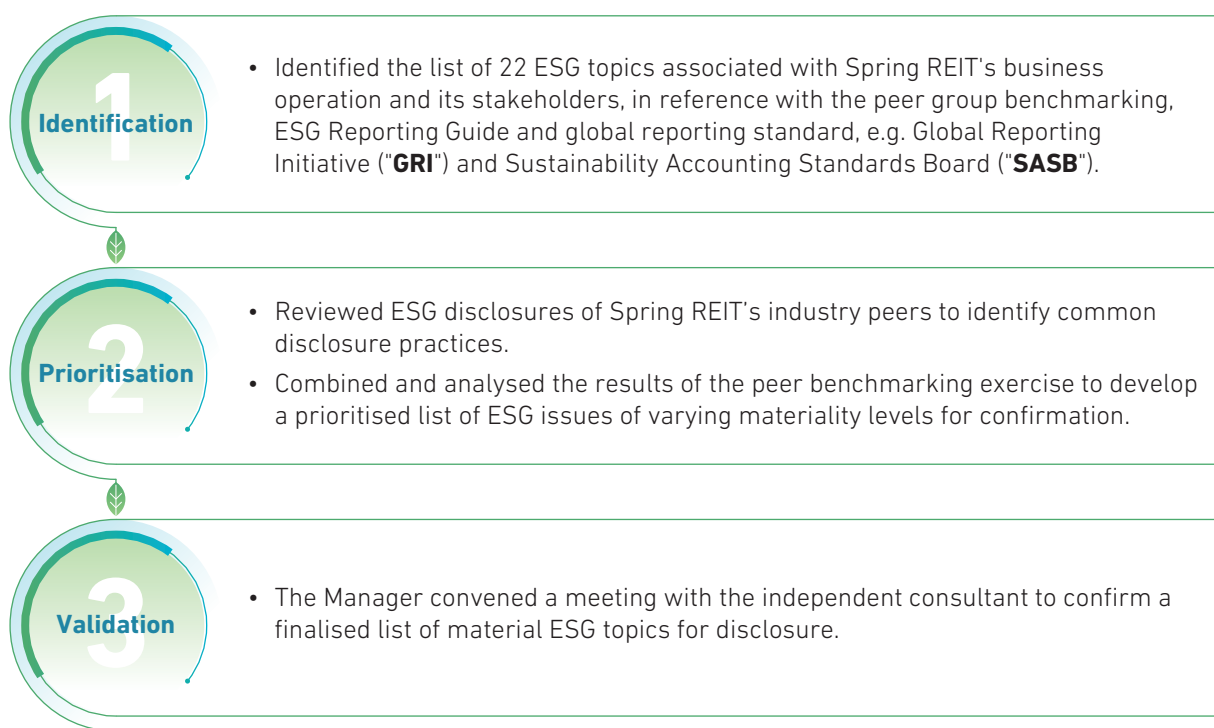
We have identified a list of key stakeholders who affect or are being affected by the operation and development of Spring REIT. The table below illustrates the communication channels adopted for effective and efficient communications with identified key stakeholders, as well as respective expectations and concerns.

Stakeholders	Expectations and concerns	Communication channels
Unitholder/Investors 	<ul style="list-style-type: none"> Long-term investment returns Sustainable business development Operation in compliance 	<ul style="list-style-type: none"> Company website General meetings Corporate reports and announcements Emails and phone calls
Employees² 	<ul style="list-style-type: none"> Remuneration and benefits Occupational health and safety Career development Equal opportunities 	<ul style="list-style-type: none"> Emails and suggestion box Internal publications Employee meeting Annual performance review Employee training
Customers 	<ul style="list-style-type: none"> Products and service quality Data privacy protection 	<ul style="list-style-type: none"> Customer feedback and complaints Customer service hotline Customer visit Day-to-day communication
Business partners 	<ul style="list-style-type: none"> Business integrity Mutual cooperating relationship Open and fair procurement 	<ul style="list-style-type: none"> Lawful actions and communications On-going direct engagement Procurement and tendering Strategic cooperation and negotiation Emails and phone calls
Government and regulatory authorities 	<ul style="list-style-type: none"> Compliance with laws and regulations Fulfilment of tax obligations Support economic development 	<ul style="list-style-type: none"> Regular documented information submission Regular communication with regulatory authorities Forum, seminar and conference
Community 	<ul style="list-style-type: none"> Participation in local community and public welfare Improve local community environment 	<ul style="list-style-type: none"> Company website
Media 	<ul style="list-style-type: none"> Information transparency 	<ul style="list-style-type: none"> Company website Media enquiry

² The scope covers direct employees of SAML (the Manager) and employees of the contractors (the Building Manager and other delegates in Beijing) who perform the operational functions and service provision of the CCP Property on behalf of the Manager.

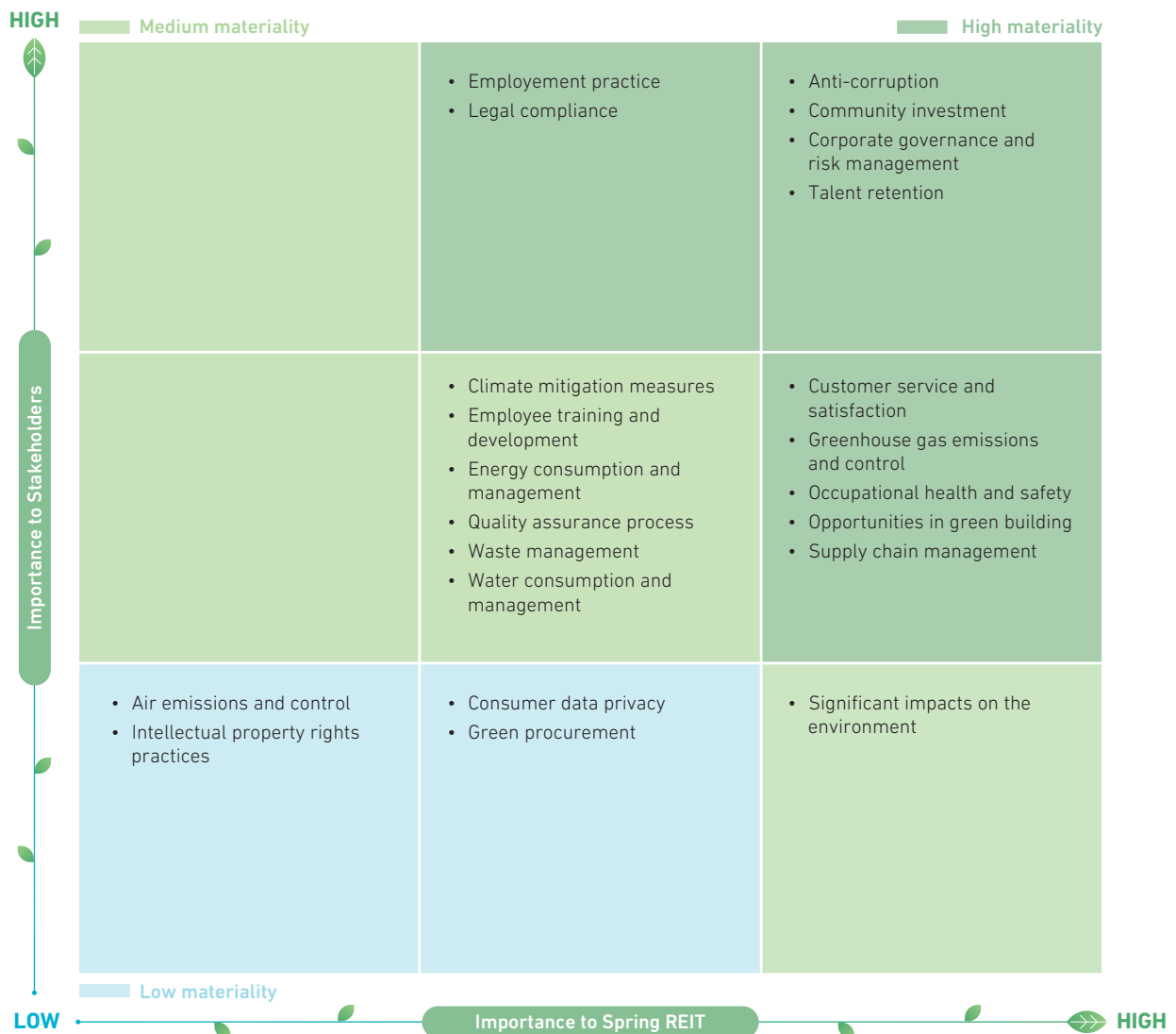
MATERIALITY ASSESSMENT

Facilitated by an independent consultant, the Manager conducted an annual materiality assessment to identify key ESG issues that are of high materiality to Spring REIT and respective stakeholders. Therefore, to ensure that the Manager provides timely responses to concerns as highlighted by various stakeholders, and to direct relevant strategy formulation and reporting disclosure. The corresponding working procedures performed for materiality assessment during the Reporting Year are as follows:



The materiality of each ESG issue, as expressed by relevant stakeholders and reflected from peer group benchmarking, is illustrated in the below materiality matrix after an internal evaluation. The ESG topics that are associated with high materiality fell on the top right quadrant of the matrix. The result of the materiality matrix and the identified material ESG topics are reviewed and finalized by the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)



Based on the result of the materiality assessment and the reporting principle, the disclosure of the Report is mainly focused on the issues associated with high materiality. The Manager also considers providing the overall management approaches on ESG issues with moderate and low materiality, therefore providing stakeholders with a clear picture of ESG management across Spring REIT. The Manager would continue to review the existing ESG strategies and policies so as to optimize the ESG performance and reporting disclosure in pursuit of continuous improvement.

ENVIRONMENTAL PERFORMANCE

The Manager acknowledges that sustainable assets have become a bigger priority in the real estate sector, from both investment and regulatory perspectives. Seeking to manage relevant environmental responsibilities in a systematic manner, the Property Manager has developed a comprehensive environmental management system in accordance with ISO 14001:2015 Environmental Management Systems in the CCP Property. Various control measures have been implemented to optimize the resource efficiency and reduce emissions and waste production in the CCP Property, with an aim to minimize the adverse impacts on the environment. During the Reporting Year, the Manager was not aware of any incidents of non-compliance with any relevant applicable environmental laws and regulations³.

A1 Emissions

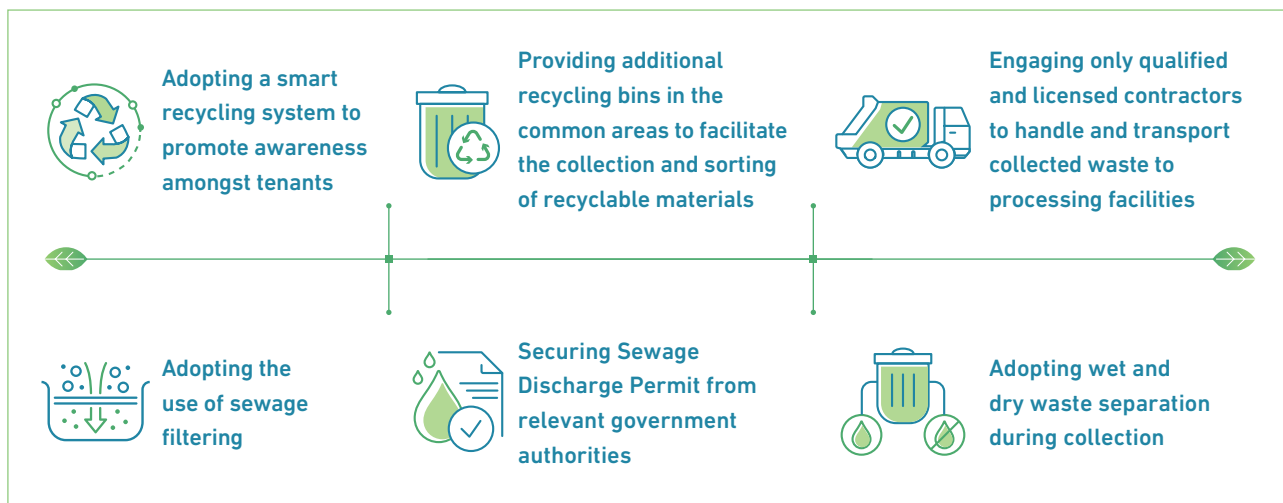
With the commitment to environmental excellence, the Manager strives to minimize operational footprints associated with Spring REIT through effective management of emissions control. Through standardizing relevant management procedures, the Property Manager and the Building Manager deploy various initiatives in the CCP Property, so as to gradually enhance its environmental performance towards established targets.

Waste Management

In the real estate sector, reducing waste and proper waste management will not only protect the environment, but also facilitate a reduction in relevant operating costs. Starting from 2021, we step up our effort in effective waste management in Spring REIT by setting out two directional waste targets:



To echo the Manager’s commitment to responsible management of resources and therefore gradually achieving the two abovementioned targets, various waste-related initiatives have been implemented in the CCP Property, including:



³ Including but not limited to the Environmental Protection Law of the People’s Republic of China (“PRC”), Air Pollution Prevention and Control Law of the PRC, China Solid Waste Environmental Pollution Prevention and Control Law of the PRC, Water Pollution Prevention and Control Law of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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

Types of waste ⁴		Unit	2022	2021	2020
Non-recyclable Waste	Total	Tons	691	475	626
	Intensity	Tons/m ²	0.005	0.003	0.004
Recyclable Waste	Total	Tons	2,232	3,110	3,060
	Intensity	Tons/m ²	0.015	0.021	0.021
General Construction Waste	Total	Tons	4,320	8,640	9,720
	Intensity	Tons/m ²	0.030	0.059	0.067
Hazardous Waste	Total	Tons	0.08	0.18	0.03
	Intensity	Tons/m ²	NA	NA	NA

Greenhouse Gas (“GHG”) Emissions

Energy consumption is considered the major source of GHG emissions from the CCP Property. We have been devoting notable efforts to seeking every chance to improve energy efficiency, so as to further minimize carbon footprint⁵. We have also been responding to the national government’s advocacy of decarbonization by formulating the below long-term GHG emissions reduction target:



GHG emissions during the Reporting Year were as follows:

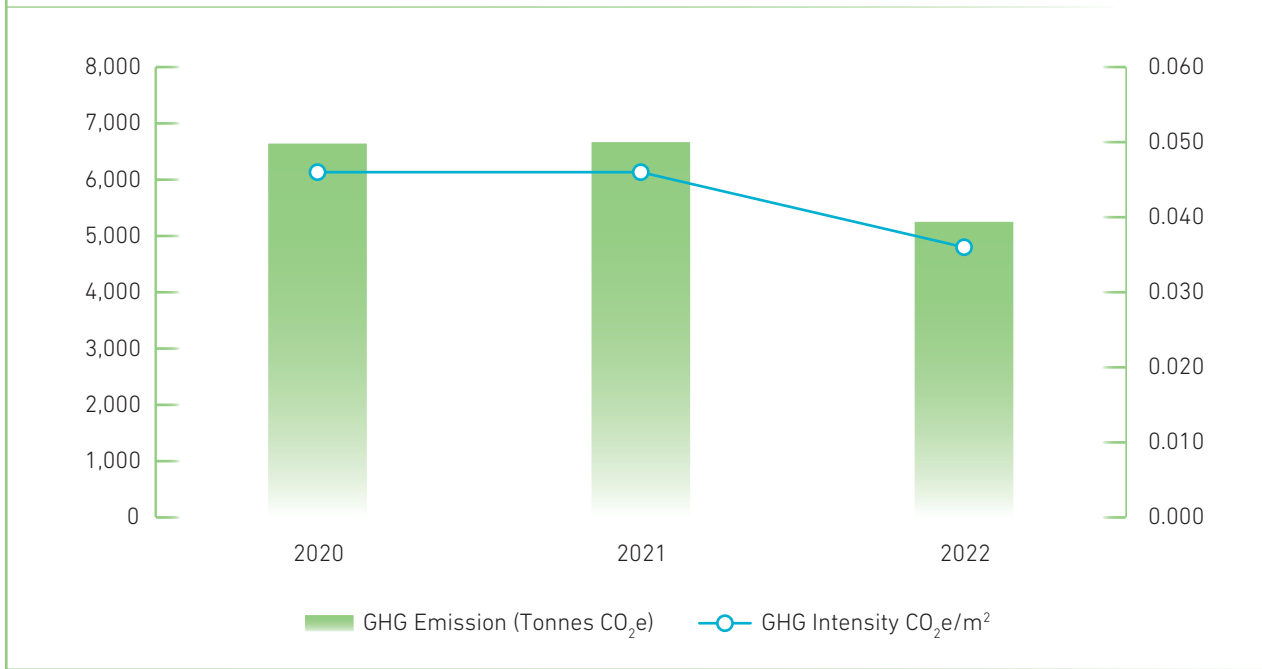
GHG Emissions ⁶	Unit	2022	2021	2020
Total	Tonnes of CO ₂ e	5,276	6,693	6,667
Intensity	Tonnes of CO ₂ e/m ²	0.036	0.046	0.046

⁴ Non-recyclable waste includes domestic and household waste. Recyclable waste includes food waste (only since 2021), plastic, paper, glass, and other recyclables. General construction waste includes the waste generated from interior renovation and building enhancement work. Hazardous waste includes the general office hazardous waste requiring special treatment such as fluorescent tubes and ink cartridges. All hazardous waste was stored, collected, and disposed of by a licensed collector appointed by the Building Manager.

⁵ Please refer to section “A2 Use of Resources” for more details regarding measures to optimize energy efficiency.

⁶ Carbon emission was calculated with reference to the emission factors documented in the Greenhouse Gas Protocol, published by World Resources Institute (WRI) and World Business Council on Sustainable Development (WBCSD) and the Environmental, Social and Governance Reporting Guide, published by Hong Kong Exchanges and Clearing Limited. For the calculation in 2020 and 2021, baseline emission factors for regional power grids in China as published by Department of Climate Change, National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會應對氣候變化司) were referenced. Meanwhile for the calculation in 2022, the latest update in national baseline emission factors is reflected in the Report, as released by the Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部). Scope 1 and Scope 2 carbon emissions were reported.

GHG EMISSION AND INTENSITY



A2 Use of Resources

To reduce electricity and water consumption, the Manager has been working closely with the Building Manager and implementing various measures. For example, awareness campaigns and continuous investment and enhancement in energy-efficient equipment. The Building Manager has also been proactively monitoring water and energy consumption levels. If any abnormal pattern is identified, investigation and remedial action are undertaken in a timely manner.

Energy use

Lighting, air conditioning and operation of elevators and escalators in the common areas are considered the major sources of energy consumption of the CCP Property. To demonstrate the Manager’s commitment to achieving environmental excellence and further keep tracking of our energy reduction progress, an energy consumption reduction target has been set out:

-12%

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The following measures are also taken by the Building Manager to improve energy efficiency in the CCP Property:

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

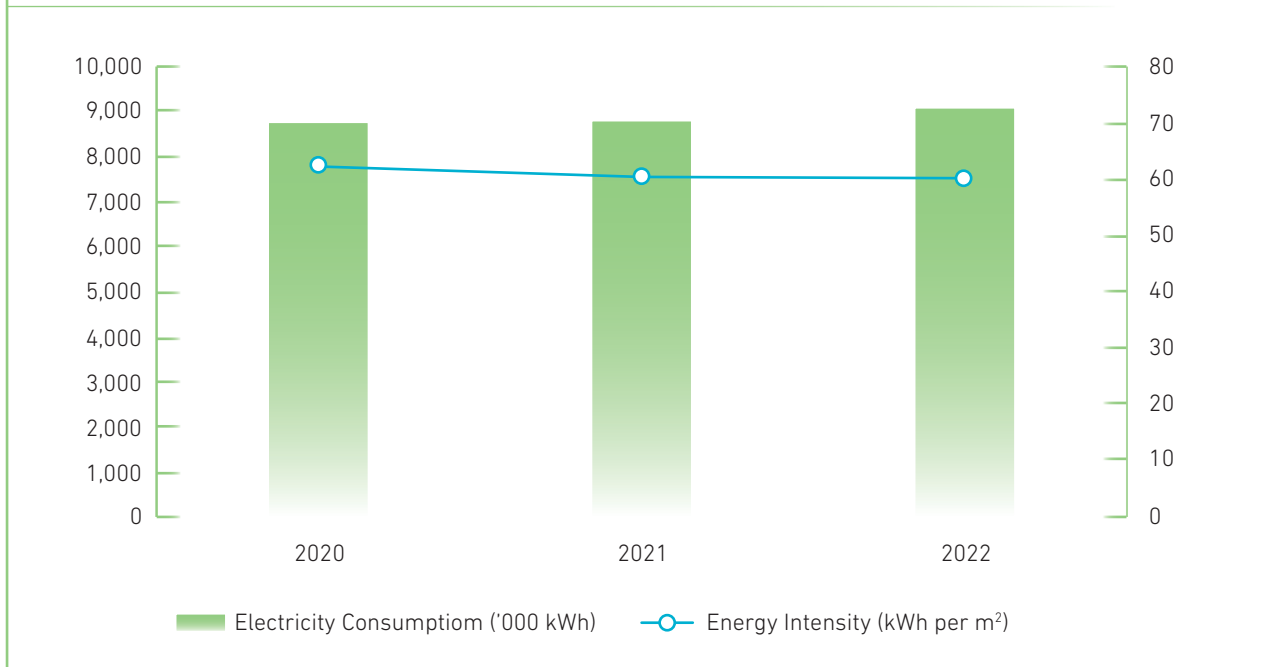
A corresponding increase in electricity consumption is recorded as a result of huge volume of retrofitting and repairing activities in the property.

Total energy consumption at the CCP Property during the Reporting Year was set out as follows:

Energy Consumption	Unit	2022	2021	2020
Total Purchased Electricity ⁷	'000 kWh	9,080	8,808	8,774
Intensity	kWh/m ²	62.46	60.59	60.36

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

Electricity Consumption and Intensity



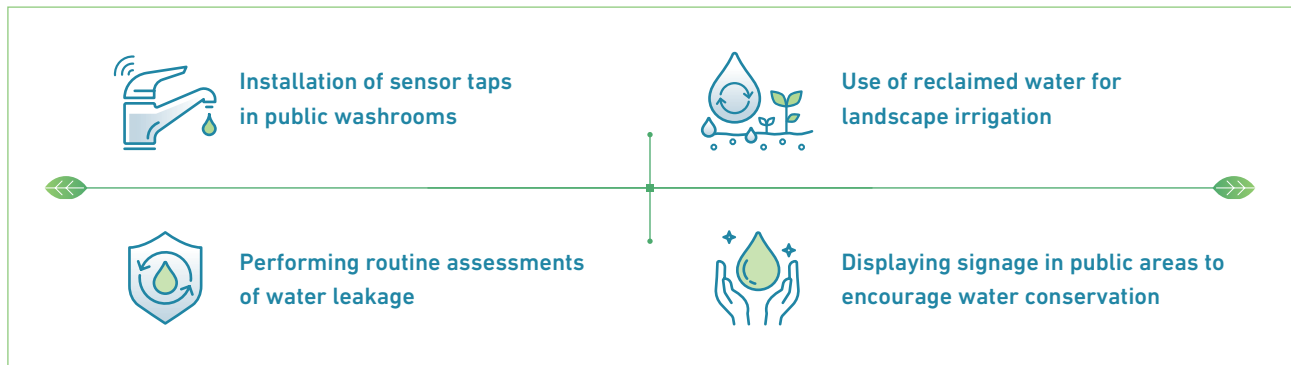
Water use

The Building Manager devotes great efforts to managing great volumes of water usage in the daily operations in the CCP Property. To encourage the proper use of resources, the Manager has formulated a water consumption reduction target:

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

The Building Manager strives to ensure that tenants are provided with domestic water resources of high quality, and to standardize water management procedures. For example, relevant engineering personnel is required to conduct monthly analysis of water consumption data of every occupancy unit in the CCP Property. If any abnormal pattern is identified, investigation and remedial action should be undertaken in a timely manner, to prevent wasting water resources. The key water-saving measures are adopted in the CCP Property, including:

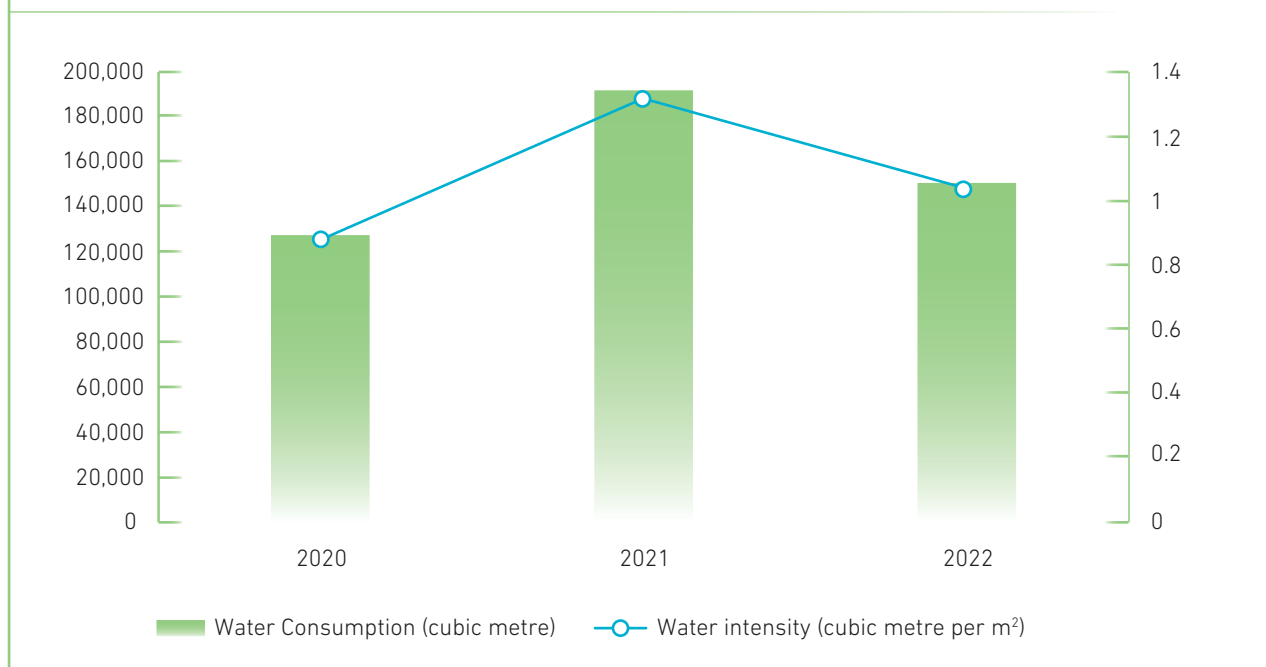
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)



Water consumption of the CCP Property is decreased following major lockdowns in Beijing, in 2022 Q4 especially. The amount of water consumed at the CCP Property during the Reporting Year was as follows:

Water consumption ⁸	Unit	2022	2021	2020
Total	m ³	127,422	191,339	150,634
Intensity	m ³ /m ²	0.88	1.32	1.04

Water Consumption and Intensity



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

CASE STUDY

Earth Day Celebrating Event at the CCP Property

To demonstrate our support for environmental protection, the Property Manager celebrated Earth Day in April 2022 together with our tenants and the Building Manager at the CCP Property. An overwhelming response to the event with more than 600 participants is recorded. Tenants are invited to showcase their respective progress and achievement in their journey of sustainable development. In addition, various environmental-friendly gifts are distributed to raise relevant awareness. For example, reusable utensils to encourage acceptance of non-plastic alternatives for disposable tableware, and glass terrariums to promote the importance of a balanced and sustaining ecosystem. We will continue to integrate the concept of green operation in the CCP Property, it is also considered a vital step to educate our relevant stakeholders and the community.



A3 Environment and Natural Resources

For Spring REIT's responsible operation and development, we adhere to environmental responsibility and is committed to realizing the harmonious coexistence between humans and nature. In addition to the above environmental aspects, other material environmental issues that have been identified and addressed, so as to minimize Spring REIT's influence on the surrounding environment, during the Reporting Year are as follows:

Green Building

The Manager recognizes that the management and operation of properties could pose significant impacts on the environment. The Property Manager and the Building Manager endeavor to accelerate Spring REIT's sustainability journey by continuously enhancing relevant building performances in line with both global and local green building principles and standards. We have attained the following green building certification in recognition of our commitment to sustainable development under managing the CCP Property.

In May 2021, the CCP Property was accredited with the China Green Building Level 2-star. It is in recognition of our continuous efforts to improve the environmental protection of the property throughout the building lifecycle.



In March 2020, the CCP Property was awarded LEED Platinum Certification under the LEED for Existing Buildings: Operations and Maintenance category. It is an appreciation of our due diligence in managing the significant impacts of our managed property on the environment and natural resources.



Scoring 95 points (out of 110 points) in the LEED scoring system, which is the most widely used green building scoring system in the world.

The Manager will continue to seek opportunities to enhance Spring REIT's performances in green building operations, thereby minimizing the potential impacts posed on the environment.

Renovation

The Renovation Management Office (“**RMO**”), set up by the Building Manager, is responsible for monitoring and controlling the level of noise, odor and waste generated from renovation, repair and maintenance activities within the CCP Property, through the enforcement of written guidelines. For example, the Tenant Handbook and the Renovation Manual are outlined the relevant requirements for all tenants to follow when carrying out the building renovation and maintenance works. Various requirements include but are not limited to the following:

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

A4 Climate Change

Climate change is a worldwide concern while carbon neutrality is a common goal amongst many nations. The Paris Agreement, a legally binding agreement on GHG reduction was officially adopted in 2015. In addition, China puts forward the targets of reaching a carbon peak before 2030 and going carbon neutral before 2060.

Taking into consideration the operation of the CCP Property in Beijing, the managed properties could be vulnerable to extreme weather events, such as rainstorms. We refer to the recommendations of the TCFD, and conducts climate-related risk identification regularly. It is to understand the potential financial and operational impacts being brought to Spring REIT’s operation and development, and further explore the opportunities and develop action plans in fighting against climate change. The Manager is committed to taking immediate attention and progressive actions to manage climate-related risks, therefore facilitating sustainable business growth.

