SpringREIT

Spring Real Estate Investment Trust
春泉產業信託

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

(Stock Code: 01426)

Managed by
Spring Asset Management Limited

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023 AND CLOSURE OF REGISTER OF UNITHOLDERS

ABOUT SPRING REIT

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

Spring REIT offers investors direct exposure to two premium office buildings strategically located in Beijing Central Business District ("**Beijing CBD**") through its ownership in China Central Place Office Tower 1 and 2 (and the relevant portion of the car park) (the "**CCP Property**") and to a landmark shopping mall Huamao Place in Huizhou, located in Greater

Bay Area, which comprises seven-storey shopping mall and 750 carpark spaces (the "**Huamao Place**"). Being the first Hong Kong REIT to make an acquisition in the United Kingdom, Spring REIT's core property portfolio is complimented by a portfolio of 84 separate commercial properties in the United Kingdom ("**UK Portfolio**") which are leased out on a triple-net basis.

ABOUT THE MANAGER

Spring REIT is managed by Spring Asset Management Limited (as manager of Spring REIT, the "**Manager**"), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 31 December 2023, the Manager is 80.4% owned by Mercuria Holdings Co., Ltd. ("**Mercuria Holdings**"), which is an investment holding company listed on the Tokyo Stock Exchange (Stock Code: 7347) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

DISTRIBUTION

The board of directors (the "**Board**") of the Manager, for and on behalf of Spring REIT, has resolved to declare a final distribution for the period from 1 July 2023 to 31 December 2023 (the "**Reporting Period**", "**2H 2023**" or "**2023 Final Distribution Period**") of HK9.0 cents per Unit ("**2023 Final Distribution**") to unitholders of Spring REIT (the "**Unitholders**") whose names appear on the register of Unitholders on 17 April 2024 (the "**Record Date**"). However, this 2023 Final Distribution may be subject to adjustment in the event of any issuance of new Units and Units bought back and cancelled between 21 March 2024 and 17 April 2024. Before any such adjustment and together with the interim distribution of HK10.0 cents per Unit, total distributions for the year ended 31 December 2023 ("**FY2023**", "**Reporting Year**") amounts to a total of HK19.0 cents per Unit (FY2022: HK21.2 cents per Unit), representing a payout ratio of 97.5% (FY2022: 92.5%).

Based on the closing price of HK$2.28 per Unit as at 29 December 2023, the Reporting Year Distribution per Unit ("**DPU**") represents a distribution yield of 8.3%. 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 2023 Final Distribution is HK$1 = RMB0.9135, which represents the average of month-end central parity rates in the 2023 Final Distribution Period (as announced by the People's Bank of China).

The Manager confirms that the 2023 Final Distribution is composed only of consolidated profit after tax, before transactions with Unitholders attributable to Unitholders and non-cash adjustments for the 2023 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 2023 Final Distribution will be 17 April 2024. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 16 April 2024 to 17 April 2024, both days inclusive, during which period no transfer of Units will be registered. The 2023 Final Distribution is expected to be payable on 29 April 2024 to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2023 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 15 April 2024.

CHAIRMAN STATEMENT

Dear Unitholders,

On behalf of the Board of the Manager, I am pleased to present the financial results of Spring REIT for the financial year ended 31 December 2023.

The year 2023 was a challenging one for many companies globally. It was a year of steady interest rate hikes, slower than expected recovery in China and significant turbulence in the country's real estate sector, all of which affected business activity widely.

Given this challenging environment, it is a pleasure to report that Spring REIT was able to deliver a solid DPU for the Reporting Year of HK 19.0 cents, representing a year-on-year ("**YoY**") change amounting to a decrease of 10.4%. As the year drew to a close, Spring REIT registered a 23.3% YoY increase in net property income due to the full-year contribution of Huamao Place shopping mall in Huizhou. However, the gain at the operations level was offset by the significantly higher cost of borrowings during the year, leading to a total distributable income of RMB252.14 million (FY2022: RMB292.61 million).

This result is a testament to the hard work and strategic decision-making of the management teams managing Spring REIT's major assets, namely China Central Place Office Tower 1 and 2 in Beijing, and Huamao Place shopping mall in Huizhou in the Greater Bay Area ("**GBA**"). In both locations, the teams showed remarkable dedication to maintaining asset quality, through strategic upgrades and customised leasing in Beijing that helped counter soft demand for office space and proactive marketing initiatives in Huizhou that drove foot traffic and consumer spending in a relatively weak macro environment.

A continuation of the team's proactive capital management activities was also a hallmark of its prudent strategy throughout the year. This included further moves to fix the interest rate of its existing debts, and to better align the currency exposure of its underlying assets and liabilities. These initiatives proved effective in mitigating the effects of interest rate hikes and currency volatility during the year.