Physical Risks

Risk Category	Risk	Timeframe ⁹	Financial Implications
Acute	Extreme weather events (e.g. flooding, tropical cyclones, wildfires)	Short-term	<ul style="list-style-type: none"> • Reduced revenue and higher costs from increased health and safety risks to personnel, including loss of workforce and absenteeism • Reduced revenue from business interruptions, such as supply chain interruptions due to traffic difficulties • Increased capital costs from the maintenance and replacement of damaged and/or destroyed assets
Chronic	Rising temperatures (e.g. heatwaves)	Medium- to long-term	<ul style="list-style-type: none"> • Reduced revenue from lower productivity due to extreme heat, including restrictions on working outdoors • Higher operating costs for cooling

⁹ Short-term: 0-2 years; mid-term: 3-5 years; long-term: 5+ years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Transitional Risks

Risk Category	Risk	Timeframe	Financial Implications
Policy	Carbon pricing	Short- to medium-term	<ul style="list-style-type: none"> Increased taxes and higher expenditures on offsetting relevant resources consumption and carbon emissions Higher operating costs from compliance with new standards and disclosure requirements Write-offs and early retirement of existing equipment and appliance due to policy changes
	Enhanced climate-related reporting obligations	Short- to medium-term	
	Tighter building energy codes	Short- to medium-term	
Market	Changing customer behaviour	Medium- to long-term	<ul style="list-style-type: none"> Reduced demand for traditional products and services due to shifts in consumer preferences to green alternatives Increased operating costs due to the shift to low-carbon and renewable energy-driven economy

Responding to Potential Impacts

In response to the above identified potential financial and operational impacts being brought by climate change, the Manager has been constantly communicating with the Property Manager and the Building Manager. We ensure that the Building Manager and all the relevant onsite personnel are fully prepared and equipped with the necessary knowledge to tackle climate-related incidents with relevant contingency plans.

CASE STUDY

Flood Emergency Response Plan

A detailed Flood Emergency Response Plan has been in place to provide systematic responses to flooding. To improve drainage capacity in both the CCP Property, the Building Manager has been continuously stepping up inspection and hardware enhancement, especially at flooding blackspots, to ensure no blockage of drainage. The Building Manager conducts inspections in early July annually, to assure that the Property Management team was adequately prepared for the rainy season. Meanwhile, emergency procedures and precautions are in place to mitigate the impacts of floods. In addition, regular training programs and drills are arranged regularly for responsible personnel, so as to ensure that they are familiar with their respective roles and responsibilities in the event of flooding. Various topics are covered, ranging from sandbags utilization to slope maintenance. It is expected that these climate resilience measures could effectively strengthen our risk management and mitigation under climate change.



Flood training and drill in the CCP Property



CASE STUDY

Typhoon Emergency Plan

In view of the increasing risks of typhoon events, we have also formulated the Typhoon Emergency Plan. The Building Manager will constantly monitor the weather forecast on a daily basis and adopt immediate actions when the typhoon is above the fourth level. The Plan covers, including but is not limited to, the following measures:

- Intensifying the inspections on the exterior of the building, such as the stability of exterior decorations and external facilities;
- Conducting regular checks on the firmness of the windows and switches, and report immediately for repair if any problems are identified;
- Prohibiting working at height; and
- Protecting the concerned site and placing caution signs if damage or fragmentation of doors and windows is identified.



SOCIAL PERFORMANCE

B1 Employment

Spring REIT does not have any employees. Nevertheless, as manager of Spring REIT, the Manager acknowledges its employees are the most valued assets in achieving Spring REIT's business objectives. Therefore, the Manager has stipulated an effective system in human resources management intending to create a safe, motivated and inclusive working environment for all its employees. As outlined in the Employee Handbook, the key measures are shown as follows:

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

Besides, the Manager strives to bring together talents from different backgrounds, creating a diversified platform in which human resources can be turned into the best account. Fairness and transparency are considered the primary principles that the Manager should uphold during the employment process. Regardless of nationality, race, religion, gender, age, or family situation, the Manager is committed to providing all employees with a fair and inclusive working environment based on individual qualifications, experience, and professional standing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with laws and regulations¹⁰ in relation to employment practices.

Workforce ¹¹		2022		
Total workforce	Number	129		
• SAML	Percentage	5.00		
• Contractors	Percentage	95.00		
By gender		Male	Female	
• SAML	Percentage	42.86	57.14	
• Contractors	Percentage	70.49	29.51	
By employee category		General staff	Middle management	Senior management
• SAML	Percentage	71.43	N/A	28.57
• Contractors	Percentage	89.34	8.20	2.46
By age group		< 30 years old	30-50 years old	>50 years old
• SAML	Percentage	14.29	57.14	28.57
• Contractors	Percentage	33.61	58.20	8.20
By geographical region		Hong Kong	Mainland China	
• SAML	Percentage	100.00	0.00	
• Contractors	Percentage	0.00	100.00	

10 Including but not limited to the Cap 57 Employment Ordinance of Hong Kong Special Administrative Region ("HKSAR"), Labour Law of the PRC, Labor Contract Law of the PRC, Labor Union Law of the PRC.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Turnover ¹²		2022		
Overall staff turnover rate	Percentage	14.29		
By gender		Male	Female	
	Percentage	0.00	25.00	
By age group		< 30 years old	30-50 years old	>50 years old
	Percentage	0.00	0.00	50.00
By geographical region		Hong Kong	Mainland China	
	Percentage	14.29	NA ¹³	

B2 Health and Safety

The impact of air pollution on human health has been widely recognized. The Manager understands Beijing's air quality has been a cause of concern for tenants and visitors at the CCP Property. Therefore, the Building Manager has been placing additional emphasis on indoor air quality control at the CCP Property. For example, air purification systems which feature electrostatic filters and activated carbon layers have been installed, so as to construct a comfortable and healthy environment for both our Property Manager, Building Manager, tenants and visitors. Such measures effectively reduce PM2.5 levels that the air quality at the CCP Property achieved the Grade 1 national standard of 35 $\mu\text{g}/\text{m}^3$.

To ensure a healthy and safe working environment, the Property Manager and the Building Manager are committed to identifying and preventing potential occupational hazards in the CCP Property. Also, only personnel with relevant certificates and licenses are eligible to oversee the handling of heavy machinery and equipment in building maintenance works. Besides, a series of safety-related workbooks are provided and circulated among relevant personnel.

Since 2021, the Building Manager has equipped four additional automated external defibrillators ("AEDs") as a precautionary measure for emergency situations and arranged first aid training for relevant staff. Similarly, during the Reporting Year, the Building Manager also provided first aid training, as facilitated by the Red Cross Society of China Beijing Branch, for more than 20 operational staff. It is to ensure that our operation staff are equipped with the necessary skills and knowledge to effectively handle the AEDs and relevant emergency situations.

12 It includes only the direct employees of SAML (the Manager).

13 The Manager has no direct employee in the mainland China.



CASE STUDY

Proactive COVID-19 Response

The outbreak of COVID-19 has caused unprecedented challenges in the economy and society. The Property Manager and the Building Manager have developed a comprehensive pandemic protocol and implemented various measures to reduce the risk of virus transmission in the CCP Property. Apart from stepping up our regular disinfecting procedures and frequency, the Building Manager has set up automated temperature screening stations at the entrance of our manager properties and put in place a mandatory face mask policy. Visitors who refuse to wear face coverings will be asked to leave our managed buildings by security staff. A standard procedure has also been launched for any confirmed or potential cases of COVID-19 being found in our managed properties. For example, an evacuation route is designated to prevent chaos within our managed building, therefore facilitating efficient infection arrangements. Highly visible notices have also been displayed and regular announcements are broadcasted over the Public Address systems in the CCP Property, therefore raising awareness of the importance of healthy hygiene habits.

Work-related Fatalities and Injuries		2022	2021	2020
Total number of work-related fatalities	Number	0	0	0
Work-related fatality rate	Percentage	0	0	0
Total number of injuries	Number	0	0	0
Total number of lost days due to work injury	Number	0	0	0

During the Reporting Year, the Manager was not aware of any incidents of non-compliance with laws and regulations¹⁴ in relation to occupational health and safety.



14 Including but not limited to the Occupational Safety and Health Ordinance of the HKSAR, Work Safety Law of the PRC.

B3 Development and Training

Spring REIT's success through excellence depends on the performance of the employees at every level as guided by the Manager, the Property Manager, and the Building Manager. By cultivating employees' competencies and skills and promoting a positive learning atmosphere, the Manager continues to provide the employees with training and development opportunities, therefore keeping abreast with changing market trends and development.

At SAML, training regarding compliance and ethics, climate-related risks, enforcement cases and recent development of REITs in the Chinese market is also provided during the Reporting Year. It is to ensure that the Manager could proactively manage the properties, therefore maintaining high occupancy levels, achieving strong rental growth and maximizing net property income in Spring REIT.

The Manager also offers a wide range of internal on-job training sessions as facilitated by senior employees or third-party consultants. The Property Manager and the Building Manager attaches great importance to safety and technical training especially – various sessions are offered to operational staff, ranging from fire drills to emergency response, workplace safety, customer service, and anti-fraud programs, as facilitated by the Property Manager. It is to ensure that operational staff stationed in the CCP Property are well-equipped with the knowledge and ability to cater for different contexts in relation to their job duties. We also standardize the training requirements to relevant operational staff of the Property Manager and the Building Manager.

Trained Employee and Training hours ¹⁵		2022		
Percentage of trained employee – by gender		Male	Female	
• SAML	Percentage	100.00	50.00	
• Contractors	Percentage	3.49	13.89	
Percentage of trained employees – by employee category		General staff	Middle management	Senior management
• SAML	Percentage	60.00	N/A	100.00
• Contractors	Percentage	0.00	50.00	100.00
Average training hours – by gender		Male	Female	
• SAML	Hours	31.33	7.50	
• Contractors	Hours	0.35	1.39	
Average training hours – by employee category		General staff	Middle management	Senior management
• SAML	Hours	26.00	N/A	12.00
• Contractors	Hours	0.00	5.00	10.00

15 The scope of "Trained Employee and Training hours" statistics includes direct employees of SAML (the Manager) and employees of the contractors (the Building Manager and other delegates in Beijing) who perform the operational functions and service provision of the CCP Property on behalf of the Manager. SAML has no middle management staff.

B4 Labour Standards

The Manager adopts a zero-tolerance policy for unethical employment practices. Throughout the operation of Spring REIT, the Manager, the Building Manager and the Property Manager have strictly complied with applicable laws and regulations in relation to labour standards with no employment of child labour aged under 18 or forced labour during the Reporting Year.

During the recruitment process, candidates are required to submit identity documents, such as identity cards and passports, and job references for record. It is to ensure one's job eligibility could fully meet the requirements under applicable laws and regulations. The Property Manager and the Building Manager are often requested to implement appropriate investigative and preventive measures to minimize related risks. These measures include also signing employment contracts which stipulate the terms and conditions of employment to protect the interests of both parties. Any members of the Manager, the Property Manager or the Building Manager found to be in breach of the labour requirements will be subject to disciplinary action and/or may be liable to legal prosecution.

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

B5 Supply Chain Management

Suppliers are strongly encouraged and advised to follow our environmentally and socially responsible practices. It is essential to adhering fair labour standards and incorporating sustainability into daily operations of Spring REIT. As stipulated in the agreement, the Building Manager has maintained an environmental management system certified with ISO 14001 standard, for identifying, assessing and handling potential environmental impacts in an effective and systematic manner. For procurement, priority will be given to the suppliers and contractors with reputable records, environmental and safety performance, product and service quality, and regulatory compliance, on top of cost-related considerations. Suppliers who consistently fail to meet the expected standards may be subject to recourse. When it comes to the procurement of goods, the Manager and the Building Manager also consider environmental factors and recommend the use of low-carbon and environmentally friendly materials as far as practicable, such as paper with sustainable forestry certification. Building Manager is encouraged to make green procurement with reference to recommendations from the Manager when appropriate.

Number of Suppliers by Geographic Location during the Reporting Year ¹⁶		Hong Kong	Mainland China	UK
• SAML	Number	48	3	1
• Contractors	Number	0	175	0

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

B6 Product Responsibility

Customer Services and Quality Assurance

Safety, comfort and accessibility are considered the three major pillars in constructing an environment of high quality for tenants in the CCP Property. On behalf of the Manager and the CCP Property, the Property Manager has engaged an experienced building manager which has qualifications including the ISO 9001 Quality Management System and the First Grade Qualification of Realty Management Enterprise (一級資質物業管理企業) awarded by Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部).

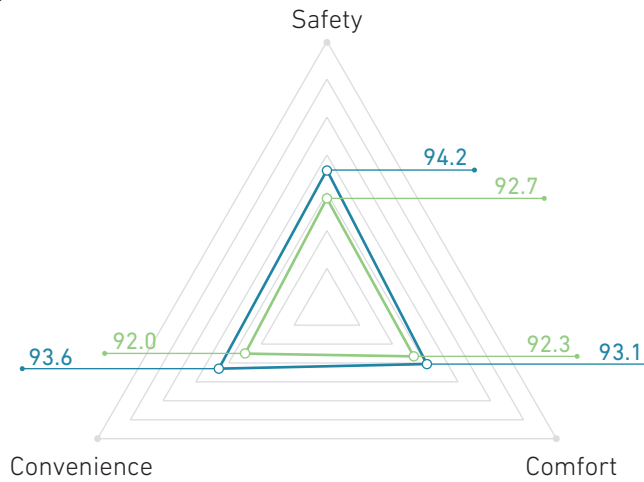
Having a strong landlord-tenant relationship is an important aspect of encouraging long-term tenancy in Spring REIT. Taking tenants' opinions at heart, the Building Manager has established a Customer Service Department to address tenants' needs and concerns in a timely manner. In case of any receipt of customer complaints, standardized complaint-handling procedures are in place for relevant frontline employees to handle and resolve the cases promptly. Staff representative(s) will be assigned according to the context for further investigation and correspondingly follow-up actions, if any. We pledge to respond to 100% of the complaints received. Suggestions from tenants and visitors are constantly reviewed so as to improve our service quality. During the Reporting Year, a total of 8 complaints is received in CCP Property. Prompt actions were taken by designated staff that all the complaints were handled and resolved professionally with positive feedback received.

To better assess the performance of the Building Manager, regular tenant visits and tenant satisfaction survey are conducted with a view to improve the quality of customer service. For instance, an annual tenant satisfaction survey was carried out to collect and comprehend tenants' feedback at the CCP Property, therefore formulating plans for future improvements in customer service, building operation and market competitiveness. The focus of the survey was placed on the quality of facilities and service management provided, and whether tenant expectations could be met under the current environment, as a quantitative analysis for identifying key improvement areas. Consistency in survey design with data prediction and solid historical databank allows ongoing comparison between the managed properties in China and between industrial peers.

During the Reporting Year, the survey is conducted in form of both an online questionnaire and management interview – with a total of 444 questionnaires collected and 30 tenants interviewed. We pride ourselves on exceeding customer expectations in terms of the overall performance at the CCP Property – an overall satisfaction rate of 92.34% is recorded.

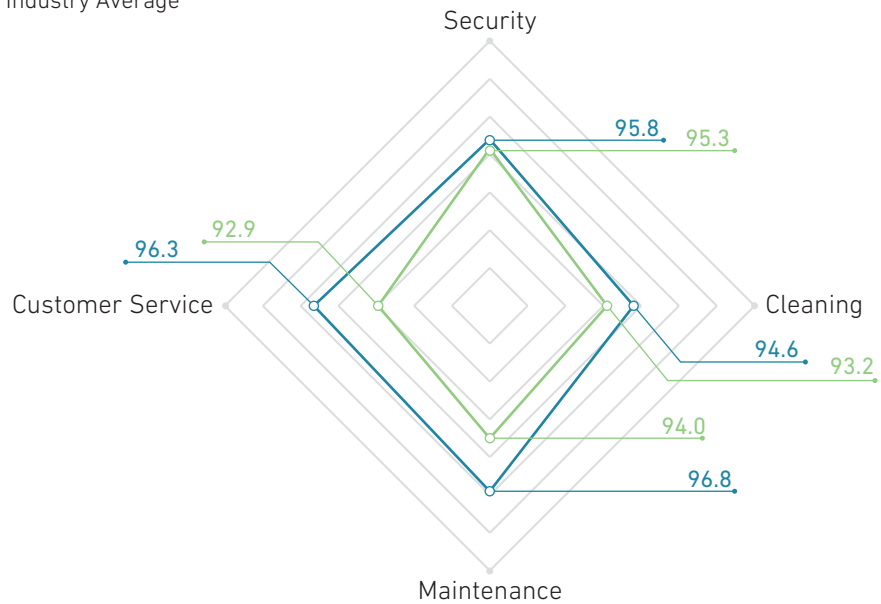
MARKET COMPETITIVENESS

—○— CCP Property —○— Industry Average



SERVICE TEAM

—○— CCP Property —○— Industry Average



CASE STUDY

Lululemon – Summer Fun Challenge

Providing customers with choices of quality sportswear and experience, we together with Lululemon hosted the “Summer Fun Challenge” activity at the CCP Property under the support from the Property Manager. More than 100 partners were invited to enjoy the summer sweat, make positive connection, and unleash potential physically with the games designed and organized by Lululemon.

Working closely with our tenants and empowering them to reach their full potential through the spaces and services provided by Spring REIT, the CCP Property will continue to create a community hub where people could learn and explore the physical aspects of healthy living, mindfulness and living a life of possibility.



Responsible Investment

Investors are increasingly evaluating companies based on specific ESG-related criteria and the subset focused on responsible investments continues to grow. The Manager continues to deliver long-term value in the current business landscape that requires a more holistic approach that serves all our stakeholders, and systematically addresses the full spectrum of responsible investment with ESG risks and opportunities. The Manager strives to enhance its ESG management and incorporate ESG considerations into investment-related decision-making at Spring REIT. Processes and controls have been implemented to assess the ESG impact of each investment decision.

Information Security

The Manager attaches great importance to data security and privacy protection for employees, tenants and other stakeholders, regarding personal information, tenancy records, and other sensitive information, etc.

The Manager, the Property Manager and the Building Manager have developed a robust data security system to safeguard sensitive information stored and handled across day-to-day operations. Relevant internal procedures and controls are implemented to ensure that user data is protected, and unnecessary data leakage and loss is avoided. Sensitive information is restricted to authorized employees on a “need-to-know” and “need-to-use” basis through the use of physical and system safeguards such as Secure Sockets Layer (“SSL”) and storage encryption. All data is stored in guarded servers which are protected by firewalls and anti-virus software. The treatment of confidential information is clearly set out in relevant manuals and contracts.

The Manager has also specified confidentiality requirements in the Employee Handbook, requiring employees to strictly abide by the confidentiality system and not to disclose the important content of company documents and commercial secrets. The Manager provides also information security training to all employees and circulates any issues or necessary updates from time to time, with phishing tests conducted on a quarterly basis. Relevant parties, such as suppliers and contractors, are also expected to abide by our high standard of information security and privacy.

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

B7 Anti-corruption

Integrity is the cornerstone of corporate business sustainability. The Manager does not tolerate any forms of corruption or malpractice and expects that all the employees and business partners uphold a high standard of business ethics and conduct in its business activities and dealings. As outlined in the Anti-corruption Guidelines, the Manager strictly prohibits all the employees offer or receive any form of advantages (e.g. money, entertainment and commission) directly or indirectly from our customers and business partners, or using improper means to seek personal advantages, as well as conducting any extortion, fraud and money laundering activities. The employee who breaches the rules is subject to disciplinary action including employment termination. Internal training is regularly offered with the objective of enhancing our employees’ awareness of anti-corruption.

The Manager has formulated the Whistleblowing Policy to encourage employees and external stakeholders to report potential or suspected improprieties, misbehaviors and corruption practices in good faith. The Manager is committed to keeping the identity of the whistle-blower with all the relevant reported information confidential, so as to prevent any unfair treatment and reprisal. Internal investigation is undertaken in a timely manner with remedial actions being taken where necessary according to the investigation findings. Meanwhile, the Whistleblowing Policy is reviewed regularly regarding its effectiveness by the internal auditor.

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

B8 Community Investment

The Manager is committed to creating positive influences on the community through volunteering activities and community engagement. As a result, a variety of community events are organized in the CCP Property, to engage our tenants, our visitors and the community, and raise their environmental and social awareness respectively. For example, celebration events for International Women’s Day in March and Earth Day in April. Amid the challenges in event planning and hosting as posed by the COVID-19 pandemic and corresponding social distancing measures during the Reporting Year, the Manager strives to attach greater importance to community investment through effective engagement in the near future.

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE

Mandatory Disclosure Requirements		Corresponding Section
<p>Governance Structure</p>	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board’s oversight of ESG issues; (ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses. 	<p>Sustainability Governance – Governance Structure</p>
<p>Reporting Principles</p>	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p>Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	<p>About This ESG Report – Reporting Standard</p>
<p>Reporting Boundary</p>	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	<p>About This ESG Report – Reporting Scope</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Aspect	KPI	Description	Corresponding Section
A. Environment			
A1 Emission	A1	General Disclosure	Environmental Performance – A1 Emissions
	KPI A1.1	The types of emissions and respective emission data.	Considering the nature of the principal business, no significant air emissions were generated from Spring REIT’s operations during the Reporting Year.
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance – A1 Emissions
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance – A1 Emissions
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance – A1 Emissions
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Performance – A1 Emissions
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Performance – A1 Emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Aspect	KPI	Description	Corresponding Section
A2 Use of resources	A2	General Disclosure	Environmental Performance – A2 Use of Resources
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Performance – A2 Use of Resources
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Performance – A2 Use of Resources
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Performance – A2 Use of Resources
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Performance – A2 Use of Resources
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Considering the nature of the principal business, no significant air emissions were generated from our operations during the Reporting Year.
A3 The environment and natural resources	A3	General Disclosure	Environmental Performance – A3 Environment and Natural Resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Performance – A3 Environment and Natural Resources
A4 Climate change	A4	General Disclosure	Environmental Performance – A4 Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Performance – A4 Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Aspect	KPI	Description	Corresponding Section
B1 Employment	B1	General Disclosure	Social Performance – B1 Employment
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Social Performance – B1 Employment
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance – B1 Employment
B2 Health and safety	B2	General Disclosure	Social Performance – B2 Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social Performance – B2 Health and Safety
	KPI B2.2	Lost days due to work injury.	Social Performance – B2 Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Social Performance – B2 Health and Safety
B3 Development and training	B3	General Disclosure	Social Performance – B3 Development and Training
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Performance – B3 Development and Training
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Performance – B3 Development and Training
B4 Labour standards	B4	General Disclosure	Social Performance – B4 Labour Standards
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social Performance – B4 Labour Standards
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Social Performance – B4 Labour Standards

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Aspect	KPI	Description	Corresponding Section
B5 Supply chain management	B5	General Disclosure	Social Performance – B5 Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region.	Social Performance – B5 Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Social Performance – B5 Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Social Performance – B5 Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Social Performance – B5 Supply Chain Management
B6 Product responsibility	B6	General Disclosure	Social Performance – B6 Product Responsibility
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Considering the nature of the principal business, no products sold or shipped subjected to recalls for safety and health reasons during the Reporting Year.
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Social Performance – B6 Product Responsibility
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Social Performance – B6 Product Responsibility
	KPI B6.4	Description of quality assurance process and recall procedures.	Social Performance – B6 Product Responsibility
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Social Performance – B6 Product Responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Aspect	KPI	Description	Corresponding Section
B7 Anti-corruption	B7	General Disclosure	Social Performance – B7 Anti-corruption
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Social Performance – B7 Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Social Performance – B7 Anti-corruption
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Social Performance – B7 Anti-corruption
B8 Community investment	B8	General Disclosure	Social Performance – B8 Community Investment
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social Performance – B8 Community Investment
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Social Performance – B8 Community Investment

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND KEY MEMBERS



BOARD OF DIRECTORS, SENIOR MANAGEMENT AND KEY MEMBERS

DIRECTORS

Toshihiro Toyoshima

Chairman and Non-executive Director

Mr. Toyoshima, aged 60, was appointed as the Chairman of the Board and a Non-executive Director of the Manager on 29 January 2013. Following a group restructuring, Mr. Toyoshima was appointed as director of Mercuria Holdings on 1 July 2021. Mr. Toyoshima has been the chief executive officer of Mercuria Investment since October 2008, and has been sitting on its board from its establishment in October 2005. Prior to joining Mercuria Investment, he worked in Development Bank of Japan from April 1985 to October 2008. Between July 2001 and September 2004, Mr. Toyoshima also worked at the World Bank as a senior private sector specialist, in charge of the private sector policies in four African countries.

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



Hideya Ishino

Non-executive Director

Mr. Ishino, aged 59, was appointed as a Non-executive Director of the Manager on 10 April 2013. Following a group restructuring, Mr. Ishino was appointed as director of Mercuria Holdings on 1 July 2021. He has been working for Mercuria Investment since June 2008 and has served as the chief operating officer of Mercuria Investment since March 2010. Before joining Mercuria Investment, Mr. Ishino co-founded Sports Vanguard Co., Ltd., a company which provides sports-related internet community services and trading platform, in March 2004. Mr. Ishino had also previously worked in Salomon Brothers (Tokyo) from April 1986 to March 2000.

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



Leung Kwok Hoe Kevin

Executive Director and Chief Executive Officer

Mr. Leung, aged 52, was appointed as an Executive Director of the Manager in January 2017 and as Chief Executive Officer of the Manager on 1 June 2020. He is one of the Responsible Officers of the Manager. Mr. Leung has over 23 years of experience in finance and treasury, investment and fund management fields.

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

Mr. Leung holds a Master of Applied Science in Biopharmaceutical from The University of New South Wales in Australia, a Bachelor of Economics degree and a Bachelor of Laws degree, both from The University of Sydney in Australia. He is a Chartered Financial Analyst.



Chung Wai Fai, Michael

Executive Director

Mr. Chung, aged 41, was appointed as an Executive Director of the Manager on 24 March 2021, and is one of the Responsible Officers and Head of Investment and Investor Relations of the Manager. He is responsible for identifying and evaluating potential acquisitions or investments and for investor relations activities. Mr. Chung has over 17 years of experience in asset management and investment research in the Asia ex-Japan region. Prior to joining the Manager, Mr. Chung was a senior fund manager and responsible officer of Imperial Capital Limited, where he was involved in launching an absolute-return Asia ex-Japan equity fund and assumed responsibilities in product development and strategy formulation. Previously, Mr. Chung was a fund manager of iVenture Investment Management Limited and was actively involved in investment idea generation, equity research, macroeconomic analysis, and day-to-day portfolio management of its absolute-return Asia ex-Japan equity fund. Mr. Chung started his career at PricewaterhouseCoopers, performing statutory audit works for companies in Hong Kong and mainland China.

Mr. Chung holds a Bachelor's degree in Business Administration (Finance) from Hong Kong University of Science and Technology and is a CFA charterholder.



Simon Murray

Independent Non-executive Director

Mr. Murray, aged 83, was appointed as an Independent Non-executive Director of the Manager on 20 November 2013. He was the founder and chairman of GEMS (General Enterprise Management Services Limited) a private equity group in 1998 and has changed his role to become the non-executive chairman as of July 2015. He is also an independent non-executive director of: (i) Wing Tai Properties Limited (Stock Code: 0369) since March 1994; a non-executive director of (ii) Greenheart Group Limited (Stock Code: 0094) since August 2010; (iii) China LNG Group Limited (Stock Code: 0931) since April 2015 (after having been re-designated from the role of Independent Non-executive Director which was appointed in October 2014).

Mr. Murray was an executive director of Hutchison Whampoa Ltd for 10 years. He was also the executive chairman, Asia Pacific of the Deutsche Bank Group between 1994 and 1998. Previously he acted as the vice chairman & independent non-executive director of Essar Energy plc (a company listed on the London Stock Exchange) from 2010 to 2014; the non-executive chairman of Glencore International plc (a company dually listed on the London Stock Exchange and the Hong Kong Stock Exchange (Stock Code: 805) from 2011 to 2013; the chairman & independent non-executive director of Gulf Keystone Petroleum Ltd. (a company listed on London Stock Exchange) between 2013 and 2015; the non-executive director of Vodafone Group Plc between 2007 and 2010, and independent director of Sino-Forest Corporation (a company listed on the Toronto Stock Exchange) between 1999 and 2013; the non-executive director of CK Asset Holdings Limited (Stock Code: 1113) between 2015 and 2017; the non-executive director of Compagnie Financière Richemont SA (a company listed on Swiss Exchange between 2003 and 2017, the independent non-executive director of Orient Overseas (International) Limited (Stock Code: 0316) between 1992 and 2018; and the independent non-executive director of IRC Limited (Stock Code: 1029) between 2016 (after having been re-designated from the role of non-executive director which was appointed in 2010) and 2020.

Mr. Murray holds an honorary degree of Doctor of Laws from Bath University.



Qiu Liping

Independent Non-executive Director

Mr. Qiu, aged 58, was appointed as an Independent Non-executive Director of the Manager on 20 November 2013. Mr. Qiu is a co-founder of Milestone Capital, a China-focused private equity investment company. Since February 2002, he has been the general partner of Milestone China Opportunities Fund I and Fund II, L.P., both being partnerships that invest primarily in high-growth Chinese companies. Mr. Qiu has been a director of Qinhuangdao Boostsolar Photovoltaic Equipment Co., Ltd. (which has been quoted on the National Equities Exchange and Quotations since 18 August 2014).

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



Lam Yiu Kin

Independent Non-executive Director

Mr. Lam, aged 68, was appointed as an Independent Non-executive Director of the Manager on 12 January 2015. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants in England & Wales (ICAEW), Chartered Accountants Australia and New Zealand (CA ANZ), and the Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. Lam has extensive experience in accounting, auditing and business consulting.

Mr. Lam currently serves as an Independent non-executive Director of (i) Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (Stock Code: 1349) since October 2013; (ii) Global Digital Creations Holdings Limited (Stock Code: 8271) since July 2015; (iii) Shougang Century Holdings Limited (formerly known as Shougang Concord Century Holdings Limited) (Stock Code: 0103) since August 2015; (iv) COSCO SHIPPING Ports Ltd. (Stock Code: 1199) since August 2015; (v) Nine Dragons Paper (Holdings) Limited (Stock Code: 2689) since March 2016; (vi) CITIC Telecom International Holdings Limited (Stock Code: 1883) since June 2017; and (vii) Topsports International Holdings Limited (Stock Code: 6110) since September 2019.

Mr. Lam ceased to act as an independent non-executive director of Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited) (Stock Code: 0273) with effect from 24 May 2017, Vital Innovations Holdings Limited (Stock Code: 6133) with effect from 31 October 2020, Bestway Global Holding Inc. (Stock Code: 3358 voluntarily withdrawn its listing in Hong Kong on 12 October 2021) with effect from 31 December 2021 and WWPKG Holdings Company Limited (Stock Code: 8069) with effect from 2 August 2022.

Mr. Lam was previously a member of the Listing Committee and the Financial Reporting Advisory Panel of the Stock Exchange of Hong Kong Limited from 1997 to 2003, a committee member of HKICPA from 1994 to 2009, a partner of PricewaterhouseCoopers Hong Kong from 1993 to 2013, and a member of the Finance Committee of the Hong Kong Management Association until July 2016. Mr. Lam graduated from The Hong Kong Polytechnic University with a higher diploma in 1975 and was conferred an Honorary Fellow in 2002.

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



BOARD OF DIRECTORS, SENIOR MANAGEMENT AND KEY MEMBERS (continued)



Spring REIT Management Team

The Manager is responsible for managing Spring REIT in the best interests of the Unitholders, with an aim to delivering stable distributions and sustainable long-term growth. The Manager is licensed by the Securities and Futures Commission of Hong Kong to conduct the regulated activity of asset management, as required by the REIT Code and the Securities and Futures Ordinance.

(1) Kwok Hoe, Kevin LEUNG

CEO & Executive Director

(3) Anthony CHAN

Senior Vice President, Investment & Finance

(5) Hung Yan, Verona LAW

Manager, Investment & Investor Relations

(7) Libby NG

Manager, Administration

(2) Wai Fai, Michael CHUNG

Executive Director

(4) Tavy TING

Vice President, Compliance

(6) Yanan BAI

Manager, Asset Management

PRC Property Management Team

Under Spring REIT's current structure, property and building management functions at the PRC property level are delegated to respective property managers and building managers. Under the overall management and supervision of the Manager, the day-to-day monitoring and supervision of the PRC property operations in Beijing and Huizhou are supported by a team of professional members as the Manager's appointed delegates on the ground.

(8) Judy YAN

General Manager (Beijing) & CFO (Huizhou)

(10) Francis BAI

Deputy General Manager (Beijing) & Project Director (Huizhou)

(9) Trevor TANG

General Manager (Huizhou)

(11) Sophia LI

Leasing Director (Beijing)

CORPORATE GOVERNANCE

OUR VISION

The Manager's vision is for Spring REIT to be a leading real estate investment trust, owning a well-managed portfolio of high-quality income-producing properties while positively impacting stakeholders in the communities where we operate.

OUR STRATEGY

The Manager's key objectives are to provide Unitholders with stable distributions and the potential for sustainable long-term growth in distributions and to enhance the value of its real estate assets. The Manager intends to accomplish these objectives through investing in high quality income-producing real estate assets primarily in Mainland China.

The main aspects of the Manager's strategy are as follows:

Asset Management Strategy

The Manager aims to maintain high occupancy rates and maximize property value by increasing tenant loyalty, providing professional services, and exploring marketing opportunities. The Manager works closely with property managers to develop proactive leasing strategies, implement asset enhancement initiatives and control expenses while maintaining quality services for tenants.

Acquisition Strategy

The Manager actively seeks opportunities to acquire income-generating properties that offer attractive returns and potential for long-term growth in distribution and enhancement in capital value. The Manager will evaluate acquisition opportunities based on returns, stability, risk diversification, and potential for long-term capital appreciation. From time to time, the Manager considers selling non-core assets to explore more appealing investment opportunities to enhance the portfolio.

Capital and Risk Management Strategy

The Manager adopts a prudent capital and risk management strategy with an aim to maximize returns and distributions to Unitholders while maintaining a sensible and balanced risk management framework. The capital structure is constantly monitored and optimized and an appropriate loan-to-value ratio is maintained within the REIT Code requirements. Internal control and risk management systems are regularly reviewed to ensure their effectiveness.

OUR VALUES AND CULTURE

The Manager is committed to developing an inclusive and sustainable culture that aligns with our vision, strategy, and values, and enables Spring REIT to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen.

The Manager believes in pursuit of excellence, and conducting business with high-level of professional integrity and collaboration among teams. Our actions should be accountable towards both the environment and stakeholders and our efforts during the year are exemplified by the various initiatives set out in the 2022 ESG Report.

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 culture, 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. All Directors act with integrity, lead by example, and promote the desired culture which instils and continually reinforces across the organization values of acting lawfully, ethically and responsibly.

During the Reporting Year, both the Manager and Spring REIT have in material terms complied with the provisions of the Compliance Manual including the corporate governance policy set out in Schedule 5 of the Compliance Manual, the Trust Deed, the REIT Code and applicable provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and the Listing Rules.

AUTHORIZATION STRUCTURE

Spring REIT is a collective investment scheme constituted as a unit trust and authorized by the SFC under section 104 of the SFO and regulated by the SFC pursuant to the applicable provisions of the SFO, the REIT Code and the Listing Rules. The Manager has been authorized by the SFC under section 116 of the SFO to conduct the regulated activities of asset management. As at the date of this report, Mr. Leung Kwok Hoe, Kevin (Executive Director and Chief Executive Officer of the Manager), Mr. Chung Wai Fai (Executive Director of the Manager), Ms. Law Hung Yan Verona and Ms. Bai Yanan (appointed on 8 November 2022) 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 as 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.

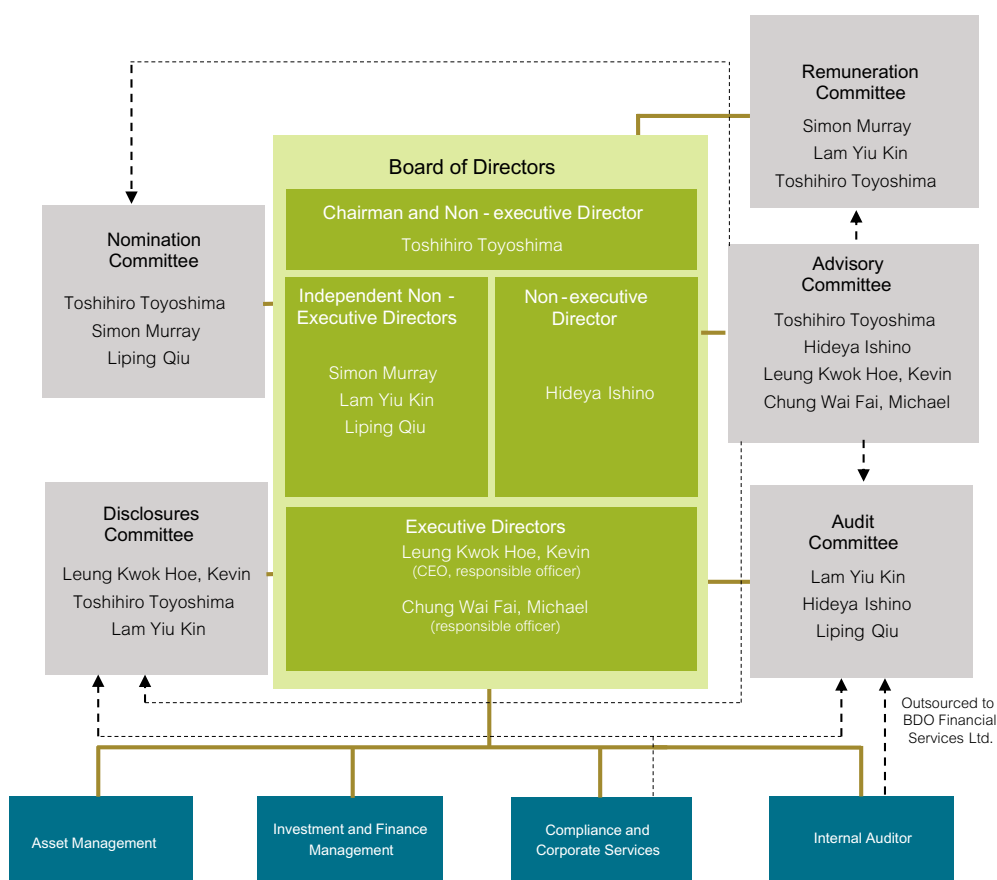
ROLES OF THE TRUSTEE AND THE MANAGER

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

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

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

ORGANIZATIONAL AND REPORTING STRUCTURE OF THE MANAGER



THE BOARD AND DELEGATIONS

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

THE BOARD

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

Non-executive Directors

Toshihiro Toyoshima (*Chairman*)
Hideya Ishino

Executive Directors

Leung Kwok Hoe, Kevin (*Chief Executive Officer*)
Chung Wai Fai

Independent Non-executive Directors

Simon Murray
Lam Yiu Kin
Qiu Liping

Biographical details of the above Directors are set out in the section headed “Board of Directors and Senior Management” above and published on Spring REIT’s website at www.springreit.com.

BOARD RESPONSIBILITIES

The Board is responsible for ensuring that the Manager discharges its duties under the Trust Deed, which include but are not limited to:

- (i) managing Spring REIT in accordance with the Trust Deed in the sole interest of the Unitholders;
- (ii) ensuring sufficient oversight of the daily operations and financial conditions of Spring REIT when managing Spring REIT;
- (iii) ensuring compliance with the licensing and authorization conditions of the Manager and Spring REIT and with any applicable laws, rules, codes and/or guidelines issued by government departments, regulatory bodies, exchanges or any other organizations regarding the activities of Spring REIT or its administration; and
- (iv) reviewing and monitoring the training and continuous professional development of Directors, executive officers and senior management.

CORPORATE GOVERNANCE (continued)

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

- (i) declaration of 2021 final results and 2022 interim results of Spring REIT, as well as 2021 final distribution and 2022 interim distribution of Spring REIT.
- (ii) change of address of unit registrar and transfer office of Spring REIT.
- (iii) change of registered office of the Manager.
- (iv) proposed major transaction relating to the purchase of a commercial property in Huizhou, PRC, and other continuing connected party transactions, etc.).

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

BOARD COMPOSITION

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

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

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

CORPORATE GOVERNANCE (continued)

The Board composition is being reviewed regularly to ensure that the Board has the appropriate mix of expertise, skills and experience and that the Directors being appointed have the relevant expertise, skills and experience in discharging their duties.

There is no relationship (including financial, business, family or other material/relevant relationships) between Board members, in particular, between the Chairman and the Chief Executive Officer and Executive Director.

BOARD MEETINGS

The Board meets on a regular basis and generally no less than four times in each financial year at approximately quarterly intervals. According to the Compliance Manual, Directors are given written notices of Board meetings at least fourteen days in advance of the regular meetings, with suitable arrangements in place to allow Directors to include new items in the agenda. Agenda and accompanying board papers are circulated at least three days before the scheduled date of a Board meeting. Board consents are given by votes at Board meetings and written resolutions are signed by all Directors from time to time. The Board process is further facilitated by telephone conferences in cases where urgent discussions and decisions are required before the next regular Board meeting or where certain Director(s) is/are out of town.

No Board meeting, or any adjourned Board meeting, will be quorate unless a simple majority of Directors for the time being are present at the time when the relevant business is transacted. Pursuant to the articles of association of the Manager, a Director who, whether directly or indirectly, has an interest in a contract or proposed transaction, arrangement or contract with the Manager, which is of significance to the Manager's or Spring REIT's business, must declare the nature and extent of his interest either at the earliest Board meeting or by giving a general notice to the Directors before the question of entering into the transaction, arrangement or contract is taken into consideration on behalf of the Manager.

According to the Compliance Manual, a Director who is prohibited from voting on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest (unless otherwise allowed by the articles of association of the Manager) or by reason of a conflict of interests is not counted as having voting authority and for the purpose of establishing the necessary quorum for the meeting.

Matters to be considered by the Board are to be adopted on the basis of a simple majority of votes.

During the Reporting Year, four regular meetings of the Board were held. Besides, there was one additional meeting of the Board held during the year.

CORPORATE GOVERNANCE (continued)

The attendance of individual Directors at such Board meetings during the Reporting Year was as follows:

Members of the Board	Number of meetings attended/ Number of meetings held during term of office within the Reporting Year	Attendance rate
Chairman and Non-executive Director		
Mr. Toshihiro Toyoshima	5/5	100%
Chief Executive Officer and Executive Director		
Mr. Leung Kwok Hoe, Kevin	5/5	100%
Executive Director		
Mr. Chung Wai Fai	5/5	100%
Non-executive Director		
Mr. Hideya Ishino	5/5	100%
Independent Non-executive Directors		
Mr. Simon Murray	3/5	60%
Mr. Lam Yiu Kin	5/5	100%
Mr. Qiu Liping	5/5	100%

DIRECTOR'S TRAINING

Each newly appointed Director will receive a package of orientation materials on the business and operations of Spring REIT and the legal framework under which Spring REIT is governed. The package includes but not limited to the REIT Code, Trust Deed and Compliance Manual and recent publications of Spring REIT. Senior executives of the Manager will also provide the Directors with the necessary information in the form of special reports. Also, additional information will always be provided to the Directors upon request.

To keep the Directors abreast of their responsibilities and infuse them with new knowledge relevant to the Group and Spring REIT's business and operating environment, the Manager arranges and provides continuous professional development training and relevant reading materials to Directors to ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which Spring REIT conduct its business and to refresh their skills and knowledge on the roles, functions and duties of a Director. In addition, the attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts towards continuous professional development training.

CORPORATE GOVERNANCE (continued)

Based on the training records provided to the Manager by the Directors, the Directors have participated in the following training during the Reporting Year:

Members of the Board	Types of Training
Chairman and Non-executive Director	
Mr. Toshihiro Toyoshima	A, B
Chief Executive Officer and Executive Director	
Mr. Leung Kwok Hoe, Kevin	A, B
Executive Director	
Mr. Chung Wai Fai	A, B
Non-executive Director	
Mr. Hideya Ishino	A, B
Independent Non-executive Directors	
Mr. Simon Murray	A, B
Mr. Lam Yiu Kin	A, B, C
Mr. Qiu Liping	A, B

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the "Connected Party Transactions" section on pages 102 to 109 of this report and in Note 25 to the consolidated financial statements of Spring REIT, no transactions, arrangements or contracts of significance subsisted during or at the end of the Reporting Year in which a Director or any entity connected with a Director is or was materially interested, whether directly or indirectly.

KEY RESERVED MATTERS TO THE BOARD

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

- (i) approval of interim, final and special (if any) distributions, interim and annual reports and financial statements and circulars to Unitholders;
- (ii) recommendation to Unitholders on any change of the provisions of the Trust Deed;
- (iii) approval of acquisition and/or disposition of properties;

CORPORATE GOVERNANCE (continued)

- (iv) appointment or removal of the Executive Director and any other Directors as well as the company secretary;
- (v) issue of new Units of Spring REIT;
- (vi) approval of any matter which would have a material effect on Spring REIT's financial position, liabilities, future strategy or reputation; and
- (vii) delegation of powers and authority to various Board committees.

INSURANCE

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF THE MANAGER

The positions of Chairman (Mr. Toshihiro Toyoshima, who is a Non-executive Director) and Chief Executive Officer (Mr. Leung Kwok Hoe, Kevin who is an Executive Director) are held by separate persons in order to maintain an effective segregation of duties. The Chairman is mainly responsible for the overall leadership of the Board and for ensuring that the Board functions effectively and acts in the best interests of the Unitholders. He leads Board discussions and deliberations and is also responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintains effective communications with Unitholders. The Chief Executive Officer together with an Executive Director are responsible for the day-to-day operations and management of the Manager and Spring REIT and supervises the Manager's management team to ensure that Spring REIT is operated in accordance with the stated strategy, policies and regulations. Each of the Chief Executive Officer and the Executive Director executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of Spring REIT's business via management reports.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The appointment, re-election and removal of Directors (including ROs) is a matter for the Board and the shareholders of the Manager to determine in accordance with the Compliance Manual, the articles of association of the Manager and the applicable laws (if applicable). As the Manager is licensed by the SFC under Part V of the SFO, the appointment and removal of any of the Executive Directors and the Non-executive Directors (including the Independent Non-executive Directors) and the removal of a RO must be notified to the SFC and the appointment of a RO requires the prior approval of the SFC.

All the Independent Non-executive Directors were appointed on 20 November 2013 (except Mr. Lam Yiu Kin who was appointed on 12 January 2015) for an initial term of three years and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, unless and until terminated by not less than three months' notice in writing served by either party.

Further, the Board noted that Mr. Lam Yiu Kin is an Independent Non-executive Director of more than seven (7) listed companies. The Board is of the view that Mr. Lam is able to devote sufficient time in acting as an Independent Non-executive Director as (i) he is not preoccupied with any full-time work and as an independent non-executive director of the other listed companies, he is not required to have full-time involvement in the affairs of, or participate in day-to-day operations of, those listed companies; (ii) equipped with extensive experience and in-depth knowledge, particularly on corporate governance matters, acquired and developed from his background and past offices (including his directorship in other listed companies), he is fully aware of the responsibilities and expected time involvement as an

CORPORATE GOVERNANCE (continued)

independent non-executive director; (iii) he attended all Board meetings, audit committee meetings, remuneration committee meetings, disclosures committee meetings, the independent board committee and the annual general meeting of the Manager as well as the annual general meeting of Spring REIT held in 2022 and provided professional and valuable advice on the financial and operational aspects of both the Company and Spring REIT; and (iv) he has confirmed to the Manager that he is able to discharge, and will continue to devote sufficient time to discharging, his duties as an Independent Non-executive Director.

All Directors for the time being shall retire from office at the annual general meeting of the Manager every year, and shall be eligible for re-election. All Directors were re-elected at the annual general meeting of the Manager held in 2022.

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

DISCLOSURE ON INDEPENDENT NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENT

Pursuant to the announcement of the Manager dated 24 October 2014 (the "**Independent Non-executive Director Remuneration Announcement**"), the Manager has adopted an arrangement for the remuneration of its Independent Non-executive Directors, which would be paid out of the Manager's own assets, under which each of the Independent Non-executive Directors of the Manager may elect the percentage of his remuneration to be made in the form of Units to be transferred from the Manager (the "**INED Remuneration Arrangement**"). As stated in the Independent Non-executive Director Remuneration Announcement, the Manager is required to disclose the following information in the interim report and annual report of Spring REIT:

Name of Independent Non-executive Director of the Manager	Remuneration for the Reporting Year ⁽ⁱ⁾ (HK\$)	Election for percentage of remuneration to be paid in form of Units during the Reporting Year	Number of Units paid as remuneration during the Reporting Year ⁽ⁱⁱ⁾
Mr. Simon Murray	414,000	100%	158,000
Mr. Qiu Liping	414,000	100%	158,000
Mr. Lam Yiu Kin	450,000	100%	173,000

Notes:

- (i) The remunerations were determined after arm's length negotiation between each Independent Non-executive Director and the Manager, with reference to market conditions as well as experience and qualifications of each Independent Non-executive Director.
- (ii) For each Independent Non-executive Director's current beneficial interests in Units of Spring REIT and the change (if any) in their respective beneficial interests in Units of Spring REIT during the Reporting Year, please see the section headed "Disclosure of Interests" in this report.

BOARD COMMITTEES

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

The committees of the Board are currently as follows:

Audit Committee

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

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

The responsibilities of the Audit Committee also include:

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

During the Reporting Year, four regular meetings of the Audit Committee were held. Apart from the above four meetings of the Audit Committee, there was one additional meeting of the Audit Committee held.

CORPORATE GOVERNANCE (continued)

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

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

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

- (i) reviewed the audited financial statements, the final results announcement and annual report of Spring REIT for the year ended 31 December 2021.
- (ii) reviewed the unaudited financial statements, the interim results announcement and interim report of Spring REIT for the six months period ended 30 June 2022.
- (iii) reviewed the internal control system of Spring REIT, with reference to the internal control report of Spring REIT prepared by the internal auditor, and the effectiveness of Spring REIT's internal audit function.
- (iv) considered and recommended to the Board on the re-appointment of external auditor of Spring REIT and approved the terms of engagement.
- (v) reviewed the legal and regulatory compliance matters for the year ended 31 December 2021 and for the six months period ended 30 June 2022 which included, among others, the connected party transactions and continuing connected party transactions of Spring REIT.
- (vi) reviewed the risk update and risk management system.
- (vii) reviewed and approved the 2022 annual budget of the Group prepared by the Manager.
- (viii) considered and recommended to the Board on the 2023 annual budget of Spring REIT

Promotional Expenses

Pursuant to the waiver granted by the SFC on 21 November 2013 from strict compliance with the requirements under Paragraph 9.13(b) of the REIT Code, certain expenses relating to marketing, promotion, advertising, roadshows, press conferences, luncheons, presentations, and other public relations-related fees (collectively “**Promotional Expenses**”) are allowed to be paid out of the deposited property (as defined in the Trust Deed) of Spring REIT.

During the Reporting Year, the Promotional Expenses incurred amounted to RMB0.6 million. Pursuant to the conditions of the above-mentioned waiver and having reviewed the supporting evidences as it may reasonably deem necessary, the Audit Committee has confirmed that such Promotional Expenses were incurred (i) in accordance with the internal control procedures of the Manager; and (ii) the nature of these Promotional Expenses was solely for the purposes as set out in the relevant clauses of the Trust Deed.

Disclosures Committee

The members of the Disclosures Committee of the Manager are appointed by the Board from among the Directors. The Disclosures Committee consists of three Directors, one of whom should at all times be an Independent Non-executive Director. The functions of the Disclosures Committee include reviewing matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the Manager to ensure the information disclosed is accurate, complete and not misleading. As at the date of this report, the members of the Disclosures Committee are Mr. Leung Kwok Hoe, Kevin (an Executive Director and the Chief Executive Officer), Mr. Toshihiro Toyoshima (a Non-executive Director) and Mr. Lam Yiu Kin (an Independent Non-executive Director). Mr. Leung Kwok Hoe, Kevin has been appointed as the chairman of the Disclosures Committee.

The Disclosures Committee’s responsibilities mainly include:

- (i) reviewing and making recommendations to the Board on matters of corporate disclosure issues and announcements regarding (without limitation) financial reporting, connected party transactions and potential areas of conflict of interests;
- (ii) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Spring REIT to the public and applicable regulatory agencies;
- (iii) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Spring REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies;
- (iv) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies;
- (v) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to Unitholders;
- (vi) reviewing correspondence containing financial information disseminated to Unitholders; and
- (vii) selecting, appointing, directing and terminating, where appropriate, external experts (such as legal advisors or accountants) as the Disclosures Committee deems necessary in the performance of its duties.

During the Reporting Year, two regular meetings of the Disclosures Committee were held. Apart from the above two meetings of the Disclosures Committee, there was one additional meeting of the Disclosures Committee held.

CORPORATE GOVERNANCE (continued)

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

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

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

- (i) reviewed and recommended to the Board on the disclosure of the draft documents of Spring REIT, namely, announcement of date of Board meeting, final results announcement and 2021 final distribution, annual report for the year ended 31 December 2021, 2021 ESG report and announcements relating to the payment of Manager's fees in cash and in Units;
- (ii) reviewed and recommended to the Board on the disclosure of the draft documents of Spring REIT, namely, announcement of date of Board meeting, interim results announcement and 2022 interim distribution and interim report for the six months period ended 30 June 2022;
- (iii) reviewed and recommended to the Board on the draft circular to Unitholders relating to buy-back of Units, draft notice convening the annual general meeting of Spring REIT, relevant draft proxy form to Unitholders and draft announcement of poll results of annual general meeting of Spring REIT;
- (iv) reviewed and recommended to the Board on the draft announcements in relation to unaudited operating statistics for the three months periods ended 31 December 2021, 31 March 2022, 30 June 2022 and 30 September 2022;
- (v) reviewed and recommended to the Board on the draft announcement in relation to the 2023 election of Manager's fees;
- (vi) reviewed and recommended to the Board on the draft circular to Unitholders in relation to the major and connected transactions: acquisition and joint venture relating to a commercial property in Huizhou, the PRC continuing connected transactions, draft notice convening extraordinary general meeting of Spring REIT, relevant draft proxy form to Unitholders and draft announcement of poll results of extraordinary general meeting of Spring REIT;
- (vii) reviewed and recommended to the Board on the draft announcement in relation to change of address of unit registrar and transfer office of Spring REIT;
- (viii) reviewed and recommended to the Board on the draft announcements in relation to continuing connected party transactions in relation to the PAG renewed lease, termination of the existing Mercuria Beijing lease and entering into of the relocation Mercuria Beijing lease and renewal of carpark master lease;

CORPORATE GOVERNANCE (continued)

- (ix) reviewed and recommended to the Board on the draft announcements in relation to completion of acquisition of 68% interest of Huamao Place in Huizhou, the PRC and post-completion true-up payments for acquisition of 68% interest of Huamao Place in Huizhou;
- (x) reviewed and recommended to the Board on the draft clarification announcement in relation to the unaudited operating statistics of Spring REIT's property portfolio for the three months ended 30 September 2022;
- (xi) reviewed and recommended to the Board on the draft announcement in relation to change of registered office of the Manager.

Remuneration Committee

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

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

During the Reporting Year, one meeting of the Remuneration Committee was held.

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

Members of the Remuneration Committee	Number of meetings attended/ Number of meeting held during term of office within the Reporting Year	Attendance rate
Mr. Simon Murray (<i>Chairman</i>)	1/1	100%
Mr. Toshihiro Toyoshima	1/1	100%
Mr. Lam Yiu Kin	1/1	100%

During the Reporting Year, the Remuneration Committee reviewed remuneration of senior staff and Directors; and remuneration of Non-executive Directors and Independent Non-executive Directors.

CORPORATE GOVERNANCE (continued)

Nomination Committee

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

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

During the Reporting Year, one meeting of the Nomination Committee was held.

The attendance of individual members at such Nomination Committee meeting is as follows:

Members of the Nomination Committee	Number of meetings attended/ Number of meeting held during the term of office within the Reporting Year	Attendance rate
Mr. Toshihiro Toyoshima (<i>Chairman</i>)	1/1	100%
Mr. Simon Murray	1/1	100%
Mr. Qiu Liping	1/1	100%

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

Board Diversity Policy Summary

The Manager recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Manager has established a Board Diversity Policy. The policy with a view to achieving a sustainable and balanced development, the Manager sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review this policy including measurable objectives thereto (if any) at least annually, and as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE (continued)

Workforce diversity

Spring REIT is managed by the Manager and does not employ any staff itself.

Existing gender diversity in the Manager, the Property Manager and the Building Manager's workforce is considered to be well-balanced and the Manager anticipates this diverse workforce will be maintained going forward. Please refer to page 47 for details.

Nomination Policy Summary

During the Reporting Year, the Manager has adopted a Nomination Policy for the Nomination Committee which was approved by the Board in December 2018. In summary, the approved Nomination Policy lists out the key criteria in evaluating and selecting candidates for directorship nomination, including but not limited to: character and personality, professional qualifications, experience, time commitment to Spring REIT affairs, achieving diversity on the Board, independence, etc.; as well as the process and procedures for considering candidates for appointment or re-election as Directors so as to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of managing Spring REIT.

Advisory Committee

The members of the Advisory Committee of the Manager are appointed by the Board from among the Directors. As at the date of this report, the members of the Advisory Committee are Mr. Leung Kwok Hoe, Kevin, Mr. Chung Wai Fai (each of whom is an Executive Director), Mr. Toshihiro Toyoshima and Mr. Hideya Ishino (each of whom is a Non-executive Director). Mr. Toshihiro Toyoshima has been appointed as the chairman of the Advisory Committee. The functions of the Advisory Committee include comprehensively reviewing the management services provided by the Manager to Spring REIT, the financial performance of the Manager and Spring REIT, investor relations with respect to Spring REIT and potential acquisition opportunities, as well as supervising the performance of service providers to the Manager and Spring REIT (including the performance of the property manager and the building manager). The Advisory Committee presents information to the Board from time to time between Board meetings as advisable and ensures the smooth co-ordination between the various committees established by the Board. Where appropriate, the Advisory Committee can recommend to the Chairman that a Board meeting shall be convened to discuss any affairs of Spring REIT. Meetings of the Advisory Committee are being held monthly (or more frequently if required) to review management issues of Spring REIT and to make recommendations to the Board. During the Reporting Year, 12 meetings of the Advisory Committee were held.

COMPANY SECRETARY

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

INTERNAL AUDITOR

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

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

The functions of Internal Auditor include:

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

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

A separate discussion on Risk Management and Internal Control is set out on page 98 of this annual report.

EXTERNAL AUDITOR

The Group’s external auditor is PricewaterhouseCoopers (“**PwC**”). The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor’s Report on page 151 of this annual report. PwC has confirmed to the Audit Committee that they are independent with respect to acting as an external auditor to Spring REIT. PwC has been re-appointed for performing the audit for the financial year ending 31 December 2023.

During the Reporting Year, the fees paid/payable to PwC relating to audit and other non-audit services are set out as follows:

Services rendered	Fees paid/ payable RMB’000
– Audit services	1,956
– Other assurance service (note)	3,080
– Other non-assurance services (note)	1,827

Note: Fees related to other assurance service amounting to RMB2,454,000 and other non-assurance services amounting to RMB1,493,000 in relation to the acquisition of Huizhou properties were capitalised in the investment properties.

RISK MANAGEMENT

The Board meets quarterly or more often if necessary to review the financial performance of Spring REIT and the Manager against a previously approved budget. The Board also reviews any risks, including, amongst others, material risks in relation to ESG, associated with the management and performance of Spring REIT from time to time, and examines the liability management and acts upon any advices or comments from internal and external auditors, where appropriate. In assessing any business risk, the Board considers both the economic and environmental aspects and risks related to the property market. In respect of risk management, mitigating strategies are formulated by the management team of the Manager to combat with identified risks, including amongst others, ESG risks and are overseen by the Board on an on-going basis.