PERFORMANCE REVIEW

The full reopening of China to the world in early 2023, after two years of strict COVID isolation, initially raised market expectations of a rapid economic rebound driven by the release of significant pent-up demand. However, as the year proceeded it became evident that the trajectory did not fully materialize as expected. The economy slowed as the property sector continued to shrink, a situation which in turn had knock-on effects on local government revenues and spending. The cautious stance taken by the private sectors and general households also limited growth in investment and retail spending, leading to a more gradual pace of economic recovery.

The wider macroeconomic situation was quite closely reflected in the Beijing office market across the year. After an initial flurry of activity in early 2023, the market became increasingly subdued as tenants remained on the sidelines to see how the economic situation would play out. There was little fresh demand in the market, and for most of the year activity was largely made up of existing tenants looking for more economical options as they reassessed their future space needs given the uncertain business outlook.

Fortunately, no major new office supply came onto the market during the year, resulting in solid resilience in occupancy. At the end of 2023, the office vacancy rate in Beijing overall was approximately 12%, compared to the average vacancy rate of around 10% a year ago. Rents continued to soften over the year as landlords sought to maintain occupancy at the expense of positive rental reversions. Negotiations for renewals also took longer to resolve as tenants pressed for better terms. Companies in the finance and I&T sectors remained the mainstays of the office market. Most of these were domestic companies, however, as the percentage of foreign multinational companies occupying office space in Beijing stayed low, at less than 30% overall.

The management team of Spring REIT's CCP Property have already proved their ability to work effectively in the difficult market of the COVID-19 years. In 2023, despite the soft office market, they continued to deliver encouraging results in terms of maintaining occupancy levels, boosting tenant satisfaction, and enhancing the quality of the property. This year, the team's efforts to prioritise occupancy saw the occupancy rate at the CCP Property standing at 92.2% as at 31 December 2023.

To achieve this, property upgrades continued to be rolled out to meet tenants' expectations of a prime-grade building. Major work was done to enhance common areas such as lifts and lift lobbies, and to upgrade air conditioning and other cooling systems. Office renovations and the provision of furniture in lease contracts were used as incentives to attract and retain tenants. Although rent levels had to be lowered in some cases to retain tenants, rental reversion remained positive at 0.7% for the year, and, gratifyingly, new letting included some whole-floor leases.

Among the initiatives especially appreciated by tenants were a series of monthly social events organised by the local management team for special occasions. Highlight events that proved very popular included Earth Day, City Forest Day, World Running Day, a Movie Festival, a Chinese Valentine's Day meeting and a Chinese-style market. All tenants were invited to participate in these festive events, and much positive feedback was received.

Spring REIT's Huamao Place in Huizhou, acquired in September 2022, delivered its first full-year contribution in 2023. This retail shopping mall offers Spring REIT a different asset type, and has diversified its exposure in the China property market. Huizhou is a vibrant tier-2 city in the GBA, with a large population enjoying rising incomes due to GBA development.

The performance of Huamao Place was encouraging in the year, despite the subdued macroenvironment. The local team's innovative marketing strategies enhanced the mall's reputation as a leading shopping and leisure destination for the city. With a daily average footfall of over 32,000, the mall's full-year gross merchandise value ("**GMV**") rose to RMB2.1 billion, 38% higher than pre-COVID levels. At year-end, occupancy was around 98.1%, and passing rent had reached RMB183 per sqm.

Since acquisition, our strategy has been to focus on the latest trends among Chinese consumers and foreground these in the mall's layout. With electric vehicles ("**EVs**") and cosmetics as top-selling product categories, considerable prime retail space was devoted to leading EV and cosmetics brands, establishing the mall into perhaps the best place in the city for these products. The team has undertaken major reconfiguration to ensure that these popular categories are highly visible and easily accessed. Much effort has also been applied to enhancing the food and beverages options, catering to the elevated importance of restaurants in the post-COVID era.

As Huamao Place establishes itself as a popular higher-end destination, the management has introduced concierge services, a comfortable VIP Lounge, and special privileges focused on meeting the needs and expectations of the increasing number of high-spending visitors. These efforts further differentiate Huamao Place from other locations in Huizhou, which are mostly positioned as neighbourhood malls.

Local mobile apps such as Douyin and Xiaohongshu have been used with great success to promote Huamao Place and generate sales. The mall has held a series of popular and widely reported shows and events, including a special New Year's Eve concert that was live-streamed and attracted around 181,000 visitors that day. Other initiatives included a 2023 Guangdong Night Economy and Summer Consumption Promotion Event, supported by the Department of Commerce of Guangdong Province, along with various evening activities held to promote late-night shopping, such as a singing contest, sports and cultural events, dancing shows and sports competitions.

These initiatives have helped the mall engage widely with locals in Huizhou and achieve excellent results. The efforts to position Huamao Place as a high-end destination that remains accessible to all socio-economic groups have paid off, and the mall's performance have already exceeded the initial expectations of Spring REIT.

Spring REIT's UK portfolio of 84 properties, all leased to a single tenant on a long-term basis, continued to deliver a stable and predictable source of rental income in 2023. In the year a five-yearly rent review became due under the tenancy agreement, the outcome of which was a negotiated rent increase of 4.6%.

On capital management, our past risk management initiatives have continued to guide us through the considerable challenges in 2023, characterised by further rises in interest rates and currency volatility. For context, the average USD market interest rate in 2022 stood at under 2.0%, while that for 2023 was at around 5.0%, and at one point in the year the RMB currency weakened to its lowest point against the US dollar since 2007. Recognising that diligent capital management is essential for ensuring stable DPUs, Spring REIT has continued to adopt a prudent, flexible and forward-looking approach to managing financial risks.

During the year, Spring REIT extended its hedging arrangements so that by year-end it had stablised 99.5% of its debt, as against 77.0% at the end of 2022, minimising the impact of rising rates. At the same time, it took advantage of declining RMB borrowing costs by converting 45% of its HKD loan to RMB by cross-currency swaps, bringing the split between HKD and RMB denominated loan exposures to 46% and 54% respectively. The move has better aligned the loan currency with the location of the asset covered by the loan.

At the end of 2023, the average cash interest rate for all the loans held by Spring REIT was 3.6%, representing a rise of 50 basis points YoY. This is moderate when compared with rises in market interest rates with, for example, the HIBOR rate having risen by 92 basis points YoY. Spring REIT's capital management measures have been very effective in shielding it from excessive rate rises.

Spring REIT is currently operating a gearing ratio (i.e. the ratio of total borrowings to gross asset value) of around 39.5%, up from around 37.6% last year. This continues to represent a buffer against market volatility but also allows room for growth should the opportunity arise.

Interest rates are widely expected to plateau gradually in 2024, and Spring REIT will monitor changes and respond accordingly. Meanwhile, the Hong Kong stock market has continued its weak run, a situation which has weighed on the unit prices of REITs in Hong Kong. However, this has not affected the steady DPUs being paid to our unitholders, nor Spring REIT's fundamentally strong balance sheet.

Meanwhile, Spring REIT is buying back blocks of units as they become available, bringing value to all unitholders by increasing both the DPUs and NAVs per unit. On 25 May 2023, Spring REIT announced the repurchase of around 4.23% of the total number of issued units through an off-market transaction, a move that received 99.99% support at the EGM and enhanced yields and NAV per Unit for Unitholders.

During the year, a substantial Unitholder of Spring REIT, Huamao Property Holdings Limited ("**Huamao Property**") purchased almost all of the Units previously held by Sino-Ocean Group Holding Limited. In doing so, Huamao Property became Spring REIT's second largest Unitholder, holding approximately 25% of all issued Units.

Despite a difficult macroenvironment and a weaker than expected leasing market, Spring REIT has demonstrated resilience throughout the year on the back of strong efforts to support its high-quality assets in Beijing and Huizhou, and vigorous capital management measures that have helped it navigate a challenging high interest rate environment. Our CCP Property in Beijing remains among the top office premises in the capital city, and has largely outperformed the market in a very tight year. In Huizhou, our Huamao Place shopping mall has provided an exciting and popular destination for locals and has exceeded expectations in terms of performance. Astute capital management measures have shielded Spring REIT from the worst effects of soaring interest rates, and unit buy-backs have further enhanced the value of its Units for Unitholders. All these initiatives have delivered stability in the midst of wider volatility, and positioned Spring REIT well for the year ahead.

OUTLOOK

In 2024, businesses in China will navigate a landscape marked by ongoing debt reduction efforts and significant structural shifts within key sectors such as real estate, technology, and finance. Meanwhile, the Chinese government is expected to introduce proactive fiscal measures, including a plan to issue RMB 1 trillion of ultra-long special central government bonds, and implement counter-cyclical macroeconomic policies to support the economy. The policies on mitigating risks within the property sector include the recent 25 basis point cut in the 5-year loan prime rate for borrowings to 3.95% in February 2024, and promoting growth in strategic sectors such as artificial intelligence, semiconductors, and green technology.

Outside of China, much of the market focus is on the outlook of global, particularly US, interest rates. The cost of financing has increased significantly after rapid hikes in USD interest rates of more than 5 percentage points in a short two years, dampening debt-funded investment activities. The global outlook is significantly influenced by the US interest rate cycle, which after reaching a peak in 2023 is expected to gradually shift towards easing during 2024, potentially contributing to a more pro-growth macroeconomic environment.

As improvement in business activities is going to take time, a subdued sentiment in the wider Beijing office market among landlords and tenants is expected to persist in the near term. This will result in limited new lettings and a continued focus on concessions and rent reductions in renewal negotiations. In response to the uncertain economic landscape, many cost-conscious tenants in the CBD are opting to relocate or downsize, leading to more competition for a smaller pool of quality tenants in these premium core areas. The Manager remains cautious about the prospects for the Beijing office market, expecting continued pressure on both rent and occupancy, despite no new office supply is expected to be introduced in the CBD area in the coming year.