The Manager has put in place procedures to ensure well defined and accessible channels to report on suspected fraud, corruption, dishonest practices and for carrying out independent investigation of any reported case and for appropriate follow-up actions to be taken. The aim of the whistle-blowing policy is to encourage the reporting of such matters in good faith with confidence that persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

The Manager has outlined in the anti-corruption guidelines that all members of the Manager are strictly prohibited from soliciting, accepting or offering any bribe when conducting business affairs.

During the Reporting Year, the Board has reviewed the key risks identified through the Audit Committee and is generally satisfied with the effectiveness of the Group's risk management system.

A separate discussion on Risk Management and Internal Control is set out on page 98 of this annual report.

CONFLICTS OF INTEREST AND BUSINESS COMPETITIONS WITH MERCURIA GROUP

Mercuria Holdings Co., Ltd. ("**Mercuria Holdings**") may exercise influence over the affairs of Spring REIT through its control over Mercuria Investment Co., Ltd. ("**Mercuria Investment**") and RCA Fund 01, L.P. ("**RCA Fund**"). RCA Fund, which is managed by Mercuria Investment pursuant to a management agreement between Mercuria Investment and RCA Fund (acting through its general partner, RCAC), held 20.52% interest in the Units of Spring REIT as at 31 December 2022. Mercuria Investment can therefore exercise influence on RCA Fund and its exercise of rights as a Unitholder in respect of the affairs of Spring REIT (in particular, in relation to matters that are subject to voting by the Unitholders, on which RCA Fund is not required to abstain from voting), including in relation to the approval of significant corporate transactions, such as acquisitions and disposals. Together with the Units held by its subsidiary, Mercuria Holdings held in aggregate 25.06% interests in the Units of Spring REIT as at 31 December 2022.

Listed on Tokyo Stock Exchange in July 2021, Mercuria Holdings is principally engaged in investing in companies and projects in growth sectors in Japan, China and other Asian countries and regions with selective investments in the property market. There may be circumstances where Spring REIT will have to compete directly with Mercuria Holdings and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Asian or global markets. There can be no assurance that conflicts of interest will not arise between Spring REIT and Mercuria Holdings in the future.

CORPORATE GOVERNANCE (continued)

Mercuria Investment is a fellow subsidiary of the Manager in which both company is a subsidiary of Mercuria Holdings (collectively "**Mercuria Group**").

Accordingly, Mercuria Holdings may also exercise influence over the affairs of Spring REIT through its wholly owned subsidiary, Mercuria Investment and a non-wholly owned subsidiary, the Manager (as at 31 December 2022, issued shares of the Manager is owned by Mercuria Holdings as to 80.4% and some of the Non-executive Directors of the Manager were and still are directors and/or senior executives of Mercuria Holdings) which has received and will continue to receive cash of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

All conflicts of interest are managed by the Board in accordance with the articles of association of the Manager, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Spring REIT. The Manager has also established various procedures to deal with potential conflicts of interest, including but not limited to:

- (i) unless with the approval of the SFC, the Manager will not manage any real estate investment trust other than Spring REIT nor manage other real estate assets other than those in which Spring REIT has an ownership interest or investment;
- (ii) the Manager will ensure that it will be able to function independently from its shareholders, and all executive officers are employed by the Manager on a full-time basis and are dedicated to the operations of Spring REIT;
- (iii) the Manager has also appointed Independent Non-executive Directors and set up an Audit Committee to provide independent checks on the performance of the Executive Directors/officers and ensure that the Executive Directors/officers manage and operate Spring REIT independently from Mercuria Group;
- (iv) the Manager has established procedures in the Compliance Manual to deal with conflicts of interest;
- (v) the Manager has established an internal control system to ensure that connected party transactions between Spring REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the waiver conditions imposed by the SFC) and that other potential conflicts of interest that may arise are monitored;
- (vi) all conflicts of interest involving a substantial Unitholder or a Director will be required to be managed by a physical Board meeting rather than a written resolution and all Independent Non-executive Directors who, and whose associates, have no material interest in the matter should be present at such Board meeting; and
- (vii) where a Director has material interests, whether direct or indirect, in a matter which is the subject of a resolution proposed at a Board meeting of the Manager, such interested Director is expected to disclose his interest to the Board and shall abstain from voting on the resolution concerned.

CONFLICTS OF INTEREST AND BUSINESS COMPETITIONS WITH THE BEIJING PROPERTY MANAGER

Under the Property Management Agreement entered into between RCA01 (a special purpose vehicle of Spring REIT) and Beijing Hua-re Real Estate Consultancy Co., Ltd., (the “**Beijing Property Manager**”), the Beijing Property Manager provides lease management services, building management services and cash management services for the Beijing CCP Property on an exclusive basis subject to the overall management and supervision of the Manager. The Beijing Property Manager is currently 40% owned by Mercuria Investment and 60% owned by third parties. If the Beijing Property Manager were to manage also any other property which competes with the Beijing CCP Property, there may be potential conflicts of interest between Spring REIT and the Beijing Property Manager in respect of the performance of property management services in relation to the Beijing CCP Property and such other property.

To eliminate the likelihood of any potential future conflicts of interest, the Beijing Property Manager has a team of operational staff dedicated exclusively to provide property management services including lease management services to the Beijing CCP Property. Besides, the Beijing Property Manager has delegated to Beijing Huamao Property Management Co., Ltd. (北京華貿物業顧問有限公司), responsible for the maintenance, repair and upkeep of common areas, common facilities and public structures, operation of the building services systems and maintenance of building security. With respect to property management services, the Manager does not anticipate any significant likelihood of conflicts of interest arising between Spring REIT and the Beijing Property Manager.

REPORTING AND TRANSPARENCY

Spring REIT prepares its financial statements in accordance with International Financial Reporting Standards with financial year ending on 31 December of each year and financial half-year ending on 30 June of each year. In accordance with the REIT Code, the annual reports and semi-annual reports for Spring REIT are published and sent to Unitholders and filed with the SFC no later than four months following each financial year-end and no later than three months following each financial half-year end respectively. In addition, Spring REIT also voluntarily publishes announcements for unaudited operating statistics, such as occupancy levels and passing rents of the properties on a quarterly basis.

As required by the REIT Code, the Manager is required to keep Unitholders informed of any material information and developments with respect to Spring REIT in a timely and transparent manner in order to keep Unitholders apprised of the position of Spring REIT. The Manager furnishes Unitholders with notices of meeting of Unitholders, and circulars in respect of transactions that require Unitholders' approval, and issues announcements relating to Spring REIT, or information that is material in relation to Spring REIT (such as connected party transactions, transactions that exceed a stated percentage threshold, a material change in Spring REIT's financial forecasts, an issue of new Units or a valuation of real estate held by Spring REIT). These documents are also made available to the public on the designated website of Hong Kong Exchanges and Clearing Limited and the website of Spring REIT.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of Spring REIT that give a true and fair view in accordance with International Financial Reporting Standards, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C to the REIT Code.

ISSUES OF FURTHER UNITS

To minimize the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code, the Trust Deed and any other applicable laws and regulations. Such provisions require that further issues of Units be first offered on a pro-rata basis to existing Unitholders, except that Units may be issued or agreed (conditionally or unconditionally) to be issued, (whether directly or pursuant to any Convertible Instruments (as defined in the Trust Deed)) otherwise than on a pro-rata basis to all existing Unitholders and without the approval of Unitholders if the aggregate number of new Units issued during any financial year does not increase the total number of Units in issue at the end of the previous financial year by more than 20% subject to conditions as more specifically set out in the Trust Deed.

In circumstances where pre-emption rights apply, only to the extent that the Units offered are not taken up by such holders may they be allotted to or issued to other persons or otherwise than pro-rata to their existing holdings.

Any issue, grant or offer of Units or Convertible Instruments to a connected person of Spring REIT will require specific prior approval of Unitholders by way of an ordinary resolution in respect of which the connected person shall be prohibited from voting or being counted in the quorum for the meeting of the Unitholders, unless such issue, grant or offer is made under certain circumstances (where, for the avoidance of doubt, no Unitholders' approval will be required) including:

- (i) the connected person of Spring REIT receives a pro-rata entitlement to Units and/or Convertible Instruments in his/her/its capacity as a Unitholder; or
- (ii) Units are issued to a connected person of Spring REIT under clauses 11.1.1 and 11.1.2 of the Trust Deed in settlement of the Manager's fees; or
- (iii) Units are issued to a connected person of Spring REIT pursuant to distribution reinvestment arrangements in accordance with clause 20.9 of the Trust Deed.

Where the issuance of Units would give rise to a conflict of interest on the part of the Manager or its connected persons, the Manager and its connected persons shall abstain from voting in relation to any such issuance of Units.

NEW ISSUE OF UNITS

During the Reporting Year, an aggregate of 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.

COMPLIANCE WITH THE DEALINGS CODE

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

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

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

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

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

COMMUNICATIONS WITH UNITHOLDERS

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

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

During the Reporting Year, an annual general meeting together with an extraordinary general meeting of Spring REIT were held on 26 May 2022, providing a forum for communications between the Board and the Unitholders. The attendance of individual Directors at the annual general meeting and extraordinary general meeting are as follows:

Members of the Board	Annual General Meeting	Extraordinary General Meeting
Chairman and Non-executive Director		
Mr. Toshihiro Toyoshima	1/1	1/1
Chief Executive Officer and Executive Director		
Mr. Leung Kwok Hoe, Kevin	1/1	1/1
Executive Director		
Mr. Chung Wai Fai	1/1	1/1
Non-executive Director		
Mr. Hideya Ishino	1/1	1/1
Independent Non-executive Directors		
Mr. Simon Murray	0/1	0/1
Mr. Qiu Liping	1/1	1/1
Mr. Lam Yiu Kin	1/1	1/1

Representatives of the external auditor also attended the above annual general meeting and extraordinary general meeting of Spring REIT.

Investors and Unitholders may at any time direct their enquiries about Spring REIT to the Board by writing to the Manager's office in Hong Kong at Room 2602, 26/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong or by email to ir@springreit.com.

CONVENING OF A UNITHOLDERS' MEETING AND PUTTING FORWARD OF PROPOSALS AT UNITHOLDERS' MEETING

The Trustee or the Manager may at any time convene a meeting of Unitholders. Pursuant to the Trust Deed, not less than two Unitholders registered as together holding not less than 10% of the outstanding Units in issue for the time being are entitled to request the Manager in writing to convene a meeting of Unitholders. In addition, Unitholders may send their enquiries to the Board or may put forward proposals at general meeting, in both cases, to the investor relations team of the Manager by email or to the registered office of the Manager by post. Please refer to "Corporate Information" on page 208 for the contact details.

NOTICE OF UNITHOLDERS' MEETINGS

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

MATTERS TO BE DECIDED BY UNITHOLDERS BY WAY OF SPECIAL RESOLUTION

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

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

CORPORATE GOVERNANCE (continued)

QUORUM

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

VOTING

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

POLL VOTE

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

INVESTOR RELATIONS

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

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

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

CORPORATE GOVERNANCE (continued)

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

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

The Unitholders and investors’ communication procedures are considered to be effective during the Reporting Year.

CONSTITUTIONAL DOCUMENT

There was no change in the constitutional document of Spring REIT, namely the Trust Deed during the Reporting Year.

REVIEW OF ANNUAL RESULTS

The consolidated annual results of Spring REIT for the Reporting Year have been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their respective terms of reference. The consolidated annual results of Spring REIT for the Reporting Year have also been agreed by the external auditor of Spring REIT in accordance with International Standards on Auditing.

CHANGES IN INFORMATION OF DIRECTORS OF THE MANAGER

During the Reporting Year and up to the date of this annual report, the Manager received notification regarding the following changes in Directors' information:

Director	Changes in Information
Leung Kwok Hoe, Kevin <i>Chief Executive Officer and Executive Director</i>	<ul style="list-style-type: none"> – appointed as legal representative, executive director and general manager of 春泉企業管理(惠州)有限公司 (Spring Enterprise Management (Huizhou) Limited), a subsidiary of the Manager in Huizhou, with effect from 5 July 2022 – appointed as a director of Huamao Capital Focus 03 Limited, a special purpose vehicle of Spring REIT, with effect from 28 September 2022 – appointed as a director of RHZ02 (Hong Kong) Limited, a special purpose vehicle of Spring REIT, with effect from 28 September 2022 – appointed as a director of 瑞中(惠州)商務諮詢有限公司, a special purpose vehicle of Spring REIT, with effect from 28 September 2022 – appointed as a director of 惠州市潤鑫商城發展有限公司, a special purpose vehicle of Spring REIT, with effect from 28 September 2022
Chung Wai Fai <i>Executive Director</i>	<ul style="list-style-type: none"> – appointed as a director of Huamao Capital Focus 03 Limited, a special purpose vehicle of Spring REIT, with effect from 28 September 2022 – appointed as a director of RHZ02 (Hong Kong) Limited, a special purpose vehicle of Spring REIT, with effect from 28 September 2022
Lam Yiu Kin <i>Independent Non-executive Director</i>	<ul style="list-style-type: none"> – retired as an Independent Non-executive Director of WWPKG Holdings Company Limited (Stock Code: 8069) with effect from 2 August 2022

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

CORPORATE GOVERNANCE (continued)

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) HK\$'000
		Highest HK\$	Lowest HK\$	
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. Please also refer to the section headed "Management Discussion and Analysis – New Issue of Units" in this report for details relating to new Units issued by Spring REIT during the Reporting Year.

PUBLIC FLOAT OF THE UNITS

Based on information that is publicly available and within the knowledge of the Directors, Spring REIT maintained a public float of not less than 25% of the issued and outstanding Units as of 31 December 2022.

INVESTMENTS IN PROPERTY DEVELOPMENT AND RELEVANT INVESTMENTS

As at 31 December 2022, Spring REIT did not enter into any (i) Investments in Property Development and Related Activities (as defined in Paragraph 2.16A of the REIT Code); or (ii) Relevant Investments (as defined in Paragraph 7.2B of the REIT Code).

RISK MANAGEMENT AND INTERNAL CONTROL

Spring REIT is exposed to various risks in its course of business and the markets in which it operates. The management recognizes that risk management should be of concern to everyone within Spring REIT and is highly aware of the importance of risk management in managing Spring REIT, and thus it is committed to constructing and maintaining a sound risk management framework to ensure business viability and sustainability. To manage and monitor different risk factors which Spring REIT may be exposed to, the Board is responsible for establishing and overseeing Spring REIT's risk management and internal control systems on an ongoing basis, and ensuring the review of the effectiveness of the risk management and internal control systems is properly conducted. The main features of such systems, which will operate continuously, are described in this Corporate Governance Report.

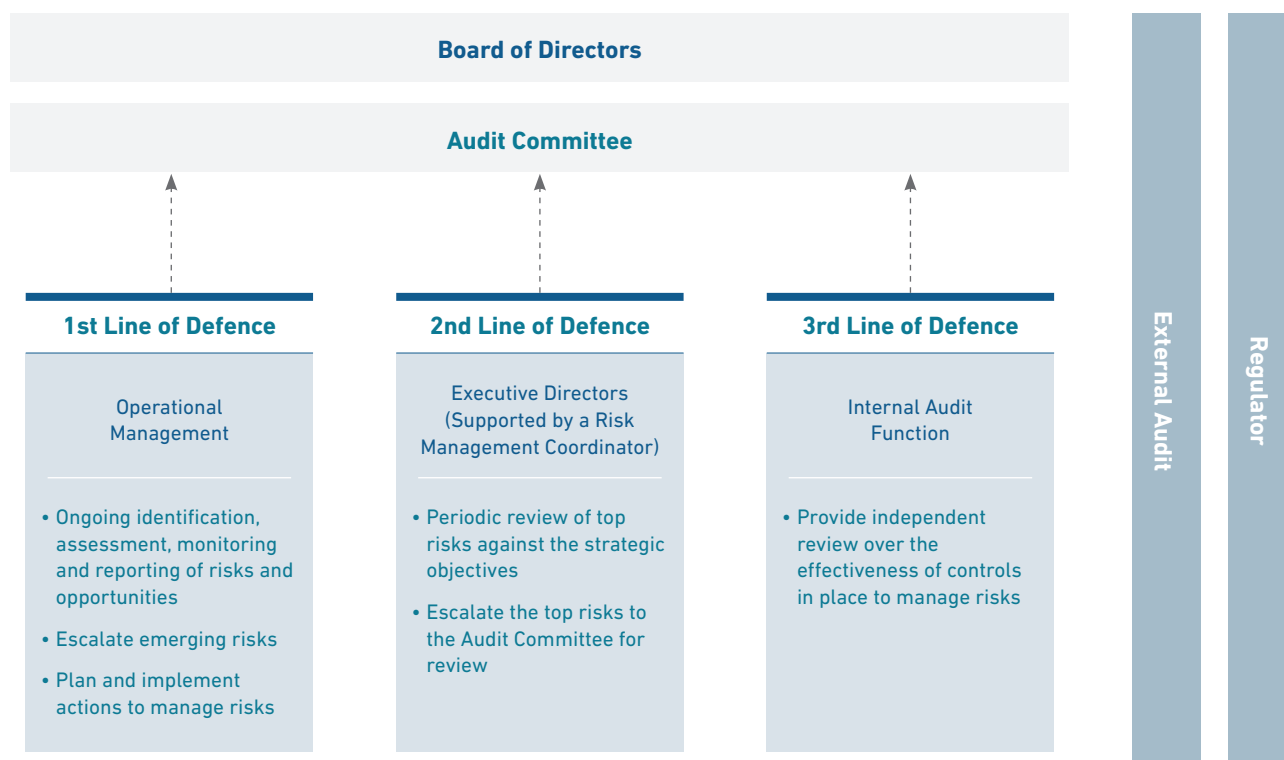
Spring REIT has developed a risk management system, which is defined and supported by its risk management policy (the "**RM Policy**"). The responsibility for maintaining an effective system of internal control and risk management is also included in the terms of reference of the Audit Committee.

A "Top-Down" approach is adopted for the Group's risk management system, which involves strong oversight by the Board, the Audit Committee, and the Executive Directors throughout the risk management processes. The system helps to identify risks and clarify major risks that may hinder the Group from achieving its objectives. It also supports decision-making at the Board and senior management levels and enhances communications within Spring REIT's management team.

RISK GOVERNANCE STRUCTURE

Spring REIT's risk governance structure under its risk management system is shown below. The "Three Lines of Defence" model is adopted where each party is established with distinct and comprehensive role and responsibility.

RISK GOVERNANCE STRUCTURE



RISK MANAGEMENT AND INTERNAL CONTROL (continued)

1st Line of Defence – Operational Management

Operational management consists of Function Heads, who are responsible for identifying and assessing risks associated with business activities in day-to-day operations. They are also responsible for implementing risk action plans to address the top risks identified from the risk assessment process.

2nd Line of Defence – Executive Directors

The Executive Directors supported by a Risk Management Coordinator monitor the overall effectiveness of the Group's risk management system. They resolve and align any risk management practices and activities of different functions that are inconsistent and review the results of the annual risk assessment, which is then submitted and reported to the Audit Committee. The Risk Management Coordinator also prepares a consolidated risk register of Spring REIT to the Executive Directors and Audit Committee for review.

3rd Line of Defence – Internal Audit Function

By carrying out independent reviews of key business processes and controls in accordance with the annual audit plan approved by the Audit Committee, the Internal Audit Function, as the third line of defence, provides independent review result to the Audit Committee on whether the risk management related internal controls within the business function properly. The Internal Audit Function periodically reports to the Audit Committee to evaluate and improve the effectiveness of controls and governance processes.

RISK ASSESSMENT METHODOLOGY



RISK MANAGEMENT AND INTERNAL CONTROL (continued)

RISK ASSESSMENT METHODOLOGY

Spring REIT adopts the Committee of Sponsoring Organizations of Treadway Commission (“**COSO**”) Enterprise Risk Management (“**ERM**”) Framework in establishing its ERM system which illustrates the key components of any ERM system. Spring REIT’s methodology for its risk assessment comprises four core stages as below. The process is performed as necessary to address changes in Spring REIT’s business environment.

The Group’s methodology for its risk assessment comprises four core stages as below. These processes are performed at least once a year to adapt to changes in the REIT’s business environment.

(a) Risk Identification

Functional Heads identify risks in the operations they are responsible for as well as risks that they believe to be relevant to the Group as a whole. All the identified risks are consolidated and summarised into a risk inventory by the Risk Assessment Coordinator, which is then reviewed by the Executive Directors.

(b) Risk Assessment

Risks are evaluated by Functional Heads using predefined risk assessment criteria. Risk scoring and prioritization process are performed. Key risks are prioritised and top risks are validated.

(c) Risk Response

Risk Owners are assigned for each selected risk. Risk Owners also formulate risk mitigation plans for the significant risks identified relating to their areas of responsibility.

(d) Risk Monitoring and Reporting

Risk Owners are responsible for monitoring the implementation and effectiveness of the risk mitigation plans which they are responsible for. The Risk Owners provide periodic updates to the Executive Directors regarding the progress of the implementation of the risk mitigation plans and on the performance of these plans.

REVIEW ON THE EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board conducts an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as strategic, financial, operational and compliance controls. The Internal Audit function is responsible for performing independent reviews of the risk management system and to report the results to the Audit Committee and the Executive Directors.

The Internal Audit function review the efficient performance of the annual risk assessment review assistance exercise and also reviews the effectiveness of the risk mitigation planning process and action plan development.

The risk management and internal control systems can provide reasonable but not absolute assurance against material misstatement or loss, and are designed to manage rather than eliminate the risk of failure in the process of attaining business objectives. Based on the results of the annual review, the Board is satisfied and confident with the effectiveness of the risk management and internal control systems currently put in place for Spring REIT.

COMMUNICATIONS OF RISK EVENTS

Where risk events arise, our communications, both within the Group and to external parties, are an integral part of the risk management system. To enable the Group to make appropriate decisions and responses to mitigate or address any risk events, relevant information on the incident needs to be communicated by and to the right functions and individuals, completely and accurately, and in a timely manner.

With respect to procedures and internal controls for handling and dissemination of inside information, Spring REIT:

- has developed written policies and procedures in relation to the handling of inside information under Hong Kong regulatory requirements, including but not limited to maintenance of confidentiality and prohibition of insider dealing by the management;
- is aware of its obligation under the SFO and the Listing Rules;
- conducts its affairs with close reference to the "Guidelines on Disclosure of Inside Information" issued by the SFC;
- has set out rules and procedures in dealing with enquiries from regulatory bodies, trading halt and additional disclosures to correct a false market.

CONNECTED PARTY TRANSACTIONS

The connected party transaction rules of the REIT Code govern transactions between Spring REIT or other parts of the Group (on the one side) and connected persons (as defined in 8.1 of the REIT Code) of Spring REIT (on the other side). Such transactions constitute connected party transactions of Spring REIT for the purposes of the REIT Code.

Connected persons (as defined in 8.1 of the REIT Code) of Spring REIT include, among others:

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

Note:

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

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

Notes:

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

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

Notes:

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

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

CONNECTED PARTY TRANSACTIONS (continued)

CONNECTED PARTY TRANSACTIONS — INCOME

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income for the Reporting Year RMB	Rental Deposit received as at 31 Dec 2022 RMB
MIBJ Consulting (Beijing) Co., Ltd.	An associate of the Manager and an associate of a director of the Manager ¹	Leasing	955,455	295,073
PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司)	An associate of a substantial holder of Spring REIT ²	Leasing	2,529,506	770,350
Huizhou Huamao Operations Management Co., Ltd.* (惠州華貿商業管理有限公司)	An associate of a substantial holder of Spring REIT ³	Leasing	248,633	180,000

Notes:

1. MIBJ Consulting (Beijing) Co., Ltd. (“**Mercuria Beijing**”) is wholly-owned by Mercuria Holdings Co., Ltd., which in turn holds 80.4% shareholding in the Manager. Both Mr. Toshihiro Toyoshima, the Chairman and Non-executive Director of the Manager, and Mr. Hideya Ishino, a Non-executive Director of the Manager, are also directors of Mercuria Beijing.

On 29 December 2020, the Group (through Beijing Property Manager) as landlord and Mercuria Beijing as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of three years commencing from 1 January 2021. On 19 September 2022, such tenancy agreement was terminated and the Group (through the Beijing Property Manager) as landlord and Mercuria Beijing as tenant entered into a new tenancy agreement for another office premises at the CCP Property for a term of three years commencing from 1 October 2022. Details of the transaction were set out in the announcement of Spring REIT dated 29 December 2020 and 19 September 2022.

2. PAG Investment Consulting (Beijing) Co., Limited (太盟投資管理諮詢(北京)有限公司) (“**PAG Beijing**”) is a non-wholly owned subsidiary of PAG Holdings Limited, a substantial holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code.

On 6 September 2019, the Group (through Beijing Property Manager) as landlord and PAG Beijing as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of three years commencing from 1 November 2019. On 27 May 2022, the tenancy agreement was renewed for a further term of three years with effect from 1 November 2022. Details of the transaction were set out in the announcements of Spring REIT dated 9 September 2019 and 27 May 2022.

CONNECTED PARTY TRANSACTIONS (continued)

3. Huizhou Huamao Operations Management Co., Ltd. is an associate of Huamao Property, a substantial holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code.

On 25 September 2022, Huizhou Runxin Shopping Mall Development Co., Ltd. as landlord and Huizhou Huamao Operations Management Co., Ltd. ("**Huizhou Property Manager**") entered into a leasing framework agreement ("**Direct Operation Leasing Framework Agreement**") to govern the direct operation agreements. As at 31 December 2022, there were ten tenancy agreement entered under the Direct Operating Leasing Framework Agreement.

On 28 September 2022, Huizhou Runxin Shopping Mall Development Co., Ltd. as landlord and the Huizhou Property Manager entered into a tenancy agreement in respect of certain premises owned by Spring REIT at Huamao Place for a term of approximately 27 months commencing from 28 September 2022 until 31 December 2024. Details of the transaction were set out in the circular of Spring REIT dated 3 May 2022.

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

The Group (as lessor) has entered into a carpark master lease contract dated 1 January 2017 and subsequently renewed with last renewal on 13 December 2022 (the "**Carpark Master Lease**") with Beijing Huamao Property Consulting Co., Ltd. First Branch (the "**Carpark Operator**") (as lessee), pursuant to which the Group's carpark spaces within the Development are master-leased to the Carpark Operator at a fixed rent, subject to an annual payment adjustment pursuant to the Carpark Management and Benefit Sharing Agreement (as described below). The Carpark Operator is an independent third party of Spring REIT.

In relation to the Carpark Master Lease, the Group (through Beijing Property Manager) and a wholly-owned subsidiary of Beijing Guohua, both as owners of their respective carpark spaces in the Development, have jointly entered into a carpark management and benefit sharing agreement dated 22 October 2020 and subsequently renewed on 21 December 2021 to (i) appoint the Carpark Operator for the provision of management services in respect of the relevant carpark spaces, and (ii) set out the basis for determining the amount of the net income (after deduction of carpark management fees) generated from the carpark and each owner's entitlement thereto (the "**Carpark Management and Benefit Sharing Agreement**" and together with the Carpark Master Lease, the "**Carpark Contracts**").

Under the Carpark Master Lease, the transaction amount for the Reporting Year was RMB5,214,377. Under the Carpark Management and Benefit Sharing Agreement, (i) the Group's entitlement to the net income (after deduction of carpark management fees) for the Reporting Year was RMB3,882,060, and (ii) the Group's share of the carpark management fees for the Reporting Year was RMB1,678,080.

CONNECTED PARTY TRANSACTIONS (continued)

CONNECTED PARTY TRANSACTIONS — EXPENSES

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Expense for the Reporting Year RMB
Beijing Hua-re Real Estate Consultancy Co., Ltd.	An associate of the Manager and an associate of a director of the Manager ¹	Property management	10,801,111
Huizhou Huamao Operations Management Co., Ltd.* (惠州華貿商業管理有限公司)	An associate of a substantial holder of Spring REIT ²	Property management	6,193,652

Note:

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

On 30 August 2011, the Group and the Beijing Property Manager entered into a property management agreement (the “**Property Management Agreement**”) in relation to the provision of certain property management and lease management as well as marketing services by the Property Manager in respect of the CCP Property. Pursuant to the Property Management Agreement, a monthly property management fee equivalent to 2% of the CCP Property’s monthly total revenue will be payable to the Beijing Property Manager in consideration for the services provided. On 1 September 2019, the Property Management Agreement was extended for a term of two years expiring 31 August 2021. On 26 July 2021, the Property Management Agreement was renewed on the same terms and conditions for another two-year period commencing from 1 September 2021 and expiring on 31 August 2023. Details of the transaction were set out in the announcement of Spring REIT dated 19 July 2019 and 26 July 2021.

2. On 25 September 2022, the Group and the Huizhou Property Manager entered into a property management agreement (the “**Huizhou Property Management Agreement**”) in relation to the provision of certain property management services by the Huizhou Property Manager commencing from 28 September 2022 and expiring on 31 December 2024. Pursuant to the Huizhou Property Management Agreement, the Huizhou Property Manager will be entitled to receive a fee equivalent to 3% of the revenue of the Huizhou Property and a fee equivalent to the Huizhou Property Manager’s human resources cost and the corresponding value-added tax. Details of the transaction were set out in the circular of Spring REIT dated 3 May 2022.

On 21 December 2021, the Group and Beijing Guohua, both as owners of their respective portion of the Development have jointly entered into a service contract for a period of 24 months commencing on 1 January 2022 to appoint Beijing Huamao Property Management Co., Ltd., the common area manager (the “**Common Area Manager**”), for the provision of maintenance and management services for the relevant common areas within the Development (the “**Common Area Service Contract**”).

The Group is responsible for its portion of the management fee payable to the Common Area Manager, which is determined taking into account the Group’s proportional property area. Pursuant to the Common Area Service Contract, the management fee payable by the Group to the Common Area Manager is settled via deduction from the building management fees paid directly by the tenants of the Group to the building manager, and such management fee amount for the Reporting Year was RMB3,284,852. The Common Area Manager is an independent third party of Spring REIT.

CONNECTED PARTY TRANSACTIONS (continued)

On 21 December 2021, Beijing Huamao Property Consulting Co. Ltd.* (the “**Building Manager**”) (as a delegate of RCA01) and Beijing Huamao Commercial Management Co. Ltd.* (the “**Digital CCP Service Provider**”) entered into an agreement under which the Digital CCP Service Provider agreed to provide certain property digital system services (the “**Digital CCP System Service Contract**”) to the Spring REIT CCP Properties and the tenants. Pursuant to the Digital CCP System Service Contract, the service fee for the Reporting Year was RMB3,673,454.

CONNECTED PARTY TRANSACTIONS WITH TRUSTEE CONNECTED PERSONS

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

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Income/(Expense) for the Reporting Year RMB
Leasing Transactions			
Deutsche Bank AG and its associates	Associates of the Trustee	Leasing ¹	36,879,389
Ordinary Banking and Financial Services			
Deutsche Bank AG	An Associate of the Trustee	Interest income received/receivable on bank deposits ²	446,946
Deutsche Bank AG	An Associate of the Trustee	Bank charges ³	(22,433)

Note:

- As at 31 December 2022, a rental deposit of RMB6,857,926 was held by the Group from Trustee Connected Persons. RMB5,345,837 was held by RCA01 (a special purpose vehicle wholly owned and controlled by Spring REIT) by way of bank guarantee provided by Deutsche Bank (China) Co., Ltd. as at 31 December 2022.

On 1 November 2016, Spring REIT (through its Beijing Property Manager) as landlord and Deutsche Bank (China) Company Limited, a Trustee Connected Person, as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of 5 years commencing from 1 December 2016. In October 2021 and November 2021, certain office premises under the tenancy agreement was renewed for a further term of 5 years with effect from 1 December 2021.

On 1 March 2016, Spring REIT (through its Beijing Property Manager) as landlord and Zhong De Securities Company Limited, a Trustee Connected Person, as tenant entered into a tenancy agreement in respect of certain office premises owned by Spring REIT at the CCP Property for a term of 5 years commencing from 1 May 2016. In April 2021, the tenancy agreement was renewed for a further term of 5 years with effect from 1 May 2021.

- It represents the interest income received on the bank deposits with the Trustee Connected Persons.
- It represents the bank charges charged by the Trustee Connected Persons for certain banking services.

CONNECTED PARTY TRANSACTIONS (continued)

CONNECTED PARTY TRANSACTIONS WITH TRUSTEE CONNECTED PERSONS - LEASING UNDER WHICH THE ANNUAL RENT (PER LEASE) EXCEEDS HK\$1 MILLION

The following table sets forth the information on leasing transactions with Trustee Connected Persons with annual rent (per lease) that exceeds HK\$1 million during the Reporting Period.

Name of Connected Person	Relationship with Spring REIT	Nature of the Connected Party Transaction	Rental income for the Reporting Year RMB
Deutsche Bank (China) Company Ltd.	An Associate of the Trustee	Lease for the certain premises of 27th and 28th floors of Tower 1, China Central Place and signage income	17,168,128
Zhong De Securities	An Associate of the Trustee	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	19,711,261

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

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

ACQUISITION OF THE HUIZHOU PROPERTIES

During the year, Spring REIT completed the acquisition of 68% equity interest of Huizhou Runxin Shopping Mall Development Co., Ltd.* (惠州市潤鑫商城發展有限公司) from the Huamao Focus Limited (the "Offshore Seller") and Huizhou Huamao Xingye Real Estate Development Co., Ltd.* (惠州市華貿興業房地產開發有限公司) (the "Onshore Seller"). Both the Offshore Seller and Onshore Seller are an associate of Huamao Property, a substantial holder of Spring REIT, and therefore a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. The total consideration for the acquisition is RMB1,641,530,731.

As at 31 December 2022, the tax holdback amount owing to the Offshore Seller amounting to RMB1,201,310, which would be settled after the Offshore Seller has complied with certain obligations under the China Indirect Transfer Rules and paid the corresponding tax payable under the China Indirect Transfer Rules.

CONNECTED PARTY TRANSACTIONS (continued)

WAIVERS FROM STRICT COMPLIANCE

Waivers from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions entered into by Spring REIT and/or its subsidiaries with their connected persons (the "**Waivers**") have been granted by the SFC. The Waivers have been granted subject to the relevant waiver terms and conditions including, inter alia, the requirements that the transactions should be entered into on normal commercial terms in the ordinary and usual course of business of Spring REIT, and are to be reviewed by the external auditor of Spring REIT, the Independent Non-executive Directors of the Manager and/or the audit committee of the Manager, and (in respect of certain types of transactions) the transaction amounts shall be within the specified annual caps and shall be disclosed in Spring REIT's semi-annual and annual reports (the "**Waiver Conditions**").

During the Reporting Year, Spring REIT has complied with the requisite Waiver Conditions, where applicable.

An extension of the waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain new and certain existing continuing connected party transactions and new annual caps for certain leasing transactions and property management arrangements between the Group and Manager Connected Persons Group has been granted by the SFC on 20 May 2015 (the "**2015 Waiver Extension**"), subject to annual limitation as to the capped value of such transactions, review to be conducted by the external auditor for each relevant financial period, annual review to be conducted by the Independent Non-executive Directors of the Manager and other terms and conditions.

The 2015 Waiver Extension expired on 31 December 2017 (the "**Expiry Date**"). As disclosed in the announcement of the Manager dated 22 December 2017 (the "**2017 Announcement**"), the Board of the Manager decided not to seek an extension of the 2015 Waiver Extension upon its expiry in view that only two relevant continuing connected party transactions was to subsist beyond the Expiry Date. The Manager has complied with during the Reporting Year and will continue to comply with all disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of any relevant continuing connected party transaction which either: (a) subsisted after the Expiry Date; or (b) was entered into by Spring REIT after the Expiry Date.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors have confirmed that they have reviewed the terms of all relevant connected party transactions above and are satisfied that the transactions have been entered into:

- (a) in the ordinary and usual course of business of Spring REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Spring REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interest of the Unitholders as a whole.

CONNECTED PARTY TRANSACTIONS (continued)

REPORT FROM THE AUDITOR IN RELATION TO CERTAIN CONNECTED PARTY TRANSACTIONS

The continuing connected party transactions conducted during the Reporting Year have been reviewed by the external auditor in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The external auditor has issued an unqualified letter containing its findings and conclusions in respect of the connected party transactions including lease transactions, property management transactions and transactions involving ordinary banking and financial services. A copy of such report would be issued and provided to the SFC.

TERMS AND REMUNERATION OF SERVICES PROVIDED BY THE MANAGER AND THE TRUSTEE

Pursuant to REIT Code, services provided by the Manager and the Trustee to Spring REIT as contemplated under the constitutive documents shall not be deemed connected party transactions, but particulars of such services (except where any service transaction with a value of not more than HK\$1 million), such as terms and remuneration, shall be disclosed in the next published interim report or annual report.

During the Reporting Period, the aggregate amount of fees payable by Spring REIT and/or its subsidiaries to the Manager was RMB71.4 million (including acquisition fee of RMB16.6 million). The Manager’s fee paid in the form of Units amounted to HK\$39.1 million and the Manager’s fee paid in the form of cash (include the acquisition fee) amounted to HK\$43.0 million. Based on the election made by the Manager dated 3 December 2021 in relation to the Manager’s elections for the Base Fee payable in the form of cash as to 20% and in the form of units as to 80%, and for Variable Fee payable in the form of cash entirely, arising from any real estate of Spring REIT for the year ending 31 December 2022 in accordance with the Trust Deed.

During the Reporting Year, the fee payable to the Trustee under the Trust Deed was RMB1.8 million (including additional trustee fee of RMB0.1 million in relation to the acquisition of Huizhou Properties).

Particulars of services provided by the Trustee and the Manager are set out in notes 7 and 11 to the consolidated financial statements of Spring REIT for the Reporting Year, respectively.

* The Company has no official English name. The above unofficial English translation is for identification purpose only. Please refer to Chinese version of annual report for official Chinese name.

DISCLOSURE OF INTERESTS

The REIT Code requires that connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT shall disclose their interests in the Units. In addition, under the provisions of the Trust Deed, Part XV of the SFO is also deemed to be applicable to, among others, the Directors and chief executives of the Manager and also indirectly to certain persons interested in or having a short position in the Units.

INTERESTS HELD BY THE MANAGER, THE DIRECTORS, SENIOR EXECUTIVES AND OFFICERS OF THE MANAGER

As at 31 December 2022, each of the following was the Manager, a director, senior executive or officer of the Manager and thus each of them was a connected person of Spring REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units in Spring REIT as follows:

Name	Capacity/ Nature of Interest	As at 31 December 2022		As at 31 December 2021		Change in % of interest
		Number of Units interested in (Long Position)	Approximate % of interest ¹	Number of Units interested in (Long Position)	Approximate % of interest ¹	
The Manager						
Spring Asset Management Limited ²	Beneficial owner/ Beneficial interest	35,467,969	2.39%	21,282,362	1.45%	+0.94%
Directors						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	1,100,000	0.07%	1,100,000	0.07%	0.00%
Hideya Ishino	Beneficial owner/ Personal interest	115,000	0.01%	115,000	0.01%	0.00%
Leung Kwok Hoe, Kevin	Beneficial owner/ Personal interest	759,000	0.05%	759,000	0.05%	0.00%
Simon Murray ³	Beneficial owner/ Personal interest	1,033,000	0.07%	875,000	0.06%	+0.01%
Qiu Liping ³	Beneficial owner/ Personal interest	1,033,000	0.07%	875,000	0.06%	+0.01%
Lam Yiu Kin ³	Beneficial owner/ Personal interest	1,060,000	0.07%	887,000	0.06%	+0.01%
Former Senior Executive						
Alice Yu ⁴	Beneficial owner/ Personal interest	170,000	0.01%	170,000	0.01%	0.00%

Notes:

- The percentages expressed herein are based on the total number of issued Units of 1,484,931,187 as at 31 December 2022 and 1,472,383,580 as at 31 December 2021 respectively.

DISCLOSURE OF INTERESTS (continued)

- 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. The Manager beneficially owned 35,467,969 Units as at 31 December 2022 (31 December 2021: 21,282,362 Units).
- Each of Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin received these Units in lieu of cash pursuant to the Independent Non-executive Director Remuneration Arrangement. Please refer to the sub-section headed "Disclosure on the Independent Non-executive Director Remuneration Arrangement" in the section headed "Corporate Governance" on page 208 of this annual report for details. As at 31 December 2022, there had been no change to the annual election made by each Independent Non-executive Director.
- Ms. Alice Yu ceased to act as the RO and the Head of Compliance of the Manager on 11 August 2022. As the Manager aware, her interest in Units stated under the column "As at 31 December 2022" above was representing her interest as at 11 August 2022.

Save as disclosed above, none of the Manager, the Directors, senior executives or officers of the Manager had beneficial interests (or were deemed to be interested) in any Units and underlying Units or held any short position in the Units as at 31 December 2022 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO or to the Manager only pursuant to the dealing policy set out in the Compliance Manual (as the case may be).

INTERESTS HELD BY SUBSTANTIAL UNITHOLDERS UNDER THE REIT CODE

As at 31 December 2022, based on the information available to the Manager, each of the following persons was considered as a "**substantial holder**" and hence a "**connected person**" of Spring REIT within the meaning and for the purpose of the REIT Code. Their interests or short positions in the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

Name	Capacity/Nature of interest	As at 31 December 2022			As at 31 December 2021			Change in % of interest
		Number of Units interested in (Long Position)	Number of underlying Units interested in (Long Position)	Approximate % of issued Units ¹	Number of Units interested in (Long Position)	Number of underlying Units interested in (Long Position)	Approximate % of issued Units ¹	
RCAC ²	Interest of controlled corporation/ corporate interests	304,699,361	N/A	20.52%	304,699,361	N/A	20.69%	-0.17%
Sumitomo Mitsui Banking Corporation ²	Person having a security interest in shares/other interests	334,720,159	N/A	22.54%	334,720,159	N/A	22.73%	-0.19%
Mercuria Investment ³	Interest of controlled corporation/ corporate interests	336,720,159	N/A	22.68%	336,720,159	N/A	22.87%	-0.19%
Mercuria Holdings ⁴	Interest of controlled corporation/ corporate interests	372,188,128	N/A	25.06%	358,002,521	N/A	24.31%	+0.75%
PAG Holdings Limited ^{5,6}	Interest of controlled corporation/ corporate interests	233,562,089	N/A	15.73%	233,562,089	N/A	15.86%	-0.13%
Spirit Cayman Ltd. ⁷	Beneficial owner/Beneficial interest	169,522,089	N/A	11.42%	169,552,089	N/A	11.52%	-0.10%
Huamao Property ⁸	Interest of controlled corporation & beneficial owner/corporate interests & beneficial interests	185,249,742	N/A	12.48%	185,249,742	N/A	12.58%	-0.10%
Fang Chao ⁹	Interest of controlled corporation/ corporate interests	185,249,742	N/A	12.48%	185,249,742	N/A	12.58%	-0.10%

DISCLOSURE OF INTERESTS (continued)

Name	Capacity/Nature of interest	As at 31 December 2022			As at 31 December 2021			Change in % of interest
		Number of Units interested in (Long Position)	Number of underlying Units interested in (Long Position)	Approximate % of issued Units ¹	Number of Units interested in (Long Position)	Number of underlying Units interested in (Long Position)	Approximate % of issued Units ¹	
Lin Minghan ⁸	Interest of controlled corporation/ corporate interests	185,249,742	N/A	12.48%	185,249,742	N/A	12.58%	-0.10%
Chia Seok Eng ⁸	Interest of controlled corporation/ corporate interests	185,249,742	N/A	12.48%	185,249,742	N/A	12.58%	-0.10%
Shining Path Limited ⁹	Interest of controlled corporation/ corporate interests	162,096,029	N/A	10.92%	162,096,029	N/A	11.01%	-0.09%
Skyland Union Holdings Limited ¹⁰	Interest of controlled corporation/ corporate interests	162,096,029	N/A	10.92%	162,096,029	N/A	11.01%	-0.09%
Sino-Ocean Group Holding Limited ¹¹	Interest of controlled corporation/ corporate interests	176,408,678	N/A	11.88%	176,408,678	N/A	11.98%	-0.10%

Notes:

- The percentages expressed herein are based on the total number of issued Units of 1,484,931,187 as at 31 December 2022 and 1,472,383,580 as at 31 December 2021 respectively.
- These 304,699,361 Units (including 302,699,361 Units in short position) are beneficially owned by RCA Fund. Based on the information available to the Manager, RCAC is a general partner of RCA Fund. RCAC has exclusive rights to the management, control and operation of RCA Fund and is thus deemed to be interested in the Units held by RCA Fund. The interest of 302,699,361 Units in short position represents a pledge by RCA Fund to Sumitomo Mitsui Banking Corporation using the said Units as collateral to secure the borrowing of a loan.
- These 336,720,159 Units comprise the interests of (i) 32,020,798 Units (including 32,020,798 Units in short position) directly held by a 100% controlled entity (SR Target, L.P.); and (ii) 304,699,361 Units (including 302,699,361 Units in short position) directly held by a 41.45% controlled entity (RCA Fund). Please refer to Note 2 above for details of interests of RCA Fund.
- Based on the disclosure of interests notification filed on 1 November 2022, Mercuria Holdings was interested in 372,321,128 Units (including 334,720,159 Units in short position) through 100% or non-100% controlled entities (including the Manager). On 15 December 2022, the Manager had paid remuneration to its Independent Non-executive Directors by transferring a total of 133,000 Units as per the disclosure of interests notification filed on 15 December 2022. After that, Mercuria Holdings was interested in 372,188,128 Units. These 372,188,128 Units comprise the interests of (i) 336,720,159 Units (including 334,720,159 Units in short position) indirectly held by a 100% controlled entity (Mercuria Investment); and (ii) 35,467,969 Units directly held by a 80.40% controlled entity (the Manager). Please refer to Note 3 above for details of interests of Mercuria Investment.
- These 233,562,089 Units comprise the interests of (i) 64,010,000 Units directly held by BT Cayman Ltd.; and (ii) 169,552,089 Units directly held by Spirit Cayman Ltd. Based on disclosure of interests notification made by PAG Holdings Limited filed on 2 December 2020, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 233,562,089 Units in which PAG Holdings Limited was deemed to be interested.
- Based on disclosure of interests notifications filed on 2 December 2020:
 - each of PARE (Cayman) Limited (as controlling entity of SCREP V Management (Cayman), LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP V Management (Cayman), LLC), SCREP V Management (Cayman), LLC (as general partner of Secured Capital Real Estate Partners V, L.P. and SCREP V Feeder B, L.P.), SCREP V Feeder B, L.P. (as limited partner and controlling entity of Secured Capital Real Estate Partners V, L.P. as to 70.87%) and Secured Capital Real Estate Partners V, L.P. (as controlling entity of BT Cayman Ltd. as to 100%) was deemed to be interested in 64,010,000 Units, being the same parcel of Units directly held by BT Cayman Ltd. as referred to in Note 5(i) above;
 - each of PARE (Cayman) Limited (as controlling entity of SCREP VI Management, LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP VI Management, LLC), SCREP VI Management, LLC (as general partner of SCREP VI, L.P. and SCREP VI Feeder A, L.P.), SCREP VI Feeder A, L.P. (as limited partner and controlling entity of SCREP VI, L.P. as to 75.33%), SCREP VI, L.P. (as controlling entity of SCREP VI Holdings L.P. as to 100%) and SCREP VI Holdings L.P. (as controlling entity of Spirit Cayman Ltd. as to 100%) was deemed to be interested in 169,552,089 Units, being the same parcel of Units directly held by Spirit Cayman Ltd. as referred to in Note 5(ii) above;

DISCLOSURE OF INTERESTS (continued)

- (c) PAG Investment Advisors Pte. Ltd. was interested in 233,562,089 Units, comprising 64,010,000 Units which it was deemed to be interested in as manager of SCREP V Management (Cayman), LLC and 169,552,089 Units which it was deemed to be interested in as manager of SCREP VI Management, LLC;
- (d) PARE (Cayman) Limited was interested in 233,562,089 Units, comprising 64,010,000 Units which it was deemed to be interested in through its controlled entity SCREP V Management (Cayman), LLC and 169,552,089 Units which it was deemed to be interested in through its controlled entity SCREP VI Management, LLC;
- (e) PAG Real Estate Limited was interested in 233,562,089 Units through its 100% controlled entities PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd; and
- (f) PAG Holdings Limited was interested in 233,562,089 Units through its 100% controlled entity PAG Real Estate Limited.

The interests of each of the above were also disclosed in the disclosure of interests notification made by PAG Holdings Limited filed on 2 December 2020.

7. These 169,552,089 Units were beneficially owned by Spirit Cayman Ltd. Please refer to Note 6(b) above.
8. These 185,249,742 Units comprise the interests of (i) 56,500,742 Units directly held by Huamao Property; and (ii) 128,749,000 Units directly held by a 100% controlled entity (China Orient Stable Value Fund Limited). The following disclosure of interests notifications filed are related to the same batch of Units interested and deemed to be interested by Huamao Property:
 - (a) according to the notifications filed on 24 December 2020, each of RCA02 (as controlling entity of Huamao Property as to 41.84%), Diligent Glory Investments Limited (as controlling entity of RCA02 as to 100%), Risun Holdings Limited (as controlling entity of Diligent Glory Investments Limited as to 100%) and Fang Chao (as controlling person of Risun Holdings Limited as to 80%) was deemed to be interested in those 185,249,742 Units, being the same parcel of Units directly and indirectly held by Huamao Property.
 - (b) according to the notifications filed on 7 January 2021, each of Siberite Limited (as controlling entity of Huamao Property as to 40.48%) and Lin Minghan (as controlling person of Siberite Limited as to 50%) was deemed to be interested in those 185,249,742 Units, being the same parcel of Units directly and indirectly held by Huamao Property.
 - (c) according to the notifications filed on 7 January 2021, each of Siberite Limited (as controlling entity of Huamao Property as to 40.48%), Pebblebay Capital Corp (as controlling entity of Siberite Limited as to 50%) and Chia Seok Eng (as controlling person of Pebblebay Capital Corp as to 100%) was deemed to be interested in those 185,249,742 Units, being the same parcel of Units directly and indirectly held by Huamao Property.
9. Based on the notification filed by Shining Path Limited on 21 December 2020, Shining Path Limited was interested in 162,096,029 Units, comprising the interests of (i) 160,626,029 Units directly held by a 100% controlled entity (Alpha Great Global Limited); and (ii) 1,470,000 Units held directly by a 100% controlled entity (Pure Sage Investments Limited).
10. Skyland Union Holdings Limited was interested in a total of 162,096,029 Units as at 31 December 2022 as follows:
 - (a) Based on the notification filed by Skyland Union Holdings Limited on 17 February 2020, Skyland Union Holdings Limited was interested in 160,626,029 Units as Skyland Union Holdings Limited holds 50% controlling interests in Shining Path Limited which in turn holds 100% controlling interests in Alpha Great Global Limited as referred to Note 9(i) above. Accordingly, Skyland Union Holdings Limited is deemed to be interested in the 160,626,029 Units held by Alpha Great Global Limited.
 - (b) Based on the notification filed by Shining Path Limited on 21 December 2020, the Manager was aware that Skyland Union Holdings Limited was also deemed to be interested in 1,470,000 Units which was indirectly held by Shining Path Limited through its 100% controlled entity (Pure Sage Investments Limited), as at 31 December 2022 as referred to Note 9 (ii) above.
11. Based on the notification filed by Sino-Ocean Group on 2 November 2021, Sino-Ocean Group was deemed to be interested in 176,408,678 Units, comprising the interests of (i) 162,096,029 Units indirectly held by its indirect 50% controlled entity, Shining Path Limited through 100% controlled entities as referred to Note 9 above; and (ii) 14,312,649 Units indirectly held by its indirect 49% controlled entity, Fortune Joy Ventures Limited through a number of 100% controlled entities and a 70% controlled entity (Oceanland Global Investment Limited) to hold these Units.

DISCLOSURE OF INTERESTS (continued)

Save as disclosed above and based on the information available to the Manager, no other substantial Unitholders of Spring REIT within the meaning of REIT Code had beneficial interests (or were deemed to be interested) in any Units or underlying Units or held any short position in the Units as at 31 December 2022 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

INTERESTS HELD BY SUBSTANTIAL UNITHOLDERS UNDER THE SFO

As at 31 December 2022, the interests and short position in the Units held by persons, other than the Manager, Directors or senior executives and officers of the Manager or substantial Unitholders of Spring REIT under REIT Code disclosed above, who were interested in 5% or more but below 10% of the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO are set out below:

Name	Capacity/ Nature of Interest	As at 31 December 2022		As at 31 December 2021		Change in % of interest
		Number of Units interested in (Long Position)	Approximate % of interest ¹	Number of Units interested in (Long Position)	Approximate % of interest ¹	
Mamoru Taniya	Beneficial owner/ Beneficial interest	102,604,639	6.91%	102,604,639	6.97%	-0.06%

Note:

1. The percentages expressed herein are based on the total number of issued Units of 1,484,931,187 as at 31 December 2022 and 1,472,383,580 as at 31 December 2021 respectively.

Save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other substantial Unitholders of Spring REIT within the meaning of the SFO who had beneficial interests (or were deemed to be interested) in 5% or more but below 10% of the Units or underlying Units or held any short position in the Units as at 31 December 2022 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO.

INTERESTS HELD BY OTHER CONNECTED PERSONS OF SPRING REIT

As at 31 December 2022, save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other connected persons of Spring REIT, including the Trustee, who have interests (or deemed interests) in the Units or underlying Units or held any short position in Units which were required to be notified to the Manager and the Stock Exchange pursuant to the REIT Code or pursuant to the Trust Deed.

VALUATION REPORT

The Directors
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Room 2602, 26/F, LHT Tower
31 Queen's Road Central, Central, Hong Kong

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

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

15 March 2023

Dear Sirs

Valuation of Office Towers 1 & 2 and a total of approximately 600 Underground Car Parking Spaces of China Central Place located at Nos 79 & 81 Jianguo Road, Chaoyang District, Beijing, The People's Republic of China (the "Property")

In accordance with your instructions for us to value Property held by RCA01 ("**RCA01**") and exhibited to us by Spring Asset Management Limited (the "**Company**") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2022 for your financing reporting purpose.

BASIS OF VALUATION

Market Value is defined within "The HKIS Valuation Standards 2020" issued by HKIS and "The RICS Valuation – Global Standards" issued by RICS as: -

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

"the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction."

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

VALUATION METHODOLOGY

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. We have adopted Income Approach – Term and Reversion Method and cross-checked the valuation by Market Approach.

Income Approach – Term and Reversion Method is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

For cross-checking purpose, we have adopted the Market Approach. In adopting the Market Approach, we have made reference to the recent market sales evidence which is available in the market. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the Property and the comparable properties such as location, size, age, condition and quality in arriving at our opinion of the market value.

TITLE DOCUMENTS AND ENCUMBRANCES

We have been provided with the copies of extracts of documents in relation of the title to the Property. However, we have not examined the original documents to ascertain any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company regarding the titles and other legal matters relating to the Property.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

SOURCE OF INFORMATION

In the course of our valuation, we have relied on a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, tenancies, completion dates of the buildings, identification of the Property, particulars of occupancy, site areas and floor areas. Dimensions, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

VALUATION REPORT (continued)

INSPECTION AND MEASUREMENT

We have inspected the exterior, and where possible, the interior of the Property and the inspection was conducted by Charrisa Xia, our Senior Manager, in July 2022. However, no structural survey has been made and we are therefore unable to report that the Property is free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services. For the purpose of this valuation, we have assumed that the Property has been maintained in satisfactory condition. Moreover, we have not been able to carry out on-site measurements to verify the site areas and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

IDENTITY OF PROPERTY TO BE VALUED

We exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

COMPLIANCE WITH RELEVANT RULES AND REGULATIONS

We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of any rules and regulations, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi.

REMARKS

Our valuation complies with Chapter 6.8 of the Code of Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission (the “**SFC**”), the Practice Note on Overseas Investment by SFC – Authorized Real Estate Investment Trusts (forming part of the REIT Code), “The HKIS Valuation Standards 2020” published by The Hong Kong Institute of Surveyors (“**HKIS**”), and “The RICS Valuation – Global Standards” issued by the Royal Institution of Chartered Surveyors (“**RICS**”), which incorporate the International Valuation Standards (the “**Red Book**”).

We hereby confirm that we have neither present nor prospective interests in Spring REIT, the Property and/or the Company. Pursuant to Paragraph 6.5 of the REIT Code, we confirm that we are independent to Spring REIT, the Company, DB Trustees (Hong Kong) Limited and each of the significant holders of Spring REIT.

Our executive summary and valuation report are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Reviewed (but not undertaken) by:

Clement W M Leung
MFin MCIREA MHKIS MRICS RPS(GP)

RICS Registered Valuer
Executive Director, Head of China Valuation & Advisory

Gary S K Lau
MHKIS MRICS RPS(GP) CESGA

RICS Registered Valuer
Senior Director, China Valuation & Advisory

EXECUTIVE SUMMARY

Property	Office Towers 1 & 2 and a total of approximately 600 Underground Car Parking Spaces of China Central Place located at Nos 79 & 81 Jianguo Road, Chaoyang District, Beijing, The PRC
Description	China Central Place is a mixed-use commercial complex comprising a shopping mall, 3 blocks of office towers, 2 blocks of 5-star hotel, various residential buildings, car parking spaces and other ancillary facilities. The Property comprises the 25-storey Office Tower 1 (Level 4 to Level 28), the 29-storey Office Tower 2 (Level 4 to Level 32) and a total of about 600 underground car parking spaces of China Central Place. Level 16 of Office Tower 1 and Level 20 of Office Tower 2 are used as refuge floor. The Property also provides three signages at the eastern and the western sides on the roof of Office Tower 1.
Site Area	13,692.99 sq.m (Note 1)
Registered Owner	RCA01 (第一瑞中資產管理有限公司)
Gross Floor Area	According to the information provided by the Company, the details of approximate gross floor area of the Property are listed as follows:

Portion	Approximate Gross Floor Area (sq.m)
Office Tower 1	56,068.32
Office Tower 2	64,176.87
Car Park	25,127.35
Total:	145,372.54

State-owned Land Use Certificate	Jing Chao Guo Yong (2010 Chu) Di No. 00118 (京朝國用(2010出)第00118號)
Real Estate Ownership Certificate	X Jing Fang Quan Zheng Chao She Wai Zi Di No. 521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593 (X京房權證朝涉外字第521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593號)
Date of Valuation	31 December 2022
Valuation Methodology	Income Approach and Market Approach (for cross checking)
Market Value in Existing State	RMB8,640,000,000

VALUATION REPORT (continued)

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2022										
Office Towers 1 & 2 and a total of approximately 600 Car Parking Spaces of China Central Place Nos 79 & 81 Jianguo Road Chaoyang District Beijing The PRC	<p>China Central Place is a mixed-use commercial complex comprising a shopping mall, 3 blocks of office towers, 2 blocks of 5-star hotel, various residential towers, car parking spaces and other ancillary facilities. It is completed in 2006.</p> <p>The Property comprises the 25-storey Office Tower 1 (Level 4 to Level 28), the 29-storey Office Tower 2 (Level 4 to Level 32) and a total of about 600 underground car parking spaces of China Central Place with a total gross floor area of approximately 145,372.54 sq.m. Level 16 of Office Tower 1 and Level 20 of Office Tower 2 are used as refuge floor. The underground car parking spaces are on the basement of China Central Place. The Property also provides three signages at the eastern and the western sides on the roof of Office Tower 1.</p> <p>The approximate gross floor area of the Property is listed as follows:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Approximate Gross Floor Area (sq.m)</th> </tr> </thead> <tbody> <tr> <td>Office Tower 1</td> <td>56,068.32</td> </tr> <tr> <td>Office Tower 2</td> <td>64,176.87</td> </tr> <tr> <td>Car Park</td> <td>25,127.35</td> </tr> <tr> <td>Total:</td> <td>145,372.54</td> </tr> </tbody> </table>	Portion	Approximate Gross Floor Area (sq.m)	Office Tower 1	56,068.32	Office Tower 2	64,176.87	Car Park	25,127.35	Total:	145,372.54	<p>The office portion of the Property with a total gross floor area of approximately 111,293.01 sq.m has been leased under various tenancies with the majority expiring within 3 years, yielding a total monthly rent of approximately RMB38,870,000, exclusive of value-added tax.</p> <p>The remaining portion of the Office Towers 1 and 2 was vacant.</p> <p>The car parking spaces have been leased to a property management company with a term expiring on 31 December 2023, yielding a total annual rent of RMB4,500,000, inclusive of value-added tax.</p> <p>Three signages have been leased under various tenancies with terms expiring on 31 December 2025, 30 April 2026, and 30 November 2026, yielding a total monthly rent of approximately RMB3,200,000, exclusive of value-added tax.</p>	<p>RMB8,640,000,000 (RENMINBI EIGHT BILLION SIX HUNDRED FORTY MILLION ONLY)</p>
Portion	Approximate Gross Floor Area (sq.m)												
Office Tower 1	56,068.32												
Office Tower 2	64,176.87												
Car Park	25,127.35												
Total:	145,372.54												
	<p>The Property is held under land use rights term expiring on 28 October 2053 for office and car park uses.</p>												

Notes:

- Pursuant to the State-owned Land Use Rights Certificate No. Jing Chao Guo Yong (2010 Chu) Di No. 00118 (國有土地使用證京朝國用(2010出)第00118號) dated 21 May 2010, the land use rights of the Property with a site area of 13,692.99 sq.m have been granted to RCA01 for a land use term expiring on 28 October 2053 for office and car park uses.
- Pursuant to 56 Real Estate Ownership Certificates Nos. X Jing Fang Quan Zheng Chao She Wai Zi Di No. 521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593 (X京房權證朝涉外字第521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593號), the building ownership of the Property with a total gross floor area of 145,372.54 sq.m is vested in RCA01.
- As advised by the Company, the Property is subject to a mortgage.