The Manager will work hard to maintain stability at the CCP Property. In total, 27.4% of leases are due to expire in 2024. We were pleased to have maintained occupancy at 92.2% at the end of the year, and we will prioritise to maintaining a relatively high occupancy rate in 2024. Spring REIT's strategy for 2024 will be to prioritise occupancy over rent with an emphasis on further enhancing the quality of the tenant base, while incorporating a greater focus on sustainable development into our leasing and operations strategy.

While the Beijing office market is closely linked to the state of both the global and the Chinese economy, the performance of Huamao Place in Huizhou correlates with domestic consumption trends in the GBA. The GBA has been designated an area of strategic importance for China's future development, and its population, including that of Huizhou City, is expected to become more affluent in the years ahead thanks to economic growth, 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 unique region. This year, we enjoyed a full-term contribution from its operation.

Despite a challenging 2022 when the retail sector (including Huamao Place) was a victim of the COVID pandemic and related social restrictions, the untiring efforts of the local Huizhou management team led to an encouraging rebound in footfall after China's reopening. Footfall at Huamao Place reached an average of over 32,000 per day, and GMV exceeded RMB2.1 billion for the year. The current tenant configuration, which highlights EVs and hi-tech products, food and beverages, and cosmetic products, has been designed to take advantage of the shift in post-COVID era consumer preferences. In 2023 extra resources were allocated to enhance the mall's social media presence and to promote the shopping mall as a premium location for festive events and celebration. We expect to continue with the same strategy in 2024 to differentiate ourselves from our competitors in Huizhou. In total, 30.4% of the leases at Huamao Place are due to expire in 2024. With an average occupancy rate of approximately 97% for the year and a rebound in rental from 2022, Spring REIT will continue to benefit from the mall's premier positioning as a high-end destination mall in Huizhou in 2024.

From the capital management perspective, Spring REIT's earlier decision to lock in the interest rates of almost all of our loan exposures effectively and materially mitigated our interest rate risk in 2023. The end of 2023 saw Spring REIT's balance sheet remaining robust, with a gearing ratio of about 39.5% that is providing a buffer against macroeconomic fluctuations and room for potential future growth. Despite the lingering impact of elevated interest rate levels on the cost of debt, there is a silver lining in the moderation of global inflation trends, indicating that interest rates may have peaked in the current cycle. We will remain vigilant in monitoring changes in market conditions and adapting our capital management efforts to the evolving macroeconomic environment. Concurrently, we are closely observing the movements of the RMB currency against the USD and HKD. From a risk management perspective, we do not rule out the possibility of increasing the proportion of our RMB-denominated loans against our HKD borrowings to further reduce our exposure to currency fluctuations.

Spring REIT's on-market Unit buyback activities, along with the off-market buyback concluded during 2023, have directly increased the DPU and NAV per Unit of Spring REIT. These moves highlight the Manager's confidence in the future development of Spring REIT. We remain committed to this strategy in 2024, seeing significant value in Spring REIT's Units at current price levels.

In 2024, the Manager remains firmly committed to steering Spring REIT safely through the volatile macroeconomic environment. Unitholders can be assured of our unwavering determination to deliver stable distributions and the potential for sustainable long-term growth of Spring REIT.

MANAGEMENT DISCUSSION AND ANALYSIS

CCP PROPERTY OPERATION REVIEW

Beijing office market overview

Despite a temporary improvement in sentiment following the country's reopening in early 2023, the office market remained subdued throughout the Reporting Year as potential tenants stayed on the sidelines. Some relocation and expansion demand was evident from the I&T and finance sectors, but new market entrants were limited. Domestic tenants continued to dominate the market, while multinationals remained inactive.

The total Grade A office stock in Beijing at the end of 2023 amounted to approximately 11.3 million sqm. As of 31 December 2023, the overall vacancy rate had edged up marginally by 1.7% to 11.8%. Rental rates declined by about 8% YoY, and had begun to approach the important psychological level of RMB300 per sqm.

The Beijing CBD, where our 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 2023, and accounting for 24.8% of the city's total Grade-A office space. The CBD area outperformed the broader Beijing market through the year, and was able to maintain a steady occupancy rate. Grade A occupancy in the CBD stood at 90.5% at the end of 2023, as landlords prioritised filling up their properties over raising rents. Overall average CBD rent at the end of 2023 stood at RMB327 per sqm, representing a decline of 7.7% YoY. The vacancy rate for the high-end premium Grade A segment in the CBD, which includes our CCP Property, stood at 8.6% at the end of the year, with an average rent of RMB362 per sqm.