VALUATION REPORT (continued)

4. The key assumptions adopted in our valuation for the Target Property are summarized as follows:

(i) Term Yield	4.5%
(ii) Reversionary Yield	5.0%
(iii) Average Monthly Unit Rent	RMB399

In undertaking our valuation, we have made reference to various asking rental references of office comparables within the same and neighboring districts. These rental references were with reference to their similar comparable to the Target Property. The monthly market unit rent are consistent with the said rental references. Due adjustments to the unit rents of those rental references have been made to reflect factors including but not limited to location, operating scale and tenant mix in arriving at the key assumptions.

5. Our analysis of the existing tenancy profile according to the tenancy information provided by the Company is set out below:

Occupancy Profile

Type	Approximate Lettable Area (sq.m)	% of total
Leased	111,293.01	92.6
Vacant	8,952.18	7.4
Total:	120,245.19	100.0

Tenancy Expiry Profile

Year	Approximate Leased Area (sq.m)	% of total	No. of Tenancies	% of total
2023 or before	25,119	22.6	37	20.1
2024	28,914	26.0	60	32.6
2025	23,872	21.4	43	23.4
2026 or after	33,388	30.0	44	23.9
Total:	111,293	100.0	184	100.0

Tenancy Duration Profile

Year	Approximate Leased Area (sq.m)	% of total	No. of Tenancies	% of total
Less than 3 years	77,905	70.0	140	76.1
3-6 years	31,539	28.3	43	23.4
More than 6 years	1,849	1.7	1	0.5
Total:	111,293	100.0	184	100.0

VALUATION REPORT (continued)

6. We have prepared our valuation based on the following assumptions:
- (i) the Property has a proper legal title;
 - (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
 - (iii) the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (iv) the Property can be freely disposed of to local or overseas purchasers.

MARKET OVERVIEW

Beijing

Beijing, located at northern China, is the capital of the PRC. It covers a site area of about 16,411 sq.km and had a total residential population of about 21.9 million in 2022. Beijing is one of the most developed cities in China. In the first three quarters of 2022, Beijing's Gross Domestic Product ("**GDP**") reached RMB2.99 trillion, increased slightly by 0.8% QoQ. Fixed Asset Investment increased by 7.0% year on year. The disposable income per capita increased by 3.7% YoY, which was 0.4% higher than that in the first half of the year.

Chaoyang District

Chaoyang District is located at the city centre of Beijing, adjoining Tongzhou District to its east and Dongcheng District to its west. It covers a total site area of about 470.8 sq.km and had a total residential population of about 3.4 million at the end of 2021. It is the home to most of the foreign embassies in Beijing and consists of several major commercial areas, such as the Central Business District, East Second Ring Road, Lufthansa and Wangjing area. In the first three quarters of 2022, the GDP of Chaoyang District amounted to about RMB555 billion, ranked the second in Beijing, with an 0.6% YoY growth. Fixed Asset Investment increased by about 18.4% year on year. The disposable income per capita was about RMB65,506, indicating an YoY growth of roughly 3.1%.

Beijing Office Market

Supply and Demand

In Q3 2022, there was no new project completed in the core area of Beijing's Grade-A office market, and the inventory remained at 12.31 million sqm. In terms of leasing transactions, financial, TMT and pharmaceutical sectors led the leasing demand with transactions taking up more than 50%. Amongst, the financial sector was the top demand driver, accounting for 21%; the pharmaceutical sector has performed well for two consecutive quarters, ranking among the top three sectors with the highest demand, and the health and biomedical companies was expanding significantly.

Looking forward to Q4 2022, North Star Centre in Olympic Games Village area and HEVOL EDIFICE in Zhongguancun area will be completed, bringing over 226,000 sqm of additional office space.

Rents

In Q3 2022, the average rent of Beijing's Grade-A office market decreased slightly by 0.3% QoQ to RMB322.2 per sqm per month. The average rent in CBD area saw a slight increase and rent in the Financial Street Area remained stable. The average rent in other business districts experienced varying degrees of rental decrease.

The average rent in CBD area increased slightly by 0.2% QoQ to RMB362.8 per sqm per month. The strong business atmosphere and a concentration of high-quality buildings have resulted in rents in CBD area to remain strong. The average rent in Financial Street area was stable, remaining at RMB608.9 per sqm per month in Q3 2022.

Due to the increasing vacant space affected by the upgrading and consolidation of the Internet sector in Wangjing-Jiuxianqiao area, the average rent decreased by 0.3% QoQ to RMB237.5 per sqm per month. The average rent in Zhongguancun area decreased by 0.7% QoQ to RMB361.8 per sqm per month. The average rent in East 2nd Ring Road area and Lufthansa area decreased by 0.1% and 0.5% QoQ to RMB297.4 and RMB297.3 per sqm per month, respectively.

In Q3 2022, new office space was added in Olympic Games Village area from the existing office buildings, which pushed up the vacancy rate. The higher vacancy rate placed downward pressure on rents, decreasing by 1.2% QoQ to RMB328.4 per sqm per month.

Investment Market

In Q3 2022, the Beijing office investment market recorded two major office transactions, both by domestic buyers. Foreign travellers were restricted due to epidemic prevention and control, resulting in some delayed decisions on projects. With the normalisation of domestic epidemic prevention and control, it is expected that the activities in the office investment market from foreign investors will gradually increase.

As a technology and innovation cluster, high-quality office assets in Zhongguancun area are attractive among technology companies. On 14 July 2022, Inspur announced the acquisition of Zhigu Tower with a total estimated transaction price of RMB906 million. Located in the core area of Zhuangguancun Science City North District, Haidian District, Beijing, the project has a total GFA of 26,583.46 sqm for office and warehouse use, and 4,239.05 sqm for parking space.

On 26 August 2022, Landsea Green announced that it intended to sell 50% equity of Beijing Ship Building for a consideration of RMB137.6 million. Upon completion of the transaction, Landsea Green will not hold any interest of the project. Located at No.100 Southeast 3rd Ring Road, Shilihe, Chaoyang District, Beijing, the project has a total gross floor area of approximately 21,900 sqm, consisting of office and retail portion. The transferee, Beijing Ronghui, is owned as to 79.4% by Sunshine Life Insurance Company Limited, 19.85% by Sunshine Property Insurance Company Limited, 0.5% by Sunshine Ronghui and 0.25% by Beijing Rongrun Haiji Investment Management Centre (Limited Partnership). Sunshine Life Insurance is owned as to 99.9% by Sunshine Insurance Group Co. Ltd. Office properties with stable income has become an essential part of the long-term asset allocation of insurance companies. In the current climate of heightened global economic uncertainty, insurance companies continued to acquire the office properties in the first-tier cities to enhance their overall return.

VALUATION REPORT (continued)

The Directors
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Room 2602, 26/F, LHT Tower
31 Queen's Road Central, Hong Kong

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

15 March 2023

Dear Sirs

Valuation of Huamao Place, No. 9 First Wenchang Road, Jiangbei, Huicheng District, Huizhou City, Guangdong Province, The People's Republic of China (the "Property")

In accordance with your instructions for us to value Property held by Huizhou Runxin Shopping Mall Development Co., Ltd. (惠州市潤鑫商城發展有限公司) and exhibited to us by Spring Asset Management Limited (the "**Company**") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2022 for your financing reporting purpose.

BASIS OF VALUATION

Market Value is defined within "The HKIS Valuation Standards 2020" issued by HKIS and "The RICS Valuation – Global Standards" issued by RICS as: -

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

"the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction."

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

VALUATION METHODOLOGY

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. We have adopted Income Approach – Term and Reversion Method and cross-checked the valuation by Market Approach.

Income Approach – Term and Reversion Method is a valuation methodology by capitalizing the rental income shown on tenancy schedules handed to us by the Company and made provisions for reversionary income potential. In the course of our valuation, the adopted average market rent is approximately RMB176 per sq.m. per month and the adopted reversionary yield is 6.0%.

For cross-checking purpose, we have adopted the Market Approach. In adopting the Market Approach, we have made reference to the recent market sales evidence which is available in the market. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the Property and the comparable properties such as location, size, age, condition and quality in arriving at our opinion of the market value.

TITLE DOCUMENTS AND ENCUMBRANCES

We have been provided with the copies of extracts of documents in relation of the title to the Property. However, we have not examined the original documents to ascertain any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company regarding the titles and other legal matters relating to the Property.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

SOURCE OF INFORMATION

In the course of our valuation, we have relied on a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, tenancies, completion dates of the buildings, identification of the Property, particulars of occupancy, site areas and floor areas. Dimensions, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

INSPECTION AND MEASUREMENT

We have inspected the exterior, and where possible, the interior of the Property and the inspection was conducted by Tara Luo, our Manager, in January 2022. However, no structural survey has been made and we are therefore unable to report that the Property is free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services. For the purpose of this valuation, we have assumed that the Property has been maintained in satisfactory condition. Moreover, we have not been able to carry out on-site measurements to verify the site areas and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

IDENTITY OF PROPERTY TO BE VALUED

We exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

COMPLIANCE WITH RELEVANT RULES AND REGULATIONS

We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of any rules and regulations, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi.

REMARKS

Our valuation complies with Chapter 6.8 of the Code of Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission (the “**SFC**”), the Practice Note on Overseas Investment by SFC – Authorized Real Estate Investment Trusts (forming part of the REIT Code), “The HKIS Valuation Standards 2020” published by The Hong Kong Institute of Surveyors (“**HKIS**”), and “The RICS Valuation – Global Standards” issued by the Royal Institution of Chartered Surveyors (“**RICS**”), which incorporate the International Valuation Standards (the “**Red Book**”).

We hereby confirm that we have neither present nor prospective interests in Spring REIT, the Property and/or the Company. Pursuant to Paragraph 6.5 of the REIT Code, we confirm that we are independent to Spring REIT, the Company, DB Trustees (Hong Kong) Limited and each of the significant holders of Spring REIT.

Our executive summary and valuation report are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Reviewed (but not undertaken) by:

Clement W M Leung

MFin MCIREA MHKIS MRICS RPS(GP)

RICS Registered Valuer

Executive Director, Head of China Valuation & Advisory

Gary S K Lau

MHKIS MRICS RPS(GP) CESGA

RICS Registered Valuer

Senior Director, China Valuation & Advisory

Enc

EXECUTIVE SUMMARY

Property	Huamao Place, No. 9 First Wenchang Road, Jiangbei, Huicheng District, Huizhou City, Guangdong Province, The PRC
Description	The Property comprises a shopping mall namely Huamao Place, completed in 2011 and erected on a parcel of land with a site area of approximately 41,540.60 sq.m..The Property comprises a 5-storey retail development erected over a 2-level basement with a total gross floor area of approximately 144,925.07 sq.m..
Site Area	41,540.60 sq.m.
Registered Owner	Huizhou Runxin Shopping Mall Development Co., Ltd. (惠州市潤鑫商城發展有限公司)
Gross Lettable Area	According to the information provided by the Company, the details of approximate gross lettable area of the Property are listed as follows:

Level	Approximate Gross Lettable Area (sq.m.)
Basement Level 1	17,295.51
Level 1	17,840.51
Level 2	16,263.49
Level 3	15,830.71
Level 4	16,988.95
Level 5	19,974.89
Total:	104,194.06

State-owned Land Use Certificate	Hui Fu Guo Yong (2008) Di 1302010063
Real Estate Ownership Certificate	Yue Fang De Quan Zheng Huizhou Zi Di 1100140394
Date of Valuation	31 December 2022
Valuation Methodology	Income Approach and Market Approach (for cross checking)
Market Value in Existing State	RMB2,823,000,000

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2022
Huamao Place, No. 9 First Wenchang Road, Jiangbei, Huicheng District, Huizhou City, Guangdong Province, The PRC	<p>The Property comprises a shopping mall namely Huamao Place, completed in 2011 and erected on a parcel of land with a site area of approximately 41,540.60 sq.m..</p> <p>The Property comprises a 5-storey retail development erected over a 2-level basement with a total gross floor area of approximately 144,925.07 sq.m..</p> <p>As advised, the total gross lettable area of the Property is approximately 104,194.06 sq.m.. Details of the approximate gross lettable area are listed as follows:</p>	<p>Portion of the Property with a total gross lettable area of approximately 100,354.47 sq.m. has been leased under various tenancies with the last term expiring in April 2033, yielding a total monthly rental of approximately RMB17,160,000, inclusive of operation management fees but exclusive of building management fees, promotion fees and other outgoings.</p> <p>The remaining portion of the Property is currently vacant.</p>	RMB2,823,000,000 (RENMINBI TWO BILLION EIGHT HUNDRED TWENTY THREE MILLION ONLY)
	Approximate Gross Lettable Area		
	Level	(sq m)	
	Basement Level 1	17,295.51	
	Level 1	17,840.51	
	Level 2	16,263.49	
	Level 3	15,830.71	
	Level 4	16,988.95	
	Level 5	19,974.89	
	Total:	104,194.06	
	The Property also comprises 700 car parking spaces on Basement Level 2 and 50 open car parking spaces on Level 1.		
	The land use rights of the Property have been granted for a term expiring on 1 February 2048 for commercial use.		

Notes:

- Pursuant to the State-owned Land Use Rights Certificate No. Hui Fu Guo Yong (2008) Di 1302010063 issued by Huizhou Bureau of Land Resources and Housing Management dated 7 November 2008, the land use rights of a parcel of land with a site area of 41,540.60 sq.m. have been granted to Huizhou Runxin Shopping Mall Development Co., Ltd. (惠州市潤鑫商城發展有限公司) for a term expiring on 1 February 2048 for commercial use.
- Pursuant to the Real Estate Title Ownership Certificate No. Yue Fang De Quan Zheng Huizhou Zi Di 1100140394 issued by Huizhou Bureau of Land Resources and Housing Management dated 29 August 2012, the title of the Property with a total gross floor area of 144,925.07 sq.m. is vested in Huizhou Runxin Shopping Mall Development Co., Ltd. (惠州市潤鑫商城發展有限公司).
- The Property is subject to a mortgage in favour of Guangzhou Branch of Ping An Bank Co.,Ltd dated 22 March 2022.

VALUATION REPORT (continued)

4. The key assumptions adopted in our valuation for the Target Property are summarized as follows:

(i) Term Yield	5.5%
(ii) Reversionary Yield	6.0%
(iii) Average Monthly Unit Rent	RMB176

In undertaking our valuation, we have made reference to various asking rental references of office comparables within the same and neighboring districts. These rental references were with reference to their similar comparable to the Target Property. The monthly market unit rent are consistent with the said rental references. Due adjustments to the unit rents of those rental references have been made to reflect factors including but not limited to location, operating scale and tenant mix in arriving at the key assumptions.

5. Our analysis of the existing tenancy profile according to the tenancy information provided by the Company is set out below:

Occupancy Profile

Type	Approximate Lettable Area (sq.m)	% of total
Leased	100,354.47	96.3%
Vacant	3,839.59	3.7%
Total:	104,194.06	100.0%

Tenancy Expiry Profile

Year	Approximate Leased Area (sq.m)	% of total	No. of Tenancies	% of total
2023	29,197.46	29.1%	211	41.8%
2024	17,805.14	17.8%	118	23.4%
2025	15,276.70	15.2%	112	22.2%
2026 and beyond	38,075.17	37.9%	64	12.6%
Total:	100,354.47	100.0%	505	100.0%

Tenancy Duration Profile

Year	Approximate Leased Area (sq.m)	% of total	No. of Tenancies	% of total
Less than 1 year	1,948.40	1.9%	21	4.2%
More than 1 year and up to 2 years	14,830.60	14.8%	142	28.1%
More than 2 year and up to 3 years	21,566.53	21.5%	179	35.5%
More than 3 year and up to 4 years	14,341.04	14.3%	87	17.2%
More than 4 year and up to 5 years	8,335.58	8.3%	29	5.7%
More than 5 years	39,332.32	39.2%	47	9.3%
Total:	100,354.47	100.0%	505	100.0%

VALUATION REPORT (continued)

6. We have prepared our valuation based on the following assumptions:
 - (i) the Company has no building ownership for portion of the Property in Basement Level 2 with a total gross floor area of approximately 10,876.22 sq.m., which is designated for civil defense use. The Company has the legal and beneficially right to use and manage the mentioned area;
 - (ii) apart from the aforesaid area in Note 6(i), the Property has a proper legal title;
 - (iii) all land premium and costs of resettlement and public utilities services have been fully settled;
 - (iv) the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
 - (v) the Property can be freely disposed of to local or overseas purchasers.
7. As advised by the Company, the revenue of the parking space is not included in the revenue of the Company. It is obtained by the building management company who will bear the operating cost of the parking space. So the rent income from the car parking space has not been taken into account under the income approach in arriving at the market value of the Property.

8. Market Overview

Huizhou City locates at the southeast of Guangdong Province, China. It has a residential population of approximately 6.06 million within a total area of approximately 11,347 sq.km. as of first half of 2022. The nominal Gross Domestic Product ("GDP") of Huizhou was approximately RMB540 billion in 2022, rising by 4.2% year-on-year.

The Property is located at Jiangbei of Huicheng District, which is the central business district ("CBD") of Huizhou. Government offices, high-end residential buildings, 5-star hotels, landmark office buildings, shopping malls and community facilities such as gymnasiums, convention centers, museums and libraries are available within the area.

Jiangbei CBD accommodates most of the mid-to-high-end shopping malls in the city, of which Kaisa Plaza and Huamao Place are the major ones. Kaisa Plaza opened in 2013 with an approximate area of 120,000 sq.m. for commercial portion. Huamao Place, the Property, opened in 2011 and it is located at the center of Jiangbei CBD. There are 45 shopping centers in Huizhou as of end-2022, with a total commercial volume of approximately 2.8 million sq.m.. 11 new shopping malls are expected to launch in the coming five years.

VALUATION REPORT (continued)

The Directors
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Room 2602, 26/F, LHT Tower
31 Queen's Road Central
Central
Hong Kong

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

16 March 2023

Dear Sirs

Valuation of 84 properties located in the United Kingdom (the "Properties")

In accordance with your instructions for us to value the property interests held by Hawkeye Properties 501 and exhibited to us by Spring Asset Management Limited (the "**Manager**") in the United Kingdom (the "**UK**"), we confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2022 (the "**Date of Valuation**").

BASIS OF VALUATION

Market Value is defined within "The HKIS Valuation Standards 2020" issued by HKIS and "The RICS Valuation – Global Standards" issued by RICS as: -

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

"the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction."

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

VALUATION METHODOLOGY

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. We have adopted Income Approach – Term and Reversion Method and cross-checked the valuation by Market Approach.

Income Approach – Term and Reversion Method is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

For cross-checking purpose, we have adopted the Market Approach. In adopting the Market Approach, we have made reference to the recent market sales evidence which is available in the market. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the Property and the comparable properties such as location, size, age, condition and quality in arriving at our opinion of the market value.

TITLE DOCUMENTS AND ENCUMBRANCES

We have not been provided with any Land Registry entries/Title documents/Report of Title of the Properties. We have relied on the information given by the Manager and its legal advisers regarding the title and other legal matters relating to the Properties. We understand that 62 of the Properties are held freehold (known as 'heritable interest' in Scotland), with the remaining 22 held under long leasehold. In the absence of any indication to the contrary, we have provided our assessments on the assumption that the freeholds/heritable interests are held by the existing owner based upon good and marketable Title and that there are no covenants or restrictions that have the potential to impact upon the value of the Properties. With respect to the long leasehold assets, we have not been provided with copy leases but have provided our assessments based on summary information (including rents, rent review pattern and unexpired lease term). We have again assumed that there are no onerous lease covenants that have the potential to impact upon value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

SOURCE OF INFORMATION

We have relied on a considerable extent on the information given by the Manager and the reports on the title to the Properties from the legal advisers of the Manager. We have no reason to doubt the truth and accuracy of the information provided to us by the Manager and/or the legal advisers of the Manager which is material to the valuation. We have accepted advice given by the Manager on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion dates of buildings, particulars of occupancy, tenancy details, floor areas and all other relevant matters. Unless otherwise stated, dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the floor areas of the Properties and we have assumed that the floor areas shown on the documents handed to us are correct. We were also advised by the Manager that no material facts have been omitted from the information provided.

The site areas are taken from Promap and are set out in the Property Description attached to the valuation report. We have been provided with floor areas, understood to be on a Gross Internal Area (GIA) basis, from measured surveys undertaken by Plowman Craven.

INSPECTION AND MEASUREMENT

We have inspected the exterior, and where possible, the interior of the Properties in January, April, May, and July 2022 by Ed Price, Pav Panesar, Tom Poynton, and Tom Rigg. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are not free of rot, infestation or any other structural defects. Our valuation is based on the assumption that these aspects are satisfactory. Unless otherwise stated, we have not been able to carry out on-site measurement to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of the document handed to us are correct. No tests were carried out on any of the services.

REMARKS

Knight Frank has prepared the valuation based on the information and data available to us as at the valuation date. While the current market is influenced by various policies and regulations, increased global conflicts could add further fluctuations in real estate market. It must be recognised that enactment of emergency measures, changes in mortgage requirements or international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the valuation date may affect the value of the Properties.

In preparing our valuation report, we have complied with the Chapter 6.8 of the Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong, the International Valuation Standards issued by International Valuation Standards Council and RICS Valuation – Global Standards 2017: UK national supplement. We confirm that we are independent of the Manager, the trustee and any of the significant shareholders of the scheme within the meaning of Chapter 6.5 of the REIT Code.

As advised by the Manager, the owner of the Properties is required to pay UK income tax on its net rental income at the rate of 19% and is required to account for UK VAT on rent received in respect of the Properties in relation to which an option to tax has been exercised. Apart from the taxes mentioned, there is no other significant overseas taxes may be charged in respect of the Properties.

ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

CURRENCY

Unless otherwise stated, the currency adopted in this report is in British Pounds.

Our executive summary and valuation report are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Reviewed (but not undertaken) by:

Clement W M Leung MFin MCIREA MHKIS MRICS RPS(GP)
RICS Registered Valuer
Executive Director, Head of China Valuation & Advisory

Gary S K Lau MHKIS MRICS RPS(GP) CESGA
RICS Registered Valuer
Senior Director, China Valuation & Advisory

EXECUTIVE SUMMARY

Property	The subject portfolio comprises 84 properties leased to Kwik-Fit (GB) Limited. The Properties are situated across the UK, within England, Scotland and Wales.
Site Areas	The site areas are taken from Promap and are set out in the Property Description.
Floor Areas	We have been provided with floor areas, understood to be on a Gross Internal Area (GIA) basis, from measured surveys undertaken by Plowman Craven. Individual floor areas are detailed within the Property Description.
Date of Valuation	31 December 2022
Valuation Methodology	Income Approach and Market Approach (for cross-checking)
Market Value in Existing State	£ 74,281,000

VALUATION REPORT (continued)

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2022
84 properties located in the United Kingdom	<p>The Properties comprise 84 properties leased to Kwik-Fit (GB) Limited ("Kwik-Fit"). The 84 properties are situated across the UK, within England, Scotland and Wales with detailed addresses listed in the Property Description attached herewith.</p> <p>The Properties have a total gross internal area (GIA) of approximately 505,381 sq ft. Details of the Properties are listed in the Property Description attached herewith.</p> <p>We understand that 62 of the Properties are held freehold (known as 'heritable interest' in Scotland), with the remaining 22 held, partly or wholly, under long leasehold.</p>	<p>We have established that most of the Properties are trading as Kwik-Fit servicing centres; the remainder are trading under different brands either due to subsidiary trading names or following partial or complete underletting.</p> <p><i>(Please refer to the Property Description attached for details.)</i></p>	<p>£ 74,281,000 (SEVENTY FOUR MILLION TWO HUNDRED EIGHTY-ONE THOUSAND BRITISH POUNDS)</p> <p><i>(Please refer to the Property Description attached for details)</i></p>

Notes:

1. According to the information provided by the Client, the 84 properties are leased to Kwik-Fit (GB) Limited. Except the property in Islington, all the other properties are leased for terms expiring on 19 March 2032. For the property in Islington, the lease expires on 26 September 2024. The aggregate annual market rent of the 84 properties is approximately £ 4,616,000.
2. The tenant covenants to keep the premises in good and substantial repair and condition. The tenant is entitled to sublet the whole or part only of the properties with the prior written consent of the landlord.

VALUATION REPORT (continued)

3. Our analysis of the existing tenancy profile according to the tenancy information provided by the Company is set out below:

Occupancy Profile

Type	Approximate Gross Internal Area (sq ft)	% of total
Leased	505,381	100.0
Vacant	0	0
Total:	505,381	100.0

Tenancy Expiry Profile

Year	Approximate Leased Gross Internal Area (sq ft)	% of total	No. of Tenancies	% of total
2024	4,327	0.9	1	1.2
2032	501,054	99.1	83	98.8
Total:	505,381	100.0	84	100.0

Tenancy Duration Profile

Year	Approximate Leased Gross Internal Area (sq ft)	% of total	No. of Tenancies	% of total
Less than 18 years	4,327	0.9	1	1.2
About 25 years	501,054	99.1	83	98.8
Total:	505,381	100.0	84	100.0

PROPERTY DESCRIPTION

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
1	ALLOA, Clackmannan Road Brief description:	FK10 1RR	8,879	Freehold	1,200	62,000	20/03/2007	19/03/2032	6.50%	826,000
	The property comprises a detached single storey steel framed commercial unit with painted render with cladding to external elevations under a double pitched roof which has been re-clad to remove the corrugated asbestos sheeting. The accommodation includes a reception, workshop with six service bays, MOT office, tyre store (within a separate bay adjacent to the workshop), stores, staffroom, wash room and customer and staff WC's. Externally a concrete surfaced car park fronts the property and has capacity for approximately seven vehicles. Asbestos containing material was present within the boarded ceiling of the main workshop store.									
2	ALTRINCHAM, 1-3 Church Street Brief description:	WA14 4DB	8,529	Freehold	1,500	85,000	20/03/2007	19/03/2032	5.25%	1,448,000
	Detached brick built unit of steel-portal framed construction. Ground floor accommodation includes a welcoming reception area, a 3-bay workshop, staffroom and toilets. Externally there are 14 car parking spaces. The site enjoys good prominence.									
3	AYR, 38 Fort Street Brief description:	KA7 1DE	10,369	Freehold	900	52,000	20/03/2007	19/03/2032	5.65%	616,000
	The property comprises a terraced single storey steel framed commercial unit of varying construction techniques under a double pitched roof. The layout of the building is T-shaped to fit into the surrounding built environment. The premises trade as Tyre City. The accommodation includes a number of interconnecting units which provide parking accommodation (9 parking spaces), reception, workshop with six service bays, tyre store (within the workshop), office, store, staffroom and staff WC's. Additional on street metered parking is also available. During our inspection it was noted that the subject property was in a poor state of repair.									
4	AYR, 22/26 Waybole Road Brief description:	KA7 2PZ	3,970	Freehold	1,600	40,000	20/03/2007	19/03/2032	5.40%	769,000
	The property comprises a detached single storey commercial unit of steel portal frame construction with brick and block infill walls with profile cladding above under a double pitched roof. The accommodation includes a reception, workshop with three bays (five service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a relatively large tarmacadam surfaced car park is to the front and south of the property with capacity for approximately 20 vehicles. A telecoms mast is situated to the southern edge of the site.									
5	BISHOP AUCKLAND, Cockton Hill Road Brief description:	DL14 6JN	4,962	Leasehold	800	33,000	20/03/2007	19/03/2032	—	0
	The property comprises a compact and well-presented modern detached two-storey steel portal frame unit, with brick and block elevations beneath a dual pitched tiled roof. The accommodation is mostly to ground floor level and includes a small reception, a five-bay workshop, tyre store, with further tyre storage, staffroom and staff WC's to the first floor. Externally there is a small car park with capacity for approximately ten vehicles.									
6	BLYTH, Cowpen Road Brief description:	NE24 5TT	5,707	Freehold	2,100	53,000	20/03/2007	19/03/2032	6.25%	905,000
	The property comprises a modern detached steel portal frame unit with part brick and block and part profiled panelled elevations beneath a pitched profiled metal panelled roof. The accommodation is situated at ground floor level and includes a six bay workshop, tyre store, paint store, staffroom and customer/staff WC's. All areas are in relatively good cosmetic condition. Externally there is a generous car park with capacity for approximately 18 vehicles.									
7	BRIDGWATER, 48-54 St John's Street Brief description:	TA6 5HY	8,603	Freehold	1,200	65,000	20/03/2007	19/03/2032	6.40%	944,000
	This is a detached and refurbished property, comprising ground and first floor elements. The construction comprises traditional brick and steel portal frame, beneath a pitched roof structure. Ground floor includes 8 workshop bays, tyre stores, customer and staff WC's and a staffroom. There is a further tyre store at first floor level. Externally there is a car park with capacity for 10 vehicles.									

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
8	BRIDLINGTON, 32-36 St Johns Street Brief description: The property comprises two adjoining single storey units, both of brick and block construction with multi-pitch steel-framed, corrugated sheet roofing with intermittent translucent panels. The Kwik Fit accommodation is situated at ground floor level and includes reception area, a six bay workshop, tyre store, staffroom and customer/staff WCs. The rear unit – formerly occupied as a gym but vacant for at least the last ten years – is a very dilapidated condition with significant works required to bring it back into acceptable condition. Externally there is a large forecourt with parking for approximately 20 vehicles.	YO16 7JS	15,514	Freehold	2,700	93,000	20/03/2007	19/03/2032	6.55%	1,667,000
9	BURNLEY, Caldervale Road Brief description: The unit comprises a detached brick built unit of steel-portal framed construction beneath a pitched roof. Ground floor accommodation includes a welcoming reception area, 6-bay workshop, staffroom and toilets. Externally there is a good amount of parking provision with approximately 23 spaces. The site enjoys very good prominence.	BB11 1BS	3,489	Leasehold	1,200	35,000	20/03/2007	19/03/2032	5.65%	548,000
10	CARMARTHEN, Pensarn Road Brief description: The property comprises a detached purpose built unit of steel portal frame construction, with a distinctive arched roof. The accommodation is entirely at ground floor level, comprising a reception area, 5 bay workshop, tyre stores, staffroom and staff/customer WCs. Externally there is a spacious car park with capacity for approximately 12 vehicles.	SA31 2BS	4,895	Freehold	1,000	40,000	20/03/2007	19/03/2032	6.65%	749,000
11	CASTLEFORD, 92 Bridge Street Brief description: The property comprises a single storey unit of block construction under a part pitched and part flat roof. The accommodation is situated at ground floor level and includes two workshops with a total of five bays, tyre store, staffroom and customer/staff WCs. The internal areas are generally in need of cosmetic update but are otherwise functional for its use. Externally there is a small car park with capacity for five cars and two marked disabled spaces.	WF10 4LA	3,595	Freehold	600	31,000	20/03/2007	19/03/2032	5.25%	456,000
12	CHAPEL-ALLERTON, 232 Harrogate Road Brief description: The property comprises two adjoining units of similar brick and block construction beneath largely pitched steel framed profiled metal panelled roof, with part flat roof to the smaller unit (formerly sublet to Majestic Wine). The accommodation is situated at ground floor level and includes seven bays, inspection pit, tyre storage, staffroom and customer/staff WCs. Externally there are two parking areas with capacity for approximately 12 vehicles.	LS7 40D	12,358	Freehold	1,900	117,000	20/03/2007	19/03/2032	4.80%	2,117,000
13	CHELMSFORD, 103 New London Road Brief description: The property comprises an extended, refurbished and very impressive Kwik-Fit Plus facility. The unit is formed of a double width commercial building, having been extended to the north to provide a high quality operation and one of the best examples in the Kwik-Fit UK network. There are 13 service bays in addition to internal parking bays as well as a small external car park.	CM2 0PP	24,218	Freehold	2,400	230,000	20/03/2007	19/03/2032	4.35%	4,252,000
14	CLEVEDON, 119-120 Kenn Road Brief description: The property comprises a detached two storey unit of traditional brick construction, trading as Kwik-Fit. Ground floor accommodation includes a reception area along with 3 bay workshop, tyre stores, staff/customer WCs and staffroom. Ancillary offices and stores are situated on the first floor, although we were unable to inspect this area as it has been blocked off and is not utilised by the tenant. The external area is spacious with car parking for approximately 17 vehicles.	BS21 6JE	2,562	Freehold	1,200	26,000	20/03/2007	19/03/2032	6.65%	434,000
15	COATBRIDGE, 320 Main Street Brief description: The property comprises a detached single storey steel framed commercial unit with in-fill blockwork walls under a pitched and hipped tiled roof. The accommodation includes a reception, workshop with three bays (five service bays), tyre store (within the workshop), store, staffroom and customer and staff WCs. Externally a tarmac surfaced car park fronting the property has capacity for approximately 15 vehicles.	M15 3RX	4,085	Freehold	1,300	37,000	20/03/2007	19/03/2032	5.40%	648,000

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
16	CONGLETON, 46A West Road Brief description: The unit comprises a brick built unit of concrete-framed construction beneath a pitched roof. Ground floor accommodation includes a dated reception area, workshop, staffroom and toilets. Externally there is limited parking provision. The site enjoys very good prominence.	CW12 4EU	4,275	Freehold	700	38,000	20/03/2007	19/03/2032	5.25%	621,000
17	CROYDON, 3 Mitcham Road Brief description: The property comprises a detached purpose built Kwik Fit of steel portal frame construction with brick elevations and a pitched roof. Internally in addition to the five bay workshop (including MOT) there is a reception area, tyre store and ancillary accommodation. Externally, there are 12 parking spaces arranged at the front of the property with the nine spaces along the side. At the time of inspection the latter spaces were being occupied by the McCarthy Cars business, which has a workshop behind the rear boundary of the property and appears to have a right of way over the subject property.	CR0 3RU	4,393	Freehold	1,300	88,000	20/03/2007	19/03/2032	3.75%	2,049,000
18	DONCASTER, Wheatley Hall Road Brief description: The property comprises a detached single storey steel framed commercial unit with brick and block infill walls under a corrugated flat roof. The accommodation includes a reception, workshop with six bays (six service bays), office, tyre store (within the workshop), staffroom and customer and staff WC's. Externally a predominantly tarmacadam surfaced car park fronts and is to the west of the property and has capacity for approximately 15 vehicles.	DN2 4LP	2,988	Leasehold	900	31,000	20/03/2007	19/03/2032	6.50%	289,000
19	DUMFRIES, 40 Laurieknowe Road Brief description: The property comprises a semi-detached single storey steel framed commercial unit with brick/block/natural stone infill walls under a double pitched roof. The accommodation includes a reception (within single storey side offshoot), workshop with three service bays, tyre stores (within the workshop and mezzanine level), store, staffroom and customer WC. Externally a small concrete surfaced car park fronts the property with capacity for approximately five vehicles.	DG2 7DA	2,168	Freehold	400	17,000	20/03/2007	19/03/2032	6.90%	239,000
20	EDINBURGH, 69B Saughton Road North Brief description: The unit is single storey with brick elevations beneath a pitched roof encompassing a large roof light. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there is average parking provision with approximately 13 spaces.	EH12 7JB	3,410	Freehold	1,100	43,000	20/03/2007	19/03/2032	4.95%	768,000
21	EDINBURGH, 19 Corstorphine Road Brief description: The unit is part single storey and part two storey with brick elevations beneath a flat roof. The accommodation is well presented and includes reception area, 7-bay workshop, staffroom and toilets. At first floor is office accommodation and a boardroom. Externally there is average parking provision with approximately 10 spaces.	EH12 6DD	7,590	Freehold	900	78,000	20/03/2007	19/03/2032	4.80%	1,594,000
22	EDINBURGH, 81/91 Dundee Street Brief description: The subject unit is occupied by O'Hare & McGovern who are the contractors for the build of the school. The incumbent has installed partitioning within the unit. The unit is predominantly single storey (small office at first floor) and of steel frame construction beneath a pitched roof. The accommodation includes office, workshops, staffrooms, staffroom and toilets.	EH11 1AW	4,466	Leasehold	1,600	47,000	20/03/2007	19/03/2032	5.10%	961,000

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
23	EDINBURGH, 107/109 Dundee Street Brief description: Road closed at time of inspection to facilitate building of new school nearby. The unit comprises an impressive facility. It is single storey and the accommodation includes office, two workshops, staffroom and toilets. There is good externally parking provision.	EH11 1AW	9,628	Leasehold	800	120,000	20/03/2007	19/03/2032	4.95%	1,878,000
24	ELLESMERE PORT, 116 Whitby Road Brief description: The property comprises a detached, single storey unit of brick and steel frame construction under a pitched roof. Externally, there are 10 parking spaces, and internally the accommodation comprises a five bay workshop (including MOT), reception incorporating WC and staff facilities.	CH65 0AA	4,490	Freehold	900	40,000	20/03/2007	19/03/2032	5.30%	698,000
25	ELTHAM, 727 Sidcup Road Brief description: The property comprises a concrete framed building with brick elevations and a pitched roof arranged over ground and basement levels. At ground floor level is a customer reception and five bay workshop. The basement is a tyre and parts storage area. Externally, there are six parking spaces arranged to the front of the building. At the rear of the property (accessed via a fire escape from the basement or externally over land occupied by Ford) is a small fenced area which is not being utilised and has been used for the storage of old cars and equipment.	SE9 3AQ	4,723	Leasehold	600	54,000	20/03/2007	19/03/2032	6.00%	576,000
26	FORFAR, Queenswell Road Brief description: The property comprises a detached single storey steel framed commercial unit with brick and block infill walls with cladding under a double pitched roof. The accommodation includes a reception, workshop with four bays (five service bays), MOT office, tyre store (within the workshop), store, staffroom and customer WC's. Externally a tarmacadam surfaced car park fronts and is to the east of the property and has capacity for approximately 20 vehicles. Due to weather conditions we were unable to count car parking spaces and so have assumed that the 20 car parking spaces which we have been notified of is correct.	DD8 3JA	2,875	Freehold	1,090	28,000	20/03/2007	19/03/2032	5.50%	468,000
27	GLASGOW, 381 Pollokshaws Road Brief description: The property comprises a detached single storey steel framed commercial unit with brick infill walls with cladding above under a slightly pitched roof. The accommodation includes a reception, workshop with five bays (eight service bays), tyre store (within the workshop), workshop office, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park has capacity for approximately 12 vehicles. The property appears to have been recently refurbished to a Kwik Fit Premier standard.	G41 1QZ	4,999	Freehold	2,100	52,000	20/03/2007	19/03/2032	4.95%	965,000
28	GLENROTHES, Fullerton Road Brief description: The unit is single storey with brick elevations beneath a pitched roof. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there is a large parking area with approximately 17 car parking spaces.	KY7 5QR	4,500	Freehold	200	46,000	20/03/2007	19/03/2032	6.15%	805,000
29	GOOLE, 142-148 Boothferry Road Brief description: The property comprises a detached single storey steel portal framed commercial unit with brick infill walls under a double pitched roof. The accommodation includes a reception, workshop with three bays (four service bays), tyre store (within the workshop), staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts and is to the south of the property and has capacity for approximately 15 vehicles.	DN14 6AG	4,082	Freehold	1,200	38,000	20/03/2007	19/03/2032	6.40%	566,000
30	GREAT YARMOUTH, 90 North Quay Brief description: The property comprises a detached mainly single storey unit with a small first floor which has brick and glazed elevations. Internally, there is a reception area, four bay workshop and tyre store. The first floor comprises a timber floor tyre storage area.	NR30 1JT	5,314	Freehold	700	43,000	20/03/2007	19/03/2032	6.90%	803,000

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
31	HELENSBURGH, 3 Charlotte Street Brief description: The property comprises a semi-detached single storey steel framed commercial unit with part painted/part unpainted rendered elevations under a double pitched roof. The accommodation includes a reception, workshop with two bays one of which was not in use (four service bays), staffroom and customer WCs. Tyre stores are provided within the workshop and on a mezzanine level. No parking is demised to the property albeit on-street parking is available in the vicinity.	G84 7PH	2,950	Freehold	300	24,000	20/03/2007	19/03/2032	7.35%	454,000
32	HORNCHURCH, Ardleigh Green Road Brief description: The property comprises a detached single storey unit of brick and steel portal frame construction together with a multi-pitched roof structure. The accommodation is situated entirely at ground floor level and includes a 4 bay workshop, reception, tyre stores, staffroom and customer/staff WCs. There is a small car park with room for 7 vehicles.	RM11 2ST	3,641	Freehold	800	56,000	20/03/2007	19/03/2032	4.20%	1,125,000
33	HUDDERSFIELD, Lockwood Road Brief description: The property comprises a detached part two storey part single storey steel framed commercial unit with brick and block infill walls under a flat roof. The accommodation includes a reception, workshop with six bays (six service bays), MOT office, staffroom and customer and staff WCs to ground floor level. A tyre store is to the first floor. Externally a tarmac surfaced car park is to the rear (east) of the property and has capacity for approximately five vehicles. Parking capacity could be increased through the creation of additional parking spaces on the property's Lockwood Road (A616) frontage.	HD1 3QU	5,206	Freehold	600	44,000	20/03/2007	19/03/2032	5.50%	605,000
34	HYDE, 26-28 Manchester Road Brief description: The unit comprises a two storey end terrace brick built unit with flat roof. Ground floor accommodation includes a dated reception area, 6-bay workshop, staffroom and toilets. At first floor is a tyre store. The building is poorly maintained but the parking provision is good.	SK14 2BD	5,134	Freehold	700	40,000	20/03/2007	19/03/2032	6.40%	595,000
35	ISLINGTON, 379 Camden Road Brief description: The property comprises a five bay workshop which is set back from the road, the elevations are brick and the roof is supported by a steel truss. There is a reception area and staff welfare accommodation. The car park has a capacity of nine vehicles.	N7 0SH	4,327	Leasehold	800	102,000	20/03/2007	26/09/2024	—	107,000
36	KEIGHLEY, Worthway Brief description: The property comprises a detached single storey steel framed commercial unit with brick and block infill walls with cladding above to part under a pitched roof. The accommodation includes a reception, workshop with four bays (five service bays), MOT office, office, tyre store (within the workshop), staffroom and customer and staff WCs. Externally a concrete surfaced car park fronts the property and has capacity for approximately 11 vehicles.	BD21 5ET	3,576	Leasehold	800	36,000	20/03/2007	19/03/2032	6.50%	494,000
37	KEYNSHAM, Ashton Way Brief description: The property comprises a detached purpose-built unit of steel portal frame construction, with block elevations beneath a pitched roof. The accommodation is at ground floor level and includes a reception area, 4 bay workshop, tyre store, staffroom and customer/staff WCs. Externally there is a small car park with capacity for 7 vehicles.	BS31 2UF	3,214	Freehold	800	34,000	20/03/2007	19/03/2032	5.50%	582,000
38	KIDDERMINSTER, 20 Churchfields Brief description: The property comprises a detached steel portal frame unit with brick elevations beneath a pitched roof. The accommodation is situated principally at ground floor level and includes a 6 bay workshop, tyre store, staffroom and customer/staff WCs. A small first floor staff room and WC are excluded from the measured survey referred to below. Externally there is a small car park with capacity for approximately 8 vehicles.	DY10 2JL	3,849	Leasehold	900	33,000	20/03/2007	19/03/2032	6.75%	356,000

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
39	KILMARNOCK, 32/36 Low Glencairn Street Brief description: The property comprises a detached single storey commercial unit of steel frame construction with brick and block infill walls with profile cladding above under a double pitched roof. The accommodation includes a reception, workshop with three bays (six service bays), tyre store (within the workshop), MOT office, workshop office, store, staffroom and customer and staff WCs. Externally a tarmac surfaced car park to the front of the property has capacity for approximately 11 vehicles.	KA1 4DD	3,622	Freehold	900	46,000	20/03/2007	19/03/2032	6.25%	836,000
40	KIRKCALDY, 182 The Esplanade Brief description: The unit is single storey with brick elevations beneath a flat roof. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there is limited parking as the site is relatively compact.	KY1 2AQ	5,818	Freehold	1,000	45,000	20/03/2007	19/03/2032	6.40%	697,000
41	LEVEN, The Promenade Brief description: The unit is single storey and of concrete frame construction beneath a pitched roof. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there are approximately 5 car parking spaces.	KY8 4PJ	4,850	Freehold	700	36,000	20/03/2007	19/03/2032	5.95%	561,000
42	LINCOLN, 148-150 Newark Road Brief description: The property comprises a brick constructed unit with brick and profile clad elevations with a parapet wall obscuring the roof. Internally, the property comprises a reception, tyre store and ancillary areas, and incorporates four workshop bays and an MOT bay. A small area of the building (extending to perhaps 100 sq ft) was inaccessible at the time of our inspection owing to the presence of asbestos. We reviewed the asbestos register whilst on site (prepared by SM & MS Consulting, dated October 2013) and it was noted that four low risk asbestos containing materials were found. We understand from staff on site that the tenant is planning to remove the asbestos. Externally, there are nine parking bays.	LN5 8QJ	4,819	Freehold	700	41,000	20/03/2007	19/03/2032	5.35%	690,000
43	LIVERPOOL, 232 Aigburth Road Brief description: The subject property is situated fronting and to the south of the A561 Aigburth Road, approximately four miles south east of central Liverpool. The immediate surroundings are principally residential in nature with commercial uses. A number of local businesses trade from shop fronts along Aigburth Road a short distance to the east.	L17 0BJ	4,095	Freehold	600	35,000	20/03/2007	19/03/2032	5.65%	763,000
44	LLANDUDNO, Conway Road Brief description: The site comprises a single storey, purpose built fast fit centre, having a steel truss supported pitched roof. The building is branded as 'Kwik Fit Plus' and benefits from 22 car parking spaces. Internally, the property provides a reception, tyre storage area, staffroom, welfare facilities and a large workshop accommodating ten bays (including MOT).	LL30 1DE	11,137	Leasehold	1,700	95,000	20/03/2007	19/03/2032	5.50%	1,482,000
45	LOUGHBOROUGH, 24-29 The Rushes Brief description: The property is a purpose built Kwik Fit having steel portal frame construction and brick and profile clad elevations. Internally there is a reception, tyre store and five workshop bays plus MOT. Externally, there are 40 parking spaces for the use of Kwik Fit. The site is shared with a Johnsons Dry Cleaners, who we understand occupy by way of a sub-lease from Kwik Fit, and occupy four parking spaces.	LE11 5BG	6,177	Freehold	2,300	77,000	20/03/2007	19/03/2032	5.15%	1,380,000
46	MIDDLESBROUGH, 3 Lansdowne Road Brief description: The property comprises a detached L-shaped unit of brick and block construction beneath a steel-framed pitched roof with skylights to its apex. The accommodation is mainly at ground floor level and includes a 4 bay workshop, two MOT bays, staffroom and customer WCs, with mezzanine tyre storage and ancillary staff rooms. It is in generally good cosmetic order with the latest branding and fit-out. Externally there is parking for approximately 13 vehicles.	TS4 2LW	5,255	Freehold	1,300	68,000	20/03/2007	19/03/2032	5.40%	1,380,000

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
47	MONTRUSE, 24 George Street Brief description: The property comprises a detached single storey steel framed commercial unit with brick infill walls under a roof that was not visible from ground floor level. The accommodation includes a reception, workshop with two bays (two service bays), tyre store (within the workshop and an adjoining bay), store, staffroom and customer WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately ten vehicles.	DD10 8EW	2,726	Freehold	670	25,000	20/03/2007	19/03/2032	6.65%	359,000
48	MOTHERWELL, 99A Airbles Road Brief description: The property comprises a semi-detached single storey steel framed commercial unit with painted brick external elevations with cladding above under a part flat/part pitched roof. The accommodation includes a reception, workshop with three bays (six service bays), tyre store (within the workshop), MOT office, workshop office, staffroom and customer and staff WC's. Externally a sloping tarmacadam surfaced car park to the west of the property has capacity for approximately 11 vehicles. The property appears to have been recently refurbished to a Kwik Fit Premier standard.	ML1 2TJ	6,220	Freehold	600	59,000	20/03/2007	19/03/2032	5.35%	985,000
49	NORTHWICH, Leicester Street Brief description: The building is of brick and steel frame construction which is part single storey and part double storey, beneath a pitched roof. Ground floor accommodation includes a reception area, three separate workshops, staffroom and toilets. At first floor is ancillary accommodation. The site has good parking provision and has two access points.	CW9 5LQ	7,825	Freehold	700	63,000	20/03/2007	19/03/2032	5.80%	1,030,000
50	OBAN, Market Street Brief description: The property comprises a detached single storey steel framed commercial unit with painted rendered and brick infill walls under a double pitched roof. The accommodation includes a reception, workshop with single bay (four service bays), store, staffroom and customer WC's. A tyre store is provided on a mezzanine level. Externally no parking is provided albeit on street parking and a large free car park is available in the vicinity. Cracking was noted to various external walls (particularly the eastern elevation) and we would recommend that this is investigated and remedied by a chartered building surveyor.	PA34 4HR	5,134	Freehold	370	35,000	20/03/2007	19/03/2032	7.60%	485,000
51	OLDHAM, Huddersfield Road Brief description: The property comprises a detached single storey steel portal framed commercial unit with brick and block infill walls with cladding above under a double pitched roof. The accommodation includes a reception, workshop with three bays (five service bays), MOT office, tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately 12 vehicles. An external storage container was also in use as a tyre store at the date of inspection.	OL1 3HR	4,411	Freehold	1,300	42,000	20/03/2007	19/03/2032	5.50%	719,000
52	OLDHAM, Middleton Road/Lansdowne Road Brief description: The property comprises a detached part two storey part single storey commercial unit with brick and rendered infill walls under a flat roof. The accommodation includes a reception, workshop with six bays (five service bays), MOT office, store, staffroom and customer and staff WC's. A tyre store is to the first floor. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately 11 vehicles. Two external storage containers were also positioned to the south of the property at the date of inspection and we understand that these were in use as tyre stores.	OL9 9EG	4,819	Leasehold	1,300	36,000	20/03/2007	19/03/2032	8.15%	356,000

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
53	OTLEY, Bondgate Brief description: The property comprises a relatively dated detached single-storey steel frame unit with brick/block elevations, partially clad with local stone to lower elevations and profiled metal sheet to upper parts, beneath a pitched corrugated cement sheet roof. The accommodation is situated at ground floor level and includes small reception area, a four vehicle workshop, rolling road, tyre store, staffroom and customer/staff WCs. The unit is generally in average cosmetic order. Externally there is a small car park with capacity for approximately ten vehicles.	LS21 3AB	6,247	Leasehold	1,000	50,000	20/03/2007	19/03/2032	5.60%	721,000
54	PLYMOUTH, 125-129 Alexandra Road Brief description: The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a pitched roof. The business trades as Kwik-Fit Plus, and the accommodation includes a 7 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a good sized car park with capacity for 17 vehicles.	PL4 7EG	9,725	Freehold	2,500	83,000	20/03/2007	19/03/2032	5.25%	1,400,000
55	PONTYPRIDD, Sardis Road Brief description: The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a flat roof. The accommodation includes a 5 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a good sized car park with capacity for approximately 15 vehicles.	CF37 1BA	4,718	Freehold	1,400	39,000	20/03/2007	19/03/2032	6.65%	615,000
56	PORTSMOUTH, 94 East Surrey Street Brief description: The property comprises a detached two storey unit with brick elevations and a parapet wall obscuring the roof. Internally, there is a reception, ancillary areas and a six bay workshop. At first floor level is a large tyre and parts store. Externally, there are eight parking spaces.	P01 1JY	5,927	Freehold	900	62,000	20/03/2007	19/03/2032	5.50%	1,085,000
57	PRESTON, Market Street Brief description: The property comprises a part one and part two storey unit formed of interconnecting buildings on a sloping site. The section operated by Kwik Fit is single storey and incorporates a reception, staff facilities, WCs and a rear tyre store in addition to the five bay workshop which also includes and MOT bay. To the left hand side of the Kwik Fit operation is a two storey building of traditional construction which is in need of comprehensive refurbishment or redevelopment, the majority of it being unfit for occupation. This section of the accommodation has effectively been closed off by the tenant and is not in use. Externally, there are 11 parking bays at the front of the site, with a roughly surfaced area at the rear on the upper portion of the site utilised for staff parking.	PR1 2HP	14,643	Leasehold	2,000	92,000	20/03/2007	19/03/2032	8.00%	802,000
58	RADCLIFFE, Bury Road Brief description: The property is single-storey and of concrete frame and brick construction beneath a flat roof. The accommodation includes a reception area, workshop, staffroom and toilets. There is limited parking provision.	M26 2UG	3,074	Leasehold	900	25,000	20/03/2007	19/03/2032	6.65%	385,000
59	RUTHERGLEN, 273 Main Street Brief description: The property comprises a detached two storey steel framed commercial unit with brick elevations under a flat roof. The accommodation includes a reception, workshop with three bays (five service bays), MOT office, store, staffroom and customer WC. To the first floor a tyre store, meeting room and staff WC are provided. Externally a tarmacadam surfaced car park fronting the property has capacity for approximately 11 vehicles. The property appears to have been recently refurbished to a Kwik Fit Premier standard.	G73 1EE	4,952	Freehold	800	43,000	20/03/2007	19/03/2032	4.95%	814,000
60	SHEFFIELD, 726 City Road Brief description: The property comprises a detached single storey steel portal framed commercial unit with brick and block infill walls with cladding above to part under a double pitched roof. The accommodation includes a reception, workshop with three bays (six service bays), MOT office, tyre store (within the workshop), staffroom and customer and staff WCs. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately 10 vehicles.	S2 1GJ	4,391	Leasehold	1,200	46,000	20/03/2007	19/03/2032	7.85%	548,000

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
61	SHEFFIELD, Townhead Street Brief description:	S1 1YG	7,479	Leasehold	900	60,000	20/03/2007	19/03/2032	5.75%	940,000
							At the time of our inspection, development works were being undertaken by the tenant to provide a Kwik Fit training centre. The property comprises a semi-detached commercial unit of steel framed construction with brick and block infill walls under a part pitched part flat roof. The accommodation includes a reception, workshop with two bays (six service bays), MOT office, tyre store (within the workshop), store, staffroom and customer and staff WC's. A first floor above the reception provides storage accommodation. Externally a small concrete surfaced car park fronts the property and has capacity for approximately eight vehicles.			
62	SHIPLEY, 58 Briggate Brief description:	BD17 7BT	4,834	Freehold	1,000	44,000	20/03/2007	19/03/2032	6.40%	625,000
							The property comprises two split level light industrial buildings; to the front is a single bay workshop having a steel truss supported roof and comprising five workshop bays and an offset reception area. To the rear (accessed via stairs from the workshop or via a vehicle ramp to the side of the workshop) is a tyre storage area incorporating a small office mezzanine and an MOT bay.			
63	SKEGNESS, 50 Roman Bank Brief description:	PE25 2SP	7,343	Freehold	1,100	59,000	20/03/2007	19/03/2032	6.75%	830,000
							The property comprises two split level light industrial buildings; to the front is a single bay workshop having a steel truss supported roof and comprising five workshop bays and an offset reception area. To the rear (accessed via stairs from the workshop or via a vehicle ramp to the side of the workshop) is a tyre storage area incorporating a small office mezzanine and an MOT bay.			
64	SOUTH CROYDON, 453 Brighton Road Brief description:	CR2 6EW	6,544	Freehold	1,800	141,000	20/03/2007	19/03/2032	3.70%	3,148,000
							The property comprises a purpose built single storey steel framed building with a pitched roof and arranged in an 'L' shape. Internally, there is a reception area, tyre store, ancillary accommodation and an 11 bay workshop. Externally, there is the capacity to park up to 19 vehicles.			
65	SOUTHPORT, 8 Ash Street Brief description:	PR8 6JH	3,875	Freehold	500	26,000	20/03/2007	19/03/2032	5.40%	462,000
							The property comprises a single storey unit having brick elevations and a steel truss supported pitched roof. The internal accommodation comprises a customer reception, tyre store, mezzanine storage and a three-bay workshop.			
66	STIRLING, 11 Burghmuir Road Brief description:	FK8 2DY	4,980	Freehold	1,000	51,000	20/03/2007	19/03/2032	5.60%	980,000
							The property comprises a detached single storey steel framed commercial unit with painted rendered external elevations with profile cladding above under a double pitched roof. The accommodation includes a reception, workshop with four bays (six service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Due to weather conditions we were unable to count car parking spaces and so have assumed that the 75 car parking spaces which we have been notified of is correct. Subsidence also appeared to be apparent to the corners of the building and we would recommend that this is investigated by a chartered building surveyor at the earliest opportunity.			
67	STONEHAVEN, 110 Barclay Street Brief description:	AB39 2AP	5,998	Freehold	640	48,000	20/03/2007	19/03/2032	5.65%	779,000
							The property comprises a semi-detached single storey steel framed commercial unit with painted rendered and block infill walls under a roof that was not visible from ground floor level. The accommodation includes a reception, workshop with single bay with an additional bay that was not in use (four service bays), MOT office, tyre store (within the workshop), stores, staffroom and customer and staff WC's. Externally a very small concrete surfaced car park fronts the property and has capacity for approximately two vehicles. On street parking is however available in the vicinity.			