Despite the challenging environment, the Beijing property market remained well supported compared to other Chinese cities. A lack of new office completions has provided resilience in the broader market. New office space that came onto the market over the last few years has also largely been 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. We therefore remain cautiously optimistic about the prospects for the office market in Beijing's CBD.

Beijing Office Market Occupancy and Rental Rates in 2023

		Occupancy Rate[1]	YoY change	Average Rental Rate[2] (RMB/sqm/month)	YoY change
CBD	Grade A	**90.5%**	0.8 ppts	**327**	-7.7%
	Premium Grade A	**91.4%**	-1.3 ppts	**362**	-9.2%

1 Data is as at 31 December 2023.

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

Source: JLL Research

CCP Property Operation Performance

(in RMB million)	FY2023	FY2022	YoY Change	2H 2023	1H 2023	HoH Change
Revenues						
– Rental income	**461.06**	476.26	(3.2%)	231.54	229.52	0.9%
– Car park income	**3.56**	4.78	(25.5%)	2.06	1.50	37.3%
– Other income (note i)	**5.57**	9.85	(43.5%)	2.11	3.46	(39.0%)
	470.19	490.89	(4.2%)	235.71	234.48	0.5%
Property Operating Expenses						
– Property management fee	**(10.36)**	(10.80)	(4.1%)	(5.18)	(5.18)	—
– Property taxes (note ii)	**(57.61)**	(59.29)	(2.8%)	(29.00)	(28.61)	1.4%
– Withholding tax (note iii)	**(48.19)**	(49.87)	(3.4%)	(24.30)	(23.89)	1.7%
– Other taxes (note iv)	**(0.44)**	(0.42)	4.8%	(0.21)	(0.23)	(8.7%)
– Leasing Commission	**(3.92)**	(2.79)	40.5%	(3.03)	(0.89)	240.4%
– Other expenses	**(0.84)**	(2.36)	(64.4%)	(0.42)	(0.42)	—
	(121.36)	(125.53)	(3.3%)	(62.14)	(59.22)	4.9%
Net Property Income	**348.83**	365.36	(4.5%)	173.57	175.26	(1.0%)

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 stamp duty.

In the second half of FY2023, the CCP Property reported a 0.5% increase in revenue compared to the first half, with rental income generated from the office space increasing by 0.9% HoH due to a moderate improvement in occupancy. Taking into account the 4.9% HoH increase in property operating expenses, mainly due to higher commission expenses, net property income amounted to RMB173.57 million, representing a decrease of 1.0% HoH.

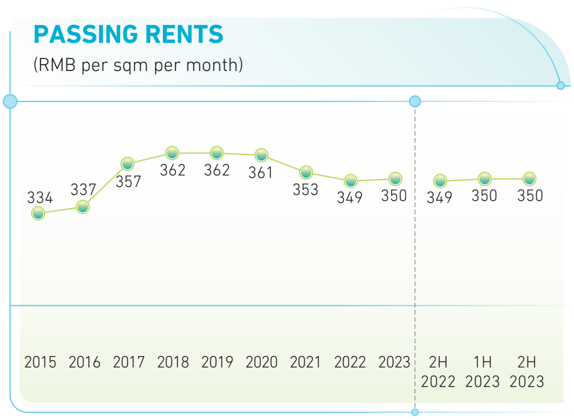
Property operating expenses are mainly comprised of tax expenses, namely property taxes, withholding tax and other taxes. In the second half of FY2023, the total tax expenses and the property management fee, payable at 2.0% of total revenue, accounted for 86.1% and 8.3% of the total property operating expenses respectively.

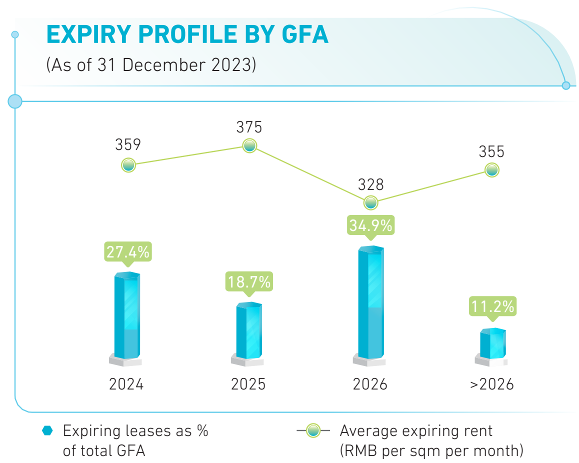
Rental Income

In 2H 2023, the CCP Property registered an average occupancy of 91%, and leases were secured (including new lettings and renewals) covering a total area of 30,942 sqm (1H 2023: 10,697 sqm; FY2022: 40,888 sqm). The retention rate[1] for 2H 2023 stood at 92% (1H 2023: 65%), resulting in a full-year retention rate of 75% (FY2022: 69%). For 2H 2023, of the newly leased area, 24.5% (1H 2023: 28.6%) was attributable to new lettings, with the remainder being renewals. On a full-year basis, 26.0% of the newly leased area was contributed by new lettings (FY2022: 19.2%). Average passing rent (net of Value-Added Tax ("**VAT**")) remained at RMB350 per sqm in 2H 2023 (1H 2023: RMB350 per sqm; FY2022: RMB349 per sqm), with a positive rental reversion rate[2] of 0.1% (1H 2023: 1.8%). For FY2023, the CCP Property enjoyed a full year reversion of positive 0.7% (FY2022: negative 0.3%).

Of the arrears as of 31 December 2023, the amount outstanding at the time of writing stood at RMB0.6 million.

(in RMB million)	**2H 2023**	**Change**	**1H 2023**	**Change**	**2H 2022**
Average Monthly Passing Rent (RMB/sqm)[3]	**350**	—	350	0.3%	349
Average Occupancy[4]	**91.1%**	+0.5 ppts	90.6%	-2.4 ppts	93.0%





1. Retention rate represents the proportion of the total area under all the expired leases taken up by the same tenants entering into new leases during the relevant period.

2. Rental reversion is calculated on the basis of the difference in the effective rent for existing tenants who renewed their lease in the same space with the same area during the relevant period.

3. Average monthly passing rent is presented net of business tax and VAT (where applicable) and is an average of the month-end figures throughout the specified period.

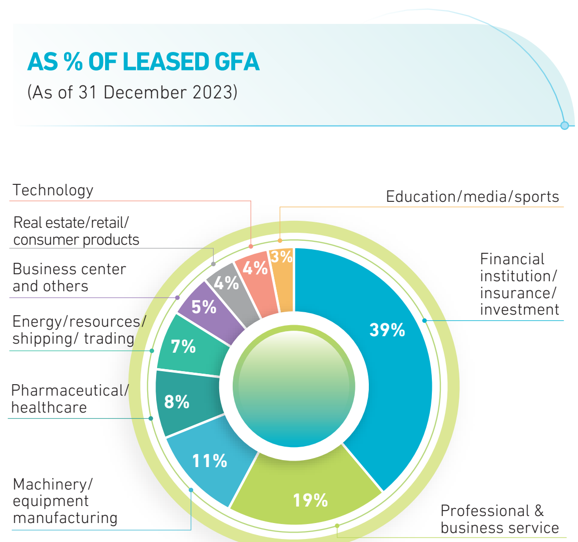
4. Occupancy rate is an average of the month-end figures throughout the specified period.

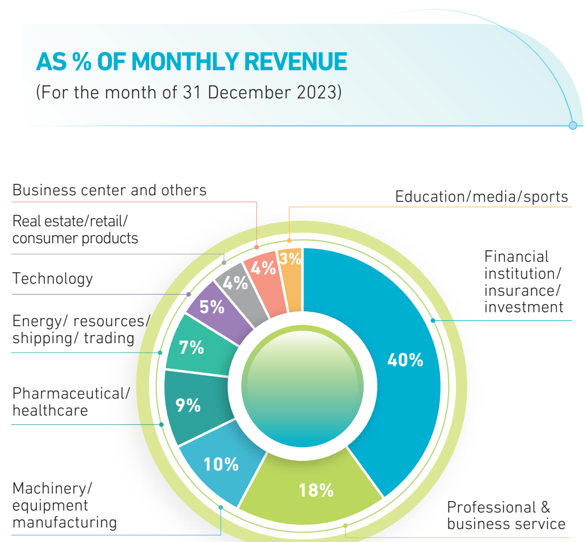
As at 31 December 2023, the weighted average lease expiry in terms of GFA was 647 days for the CCP Property. Leases expiring in the years ending 31 December 2024 and 31 December 2025 accounted for 27.4% and 18.7% of the total leasable GFA respectively, while the average unit rents for the expiring leases are RMB359 per sqm and RMB375 per sqm respectively.

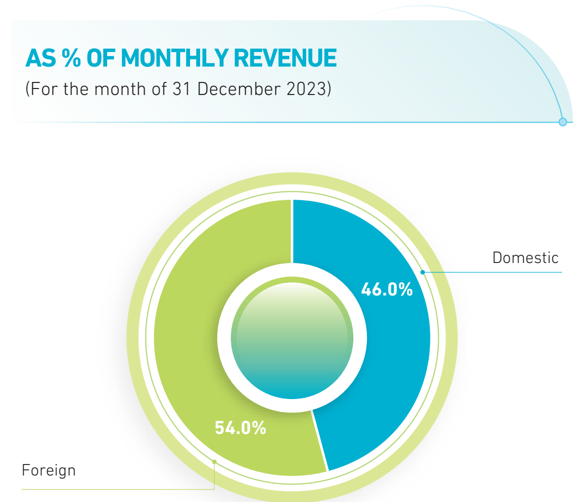
Tenancy Base

The CCP Property had a total of 194 tenancies as at 31 December 2023. The top five tenants in terms of GFA accounted for 19.6% of the total revenue for the Reporting Year, and occupied 21.9% of the total leased GFA as at 31 December 2023. Details of these tenants are set out below.