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
68	SUNDERLAND, Monk Street Brief description: The property comprises a detached part two- and part single-storey brick/block unit with brick elevations respectively beneath a part flat asphalt covered roof and part steel-framed pitched corrugated cement sheet roof to the workshop unit. The accommodation is mostly situated at ground floor level and includes a six bay workshop, customer waiting room and WCs. The first floor is in very basic cosmetic condition and used only for uncracked tyre storage. The property is in particular need of refurbishment inside and out and we understand it is scheduled to undergo improvement imminently.	SR6 0BD	7,938	Freehold	1,000	56,000	20/03/2007	19/03/2032	5.40%	985,000
69	THORNBURY, 14 Mead Court Brief description: The property comprises a detached, refurbished two storey commercial unit of steel portal framed construction, utilising a mono pitched roof. The accommodation includes a 4 bay workshop, tyre stores, staffroom and customer/staff WCs, together with first floor stores. Externally there is a car park with capacity for approximately 10 vehicles.	BS35 3UW	3,579	Leasehold	700	29,000	20/03/2007	19/03/2032	6.65%	423,000
70	TOTTENHAM, 32 Monument Way Brief description: The property comprises a purpose built single storey building having a steel frame and a pitched roof. Internally, there is a reception area, tyre store, staff welfare facilities and an eight bay workshop. Parking is extensive, having 22 spaces arranged to the front and side of the site.	N17 9NX	5,451	Freehold	1,800	117,000	20/03/2007	19/03/2032	3.85%	2,618,000
71	TRURO, Treaswalls Road Brief description: The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a pitched roof. The accommodation includes a 5 bay workshop, tyre stores, staffroom and customer/staff WCs. The Brandon Tool Hire unit comprises a trade counter, with reception area and stores. Externally there is a good sized car park with capacity for 18 vehicles, as well as yard space to the rear.	TR1 3PY	9,626	Freehold	4,100	67,000	20/03/2007	19/03/2032	7.35%	1,073,000
72	WARRINGTON, Priestley Street/Garibaldi Street Brief description: Single storey unit of concrete frame construction beneath a flat roof. The accommodation includes a welcoming reception area, well presented workshop, staffroom and toilets. Externally there are approximately 12 car parking spaces. The site enjoys good prominence. The unit has access from the rear.	WA5 1TE	5,721	Leasehold	500	54,000	20/03/2007	19/03/2032	7.00%	547,000
73	WIGAN, Wallgate Brief description: The property comprises a single storey steel portal framed building with brick elevations which has been split to accommodate Kwik Fit (front section) and a third party occupier (rear section), the latter we assume occupy on a sub-lease from Kwik Fit. We did not inspect the rear portion of the building (which was locked at the time of our inspection). The front section comprises customer reception, tyre store and a seven bay workshop. Externally, there is a large parking area capable of accommodating approximately 26 vehicles at the front, with a large service yard extending behind the rear section of the building.	WN5 0XG	10,236	Leasehold	4,900	87,000	20/03/2007	19/03/2032	5.50%	1,497,000
74	WORCESTER, 1 Carden Street, City Walls Brief description: The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a pitched roof. The accommodation, which was refurbished in late 2016, includes an 8 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a good sized car park with capacity for 10 vehicles.	WR1 2AX	8,535	Leasehold	1,400	85,000	20/03/2007	19/03/2032	6.75%	1,018,000
75	YOKER, 2369-2375 Dumbarton Road Brief description: The property comprises a detached single storey steel framed commercial unit with painted brick and pebbledash external elevations under a double pitched roof. The accommodation includes a reception, two workshop bays (six service bays), MOT office, tyre store (within the workshop), store, staffroom and customer WCs. Externally a concrete surfaced car park fronts the property and has capacity for approximately six vehicles.	G14 0NT	8,548	Freehold	1,000	68,000	20/03/2007	19/03/2032	5.65%	1,067,000

VALUATION REPORT (continued)

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	Market Rent (£) (Approx.)	Lease Start	Lease End	Net Initial Yield	Market Value (£)
76	<p>GLoucester, Unit 3 Northbrook Road</p> <p>Brief description: The property comprises a converted industrial premises occupying part ground and part first floor accommodation. The construction utilises traditional brick elevations together with a steel frame, beneath pitched roof structures. The premises trade as Central Tyres, together with a former training centre for Kwik-Fit (hence there is now surplus space). The Central Tyres unit consists of reception area, 6 bay workshop, stores, WCs and staffroom, whilst the former Kwik-Fit training centre (which we were unable to inspect) is understood to provide a training area with a 2 bay workshop, stores, first floor offices and WCs. Externally there is a large car park with room for approximately 50 vehicles.</p>	GL4 3DP	16,814	Freehold	4,100	76,000	20/03/2007	19/03/2032	5.55%	1,164,000
77	<p>STIRLING, 1 Whitehouse Road</p> <p>Brief description: The property comprises a detached commercial unit with block and painted rendered external elevations under a predominantly pitched roof. The accommodation includes reception, workshop, store and WCs. Externally there is a surfaced car park with capacity for approximately 15 vehicles.</p>	FK7 7SS	5,425	Freehold	2,000	37,000	20/03/2007	19/03/2032	5.85%	603,000
78	<p>BARRHEAD, 17 Cross Arthurie Street</p> <p>Brief description: The property comprises a detached single storey steel framed commercial unit with brick infill walls with painted render to external elevations under a double pitched roof. The accommodation includes a reception, workshop with three bays (four service bays), tyre store (within the workshop), MOT office, staffroom and customer WCs. Externally a tarmacadam surfaced car park is to the front and south of the property and has capacity for approximately eight vehicles.</p>	G78 1QY	3,856	Freehold	1,200	35,000	20/03/2007	19/03/2032	5.65%	594,000
79	<p>BIRMINGHAM, 900/902 Coventry Road</p> <p>Brief description: The property is a detached dated building which is part single storey and part two storey, with brick elevations. The accommodation includes a 4 bay workshop along with tyre store, WCs and additional storage at first floor level.</p>	B10 0UA	5,977	Leasehold	500	45,000	20/03/2007	19/03/2032	—	139,000
80	<p>EDINBURGH, 40A Portobello Road</p> <p>Brief description: The unit is single storey with mainly brick elevations beneath a pitched roof. We were unable to inspect the property internally.</p>	EH8 7EH	4,006	Freehold	1,200	38,000	20/03/2007	19/03/2032	5.70%	773,000
81	<p>LICHFIELD, 8-9 Europa Way</p> <p>Brief description: The property is a single mid-terrace unit of steel portal frame construction beneath a flat roof. The unit has been rebranded Tyre City. Accommodation includes reception, 4-bay workshop, tyre store and WCs.</p>	WS14 9TZ	1,835	Freehold	100	17,000	20/03/2007	19/03/2032	5.50%	279,000
82	<p>NELSON, 130 Leeds Road</p> <p>Brief description: The building is of concrete frame construction which is part single storey and part double storey, beneath a flat roof. Ground floor accommodation includes a small dated reception area, workshop, staffroom and toilets. At first floor is a tyre store. The building is relatively dated and poorly maintained but the parking provision is good.</p>	BB9 9XB	4,645	Leasehold	700	35,000	20/03/2007	19/03/2032	7.15%	486,000
83	<p>THORNABY ON TEES, 212 Thornaby Road</p> <p>Brief description: The property comprises a well presented modern detached steel portal frame unit with brick/block elevations beneath a pitched profile metal pannelled roof. The accommodation includes a three bay workshop, tyre store, reception and WCs to ground floor. The first floor is mainly given over to tyre storage with staff ancillary rooms and goods lift to one end Externally there is a small car park with capacity for approximately ten cars including two marked disabled spaces.</p>	TS17 8AA	5,169	Freehold	800	41,000	20/03/2007	19/03/2032	5.50%	719,000
84	<p>WESTON-SUPER-MARE, Winterstoke Road</p> <p>Brief description: The property comprises a detached, converted two storey unit of brick construction, utilising a flat roof. The accommodation includes a 3 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a small car park with capacity for 5 vehicles.</p>	BS23 3YE	2,849	Freehold	300	26,000	20/03/2007	19/03/2032	6.55%	462,000
Aggregate/Average						4,616,000			5.57%	74,281,000

TRUSTEE'S REPORT

Spring Asset Management Limited
(in its capacity as the REIT Manager of Spring REIT)
Room 2602, 26/F,
LHT Tower,
31 Queen's Road Central,
Central, Hong Kong

Attention: Mr. Leung Kwok Hoe, Kevin

Dear Sirs,

Spring Real Estate Investment Trust
Annual Confirmation for the period from 1 January 2022 to 31 December 2022

We hereby confirm that, in our opinion, the Manager of Spring Real Estate Investment Trust ("Spring REIT") has, in all material respects, managed Spring REIT in accordance with the provisions of the Trust Deed dated 14 November 2013 (as amended by the First Supplemental Deed dated 22 May 2015 and the First Amending and Restating Deed dated 28 May 2021) for the period from 1 January 2022 to 31 December 2022.

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

Hong Kong, 21 March 2023

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF SPRING REAL ESTATE INVESTMENT TRUST

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

OPINION

What we have audited

The consolidated financial statements of Spring Real Estate Investment Trust (the "Spring REIT") and its subsidiaries (together, the "Group"), which are set out on pages 157 to 206, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity and net assets attributable to the Unitholders for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of distributions for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of Investment Properties</p> <p>Refer to notes 2(e), 4(a) and 13 to the consolidated financial statements</p> <p>The valuation of the Group's investment properties is a key component of the net asset value attributable to the Unitholders and underpins the Group's result for the year. The valuation of investment properties in the consolidated statement of financial position was RMB12,083 million as at 31 December 2022 and the fair value gain of investment properties for the year ended 31 December 2022 was RMB269 million.</p> <p>The valuation of the Group's investment properties is inherently subjective to, among other factors, the individual nature of the property, its location and the expected future rentals for that particular property.</p> <p>The valuation was carried out by a third party valuer (the "Valuer"). The Valuer was engaged by Spring Asset Management Limited (the "Manager" of Spring REIT) and the Trustee. The Valuer has considerable experience of the market in which the Group operates.</p>	<p>We obtained an understanding of the management's internal control and assessment process of valuation of the investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.</p> <p>We read the Valuer's reports which confirm that the valuation was prepared in accordance with the HKIS Valuation Standard, the RICS Valuation – Global Standards, and the REIT Code. We assessed the Valuer's competence, capabilities and objectivity by understanding their experience, reputation in field, professional certification and based on our previous experience of the valuer.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>In determining investment properties' valuation, the Valuer adopted the income capitalisation approach cross-checked by the direct comparison approach where applicable. The Valuer took into account property-specific information such as the current tenancy agreements and rental income in the valuation process. The Valuer applies assumptions for capitalisation rate and market rent, which are influenced by the prevailing market yields and market transactions.</p> <p>The existence of significant estimation uncertainty on the key assumptions warrants specific audit focus in this area.</p>	<p>We checked on a sample basis the data used by the Valuer from which the valuation was based upon. This data included key terms of lease agreements and rental income schedules which we agreed to appropriate supporting documentation.</p> <p>We involved our internal valuation expert in assessing valuation approaches (i.e. income capitalisation approach) and the key assumptions (i.e. capitalisation rate and base rent). We discussed with the Manager and the Valuer to understand the valuation approaches and to challenge the key assumptions adopted by the Manager and the Valuer. We compared the estimates and assumptions used by the Valuer against industry benchmarks and market transactions. We evaluated whether assumptions were appropriate in light of the evidence provided by the Valuer.</p> <p>We considered that the methodologies used in preparing the valuations were appropriate and key assumptions were supportable in light of available market evidence.</p>

OTHER INFORMATION

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

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

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

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

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

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

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the the Trust Deed dated 14 November 2013, as amended by the First Supplemental Deed dated on 22 May 2015 and the First Amending and Restating Deed dated on 28 May 2021 (the "Trust Deed"), and the relevant disclosure provision of Appendix C of the Code on Real Estate Investment Trusts issued by the Hong Kong Securities and Futures Commission (the "REIT Code").

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Notes	Year ended 31 December	
		2022 RMB'000	2021 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
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 165 to 206 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:					
<i>Items that may be reclassified to consolidated income statement</i>					
Exchange gains on translation of financial statements of subsidiaries	29,633	—	29,633	—	29,633
<i>Items that may not be reclassified to consolidated income statement</i>					
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:					
<i>Items that may be reclassified to consolidated income statement</i>					
Exchange losses on translation of financial statements of subsidiaries	(3,614)	—	(3,614)	—	(3,614)
<i>Items that may not be reclassified to consolidated income statement</i>					
Exchange losses on translation of financial statements of Spring REIT	(34,657)	—	(34,657)	—	(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 165 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS

For the year ended 31 December 2022

	2022 RMB'000	2021 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

The notes on pages 165 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS (continued)

For the year ended 31 December 2022

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 HK\$10.0 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 165 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	As at 31 December	
		2022 RMB'000	2021 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
Executive Director

Chung Wai Fai, Michael
Executive Director

The notes on pages 165 to 206 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 24)	—	—	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 165 to 206 are an integral part of these consolidated financial statements.

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

For the year ended 31 December 2022

	Reserves RMB'000	Net assets attributable to Unitholders 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 165 to 206 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	22	393,224	348,334
Interest received		4,166	2,392
Income tax paid		(7,494)	(3,281)
Net cash generated from operating activities		389,896	347,445
Cash flows from investing activities			
Additions to investment properties		(18,319)	(2,914)
Acquisition of subsidiaries	24	(739,730)	—
Net proceeds from disposal of investment properties		—	1,791
Net cash used in investing activities		(758,049)	(1,123)
Cash flows from financing activities			
Payment of lease liabilities		(950)	(1,009)
Repurchase of units in issued		(4,742)	(4,357)
Net proceeds from borrowings		3,710,173	—
Repayment of borrowings		(2,899,748)	(2,138)
Interest paid		(110,181)	(62,175)
Decrease/(increase) in restricted bank balances		4,157	(9,666)
Distributions to Unitholders		(289,695)	(259,484)
Settlement of derivative financial instruments		(33,008)	—
Net cash generated from/(used in) financing activities		376,006	(338,829)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		156,047	154,435
Exchange gain/(loss) on cash and cash equivalents		38,534	(5,881)
Cash and cash equivalents at end of year		202,434	156,047

The notes on pages 165 to 206 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 24 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (Continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (Continued)

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

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

(b) Consolidation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property operating expenses

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

(e) Investment properties

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

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

(f) Derivative financial instruments

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Foreign currency translation (continued)

(a) Functional and presentation currency (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

(i) At initial recognition (continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

(ii) Subsequent measurement

The Group measures the right-of-use assets that meet the definition of investment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's interest rate risk mainly arises from its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits at variable rate. Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use plain vanilla interest rate swaps to manage the risk where the Group forecasts a significant rise in interest rate in the foreseeable future.

As at 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Cash flow forecasting is performed by the Group's finance function ("Group Finance"). Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities (note 19) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial position ratio targets and, if applicable external regulatory or legal requirements.

Liquidity risk management includes maintaining sufficient cash, the availability of funding from operating cash flow and seeking stable financing activities. The Group will continue to monitor market conditions to assess the possibility of arranging longer term refinancing at favorable rates and extending the maturity profile of its debts. Taking into account the liquidity position, covenants and regulatory compliance (including the gearing ratio) of the Group, management expected the Group has adequate resources to meet its liabilities and commitment as and when they fall due and to continue in operational existence for the foreseeable future.

The table below analyses the Group's financial assets into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity dates.

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 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	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows which comprise both interest and principal cash flows.

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Unitholders.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total assets.

	As at 31 December	
	2022 RMB'000	2021 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

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 RMB'000	2021 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 RMB'000	2021 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 TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

6 PROPERTY OPERATING EXPENSES (continued)

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 RMB'000	2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

8 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2022 RMB'000	2021 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 RMB'000	2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

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 RMB'000	2021 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 RMB'000	2021 RMB'000
Profit before taxation and transactions with Unitholders	221,940	516,406
Exclude profit from 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

11 MANAGER'S FEE

	Year ended 31 December	
	2022 RMB'000	2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

12 EARNINGS PER UNIT

	2022 RMB'000	2021 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 RMB'000	2021 RMB'000
At beginning of the year	9,307,096	9,202,902
Acquisition of subsidiaries (note 24)	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

13 INVESTMENT PROPERTIES (continued)

On 28 September 2022, the Group completed the acquisition of 68% interest of Huizhou Huamao Place through acquisition of subsidiaries (note 24).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

13 INVESTMENT PROPERTIES (continued)

Valuation techniques (continued)

(ii) UK investment properties

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

Fair value hierarchy

	Fair value measurements using		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
As at 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

13 INVESTMENT PROPERTIES (continued)

Key unobservable inputs used to determine fair values (continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

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 RMB'000	2021 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 RMB'000	2021 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 RMB'000	Level 2 RMB'000	Level 3 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

15 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2022 RMB'000	2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

16 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 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 RMB'000	2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

18 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 31 December	
	2022 RMB'000	2021 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	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 RMB'000	2021 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

19 INTEREST-BEARING BORROWINGS (continued)

- (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 23), 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

20 DEFERRED TAX LIABILITIES (continued)

	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

22 NOTES TO STATEMENTS OF CASH FLOWS

(a) Cash generated from operating activities

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before taxation and transactions with Unitholders	221,940	516,406
Fair value gain of investment properties	(268,730)	(128,015)
Fair value loss/(gain) of right-of-use assets	312	(710)
Net fair value gain on derivative financial instruments	(81,767)	(50,125)
Gain on disposal of investment properties	—	(149)
Manager's fee expenses in units in lieu of cash	34,500	31,006
Bank interest income	(4,166)	(2,392)
Finance costs (note 9)	397,726	17,926
Foreign exchange losses/(gains)	108,803	(21,834)
Decrease/(increase) in trade and other receivables	10,733	(26,127)
Increase in rental deposits	876	2,659
(Decrease)/increase in trade and other payables	(27,003)	9,689
	393,224	348,334

Non-cash movement other than disclosed elsewhere in the consolidated financial statements:

- (i) For the year ended 31 December 2022, the Manager's fee amounting RMB34,500,000 (2021: RMB31,006,000) was settled by issuance of new units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

22 NOTES TO STATEMENTS OF CASH FLOWS (continued)

(b) Movement of financial liabilities arising from financing activities

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

	Interest payable (included in trade and other payables) RMB'000	Interest- bearing borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2022	10,734	2,960,830	11,009	2,982,573
<i>Cash flows in financing activities</i>				
Payment of lease liabilities	—	—	(950)	(950)
Interest paid	(110,181)	—	—	(110,181)
Net proceeds from borrowings	—	3,710,173	—	3,710,173
Repayment of borrowings	—	(2,899,748)	—	(2,899,748)
Acquisition of subsidiaries	—	800,000	—	800,000
Interest expense on bank borrowings (note 9)	126,476	39,361	—	165,837
Interest expense on lease liabilities (note 9)	—	—	863	863
Interest expenses on derivative financial instruments (note 9)	(21,870)	—	—	(21,870)
Exchange difference recognised in profit and loss	1,565	252,896	—	254,461
Exchange difference recognised in other comprehensive income	(45)	(6,166)	(321)	(6,532)
As at 31 December 2022	6,679	4,857,346	10,601	4,874,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

22 NOTES TO STATEMENTS OF CASH FLOWS (continued)

(b) Movement of financial liabilities arising from financing activities (continued)

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

23 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 RMB'000	2021 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

24 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 Runxin 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 receivable due from seller)	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

25 CONNECTED PARTY TRANSACTIONS AND RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2022, RCA Fund 01, L.P. is the immediate and ultimate holding company of the Group.

For the year ended 31 December 2022, the Group entered into the following transactions with related parties at mutually agreed terms in the normal course of its business.

(a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties, as defined in the REIT Code/IAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 31 December 2022:

Connected/related party	Relationship with the Group
DB Trustees (HK) Ltd. *	The Trustee of Spring REIT
Spring Asset Management Limited*	The Manager of Spring REIT
RCA Fund 01, L.P. (" RCA Fund ") *	A Substantial Unitholder of Spring REIT
PAG Investment Consulting (Beijing) Co., Limited (" PAG Beijing ") * #	An Associate of a Substantial Unitholder of Spring REIT
Beijing Guohua Real Estate Co., Ltd. (" Beijing Guohua ") * # (note ix and x)	An Associate of a Substantial Unitholder of Spring REIT
MIBJ Consulting (Beijing) Co., Ltd. (" MIBJ ") *	An Associate of the Manager and an Associate of a director of the Manager
Beijing Hua-re Real Estate Consultancy Co., Ltd. (" HuaRe ") *	An Associate of the Manager and an Associate of a director of the Manager
Beijing Huamao Commercial Management Co., Ltd. (" Beijing Huamao Commercial Management ") * (note xi)	An Associate of a Substantial Unitholder of Spring REIT
Huizhou Huamao Operations Management Co., Ltd. (" Huizhou Huamao Operations Management ") *	An Associate of a Substantial Unitholder of Spring REIT
Huamao Focus Limited (" Huamao Focus ") *	An Associate of a Substantial Unitholder of Spring REIT
Huizhou Huamao Xing ye Real Estate Development Co., Ltd	An Associate of a Substantial Unitholder and Non-Controlling Interest of Spring REIT
Deutsche Bank AG and its subsidiaries (excluding the Trustee) (" DBAG ") *	Trustee Connected Persons
Zhong De Securities (" ZDS ") *	Trustee Connected Persons

* These connected parties are also considered as related parties of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

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

(b) Income from connected/related parties

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Rental revenue from MIBJ	(i)	955	953
Rental revenue from DBAG and ZDS	(i)	36,879	43,944
Rental revenue from PAG Beijing	(i)	2,530	2,534
Rental revenue from Huizhou Huamao			
Operations Management	(i)	249	—
Interest income from DBAG	(ii)	447	2,389

(c) Expenses to connected/related parties

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Property management fee to HuaRe	(iii)	10,801	10,337
Property management fee to Huizhou Huamao			
Operations Management	(iii)	6,194	—
Trustee's fee paid and payable to the Trustee	(iv)	1,804	1,730
Manager's fee to Spring Asset Management Limited	(v)	71,376	51,437
Bank charges to DBAG	(vi)	22	21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

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

(d) Balances with connected/related parties

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
Lease deposit from MIBJ	(vii)	295	281
Lease deposit from DBAG and ZDS	(vii)	6,857	6,767
Lease deposit from PAG Beijing	(vii)	770	743
Lease deposit from Huizhou Huamao Operations Management	(vii)	180	—
Consideration payable to Huamao Focus	(viii)	1,201	—

Notes:

- (i) Rental revenue was charged in accordance with the terms of the relevant agreements with the connected/related parties.
- (ii) Interest income received on bank deposits, bank charges and settlement of a financial instrument were charged in accordance with the terms of the relevant agreements with DBAG.
- (iii) Property management services fees were charged based on mutually agreed terms between the parties.
- (iv) The Trustee is entitled to in each financial period, an ongoing fee of not more than 0.025% of the value of the deposited property payable semi-annually or quarterly in arrears, subject to a minimum of RMB672,000 per annum. For the year ended 31 December 2022, additional Trustee Fee amounting to RMB89,000 was capitalised in the investment properties arising from acquisition of subsidiaries.
- (v) Fee to the Manager was charged in accordance with the Trust Deed. The fee to the Manager in 2022 included an acquisition fee amounting to RMB16,606,000 capitalised in the investment properties arising from the acquisition of subsidiaries during the year.
- (vi) Bank charges was charged in accordance with the terms of the relevant agreements with DBAG.
- (vii) Lease deposits were received in accordance with the terms of the relevant lease agreements.
- (viii) The amount represents the balance of the tax holdback amount in accordance with the terms of the relevant acquisition agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

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

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

Notes: (continued)

- (ix) The Group (as lessor) has entered into a carpark master lease contract dated 1 January 2017 and subsequently renewed with last renewal on 13 December 2022 (the "Carpark Master Lease") with Beijing Huamao Property Consulting Co., Ltd. First Branch (the "Carpark Operator") (as lessee), pursuant to which the Group's carpark spaces within the Development are master-leased to the Carpark Operator at a fixed rent, subject to an annual payment adjustment pursuant to the Carpark Management and Benefit Sharing Agreement (as described below). The Carpark Operator is an independent third party of Spring REIT.

In relation to the Carpark Master Lease, the Group (through Beijing Property Manager) and a wholly-owned subsidiary of Beijing Guohua, both as owners of their respective carpark spaces in the Development, have jointly entered into a carpark management and benefit sharing agreement dated 22 October 2020 subsequently renewed on 21 December 2021 to (i) appoint the Carpark Operator for the provision of management services in respect of the relevant carpark spaces, and (ii) set out the basis for determining the amount of the net income (after deduction of carpark management fees) generated from the carpark and each owner's entitlement thereto (the "Carpark Management and Benefit Sharing Agreement" and together with the Carpark Master Lease, the "Carpark Contracts").

Under the Carpark Master Lease, the transaction amount for the year ended 31 December 2022 was RMB5,214,377 (2021: RMB5,309,172). Under the Carpark Management and Benefit Sharing Agreement, (i) the Group's entitlement to the net income (after deduction of carpark management fees) for the year ended 31 December 2022 was RMB3,882,060 (2021: RMB5,214,377), and (ii) the Group's share of the carpark management fees for the year ended 31 December 2022 was RMB1,678,080 (2021: RMB1,678,080).

- (x) On 21 December 2021, the Group and Beijing Guohua, both as owners of their respective portion of the Development have jointly entered into a service contract for a period of 24 months commencing on 1 January 2022 to appoint Beijing Huamao Property Management Co., Ltd., the common area manager (the "Common Area Manager"), for the provision of maintenance and management services for the relevant common areas within the Development (the "Common Area Service Contract").

The Group is responsible for its portion of the management fee payable to the Common Area Manager, which is determined taking into account the Group's proportional property area. Pursuant to the Common Area Service Contract, the management fee payable by the Group to the Common Area Manager is settled via deduction from the building management fees paid directly by the tenants of the Group to the building manager, and such management fee amount for the year ended 31 December 2022 was RMB3,284,852 (2021: RMB3,284,852). The Common Area Manager is an independent third party of Spring REIT.

- (xi) On 21 December 2021, Beijing Huamao Property Consulting Co. Ltd.* (the "Beijing Building Manager") (as a delegate of RCA01) and Beijing Huamao Commercial Management Co. Ltd.* (the "Digital CCP Service Provider") entered into an agreement under which the Digital CCP Service Provider agreed to provide certain property digital system services (the "Digital CCP System Service Contract") to the Spring REIT CCP Properties and the tenants. Pursuant to the Digital CCP System Service Contract, the service fee for the Reporting Year was RMB3,673,454 (2021: nil).

No transaction was entered with the directors of the Manager (being the key management personnel) for the year ended 31 December 2022 (2021: Nil).

- # The Company has no official English name. The above unofficial English translation is for identification purpose only. Please refer to Chinese version of annual report for official Chinese name.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

26 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%
Indirectly held:					
Huamao Capital Focus 03 Limited	British Virgin Islands, limited liability	Investment holding	1 of US\$1 each	100%	—
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

27 FINANCIAL INSTRUMENTS BY CATEGORY

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Financial assets			
<i>Financial assets at amortised cost:</i>			
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
<i>Financial assets at fair value through profit and loss:</i>			
Derivative financial instruments	15	159,994	33,414
		779,294	512,909
Financial liabilities			
<i>Financial liabilities at amortised cost:</i>			
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.

28 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorised for issue by the Manager on 22 March 2023.

PERFORMANCE TABLE AND OTHER INFORMATION

Year ended 31 December	2022	2021	2020	2019	2018
Net assets attributable to Unitholders	RMB6,558.84 million	RMB6,671.65 million	RMB6,432.90 million	RMB6,447.78 million	US\$925.12 million
Net assets per Unit attributable to Unitholders	HK\$4.95	HK\$5.56	HK\$5.23	HK\$5.61	HK\$5.69
Total borrowings as a percentage of gross assets	37.6%	30.0%	31.1%	35.5	35.50%
Market capitalization ¹	RMB3,183.57 million	RMB3,096.89 million	RMB3,319.57 million	RMB3,700.22 million	US\$562.11 million
Units issued	1,484,931,187	1,472,383,580	1,460,872,865	1,285,813,315	1,272,356,925

For the year ended 31 December	2022	2021	2020	2019	2018
Highest traded unit price	HK\$2.90	HK\$3.00	HK\$3.29	HK\$3.72	HK\$4.85
Highest premium of the traded unit price to net assets per Unit	N/A	N/A	N/A	N/A	N/A
Lowest traded unit price	HK\$2.07	HK\$2.52	HK\$2.00	HK\$3.14	HK\$2.99
Highest discount of the traded unit price to net assets per Unit	41.82%	45.30%	61.80%	44.00%	47.50%
Distributions per Unit ²	HK21.2 cents	HK22.0 cents	HK20.0 cents	HK18.9 cents	HK19.2 cents
Net yield per Unit ²	8.8%	8.5%	7.4%	5.9%	5.5%

Notes:

1 Market capitalization is calculated based on the closing unit price of the period times the unit outstanding as at the end of the period.

2 Net yield per Unit is calculated based on distribution per Unit for each period to the closing price as at the end of each period.

Real estate agents and contractors	Nature of services	Value of contract/ commission paid RMB	Relevant percentage
Beijing Hua-re Real Estate Consultancy Co. Ltd. ¹	Property Management	10,801,111	79.4%
商優選	Leasing Agency	1,369,655	10.1%
北京亞聯行房地產經紀有限公司	Leasing Agency	496,341	3.7%
北京住宅房地產業商會	Leasing Agency	300,695	2.2%
北京遠行房地產經紀有限公司	Leasing Agency	269,938	2.0%
TOTAL		13,237,740	97.4%

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

CORPORATE INFORMATION

THE MANAGER

Spring Asset Management Limited
Room 2602, 26/F, LHT Tower, 31 Queen's Road Central,
Central, Hong Kong
Tel: +852 3100 0300
Fax: +852 3100 0320

BOARD OF DIRECTORS OF THE MANAGER

Chairman and Non-executive Director

Mr. Toshihiro Toyoshima

Executive Directors

Mr. Leung Kwok Hoe, Kevin
Mr. Chung Wai Fai, Michael

Non-executive Director

Mr. Hideya Ishino

Independent Non-executive Directors

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

RESPONSIBLE OFFICERS OF THE MANAGER

Mr. Leung Kwok Hoe, Kevin
Mr. Chung Wai Fai, Michael
Ms. Law Hung Yan, Verona (appointed on 8 November 2022)
Ms. Bai Yanan (appointed on 8 November 2022)
Ms. Alice Yu (ceasation on 11 August 2022)

COMPANY SECRETARY OF THE MANAGER

Fair Wind Secretarial Services Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

INTERNAL AUDITOR

BDO Financial Services Limited

TRUSTEE

DB Trustees (Hong Kong) Limited

PRINCIPAL VALUER

Knight Frank Petty Limited

LEGAL ADVISORS

Baker & McKenzie

UNIT REGISTRAR

Tricor Investor Services Limited
17/F Far East Finance Centre
16 Harcourt Road
Hong Kong

INVESTOR RELATIONS

Email: ir@springreit.com

STOCK CODE

Hong Kong: 1426

WEBSITE

www.springreit.com



SpringREIT

Spring Real Estate Investment Trust
春泉產業信託

Stock Code : 01426

www.springreit.com

Managed by
Spring Asset Management Limited