Tenant	**Portion of total leased GFA**
Epson	6.0%
Zhong De Securities	4.3%
Global Law Office	4.3%
The Executive Centre	4.1%
Conde Nast	3.2%
Total	21.9%







HUAMAO PLACE OPERATION REVIEW

Huizhou City Overview

One of the 9+2 cities in the GBA in Guangdong Province, Huizhou covers an area of some 11,000 square kilometres and is rich in natural resources, energy resources, and tourism highlights. With a residential population of 6.2 million, the city serves as an essential gateway and connector 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. Due to its superior geographical location and rich resources, Huizhou has attracted many high-quality business enterprises. It has also enjoyed industrial spill-over transfers from the nearby cities of Shenzhen and Dongguan, which have boosted the city's population and helped drive its economic development.

Huizhou Retail Market Review

Huizhou's shopping mall industry has experienced robust growth, driven by high economic growth potential, ongoing urbanisation, consumption upgrading, an expanding infrastructure network, and continued government support. According to research consultancy firm China Insights Consultancy, the overall GMV of shopping malls in Huizhou increased from RMB17.5 billion in 2018 to RMB21.3 billion in 2023, a CAGR of 3.9%. China Insights Consultancy projects the total GMV of the shopping mall industry in Huizhou to reach RMB30.4 billion by 2028, with a CAGR of 7.5% from 2024 to 2028, outpacing growth in other cities in the GBA. As of 31 December 2023, Huizhou had 36 shopping malls covering a total retail GFA of approximately 2.5 million sqm, and managed by approximately 31 operators. Huizhou's shopping mall industry is not highly concentrated, with the top five shopping mall management service providers accounting for 33.7% of the market in retail GFA. The share of Huamao Place in the Huizhou shopping industry in GFA and GMV amounted to 5.8% and 9.7% respectively as of 31 December 2023.

Huamao Place Operation Performance

2023 Average daily footfall	2023 Average monthly GMV
32,620	approx. **RMB171 million**
+30.3% YoY	+10.3% YoY

Spring REIT acquired Huamao Place on 28 September 2022. Since the relaxation of COVID policies in early 2023, the mall has experienced a recovery in consumer confidence and an increase in footfall. The rebound in shopper traffic was evident on New Year's Eve, when an estimated 181,000 shoppers visited the mall, an increase of 187% compared to that of 2022.

During the Reporting Year, we further enhanced Huamao Place's positioning by introducing a cluster of international cosmetics brands to the shopping mall. Many of these brands are currently only available at Huamao Place in Huizhou, helping to create a sense of exclusivity and luxury for the shopping mall and solidifying its high-end reputation. We believe this strategy is helping to differentiate our shopping mall from those of competitors in the city, and enhancing its status as a premium destination for shoppers. Our local property management team has also been working tirelessly to optimise the trade mix within the shopping mall and thus further enhance customers' shopping experience. For example, the first floor has been rearranged to showcase prominent electric vehicle brands like Tesla and Nio, and also includes stores featuring the latest electronic products from DJI and Apple-authorised retailers. Throughout 2H 2023, we were successful in signing leases with 91 new merchants, bringing in 154 new tenants for the whole year.

Financial Highlights

(in RMB million)	**2H 2023**	**1H 2023**	**HoH Change**	**28-Sep-2022 to 31-Dec-2022**
Revenues				
– Total rental income (note i)	**107.8**	106.6	1.1%	49.3
– Other income (note ii)	**1.9**	3.5	(45.7%)	0.7
	109.7	110.1	(0.4%)	50.0
Property Operating Expenses	**(37.2)**	(30.0)	24.0%	(11.0)
Net Property Income	**72.5**	80.1	(9.5%)	39.0

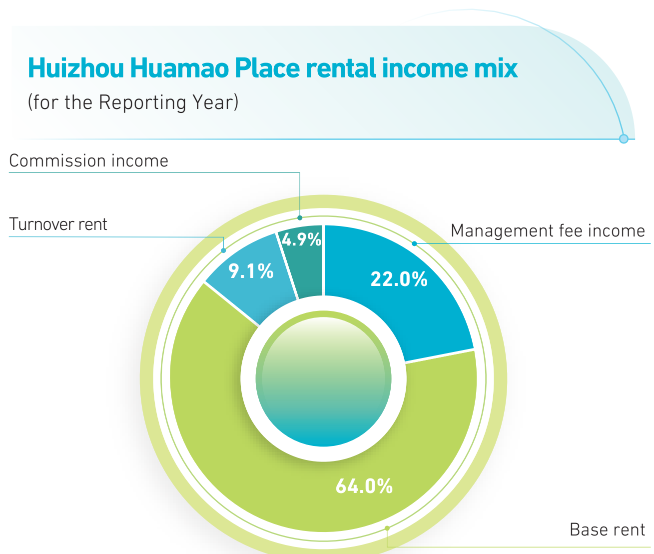
* The acquisition of 68% interest of Huamao Place in Huizhou was completed on 28 September 2022.

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 and penalty income.

In 2H 2023, Huamao Place reported revenue of RMB109.7 million, mainly comprised of base rent, management fee income, turnover rent and commission income, decreased by 0.4% HoH due to lower penalty income of approximately RMB1.6 million. 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 promotions and events. Turnover rent is collected from certain tenants in the form of a percentage of their sales receipts. Commission income represents a share in the sales receipts for products sold on consignment.



Property operating expenses are mainly comprised of property management fees, advertising and promotion expenses as well as tax expenses, namely property taxes and other taxes. In 2H 2023, tax expenses in aggregate accounted for 34% of the total property operating expenses. The property management fee, payable at 3% of total revenue plus the actual human resources costs of the property manager of Huamao Place, accounted for 34% of the total property operating expenses. The 24.0% growth in the second half property operating expenses was partly because of the increase in advertising and promotion expenses, particularly for online media platforms.

In 2H 2023, average occupancy rebounded from 95.9% in 1H 2023 to 97.4%. The mall's average monthly rent increased from RMB165 per sqm in 1H 2023 to RMB170 per sqm for 2H 2023. Occupancy cost, defined as total rental income as a percentage of total GMV of the shopping mall, stood at 10.4% for the Reporting Period.

	2H 2023	**1H 2023**	**Change**
Average Monthly Rent (RMB/sqm)[1]	170	165	3.0%
– Fixed Rent	146	137	6.6%
– Variable Rent	24	28	(14.3%)
Average Occupancy rate[2]	97.4%	95.9%	1.5 ppts

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	**by December 2023 Rental**
year ending 31 December 2024	30.4%	38.1%
year ending 31 December 2025	20.7%	31.3%
year ending 31 December 2026	31.7%	18.2%
year ending 31 December 2027 and beyond	17.2%	12.4%
Total	100.0%	100.0%

As at 31 December 2023, leases expiring in the years ending 31 December 2024 and 31 December 2025 accounted for 30.4% and 20.7% of the total leasable GFA respectively, and accounted for 38.1% and 31.3% of the December rental income respectively.

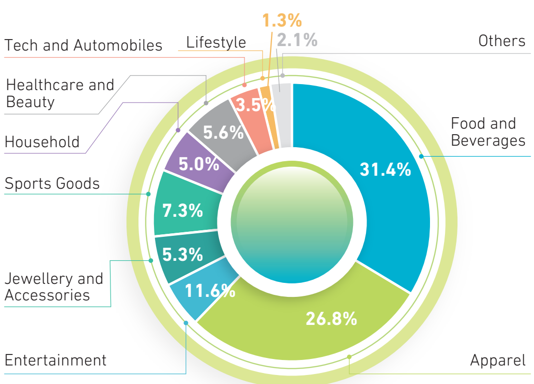
Tenancy Base

As a flagship mall in Huizhou, Huamao Place's trade mix is oriented towards high-end and lifestyle items. Its food and beverage stores, mainly reputable local and international brands, are critical anchors for achieving steady high footfall. The share of apparel, currently the biggest trade sector in Huamao Place, is being gradually reduced in favour of beauty and personal care items such as high-end cosmetics. Currently, the focus is to increase our exposure in electric vehicles and digital products, which are being clustered on the first floor.

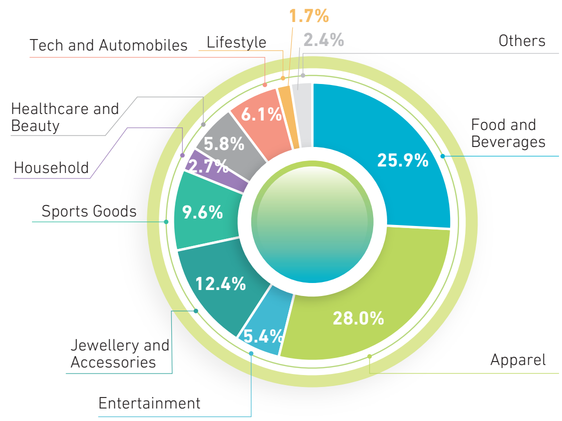
Huamao Place had a total of around 500 tenancies as at 31 December 2023. Details of the trade sectors of the top 5 tenants in terms of GFA and December 2023 rental income are set out in the table below.

Tenant's trade sector	by GFA	by Rental Income
Entertainment	7.1%	2.3%
Food and Beverages	4.2%	0.7%
Apparel	3.4%	0.6%
Household	1.8%	0.3%
Household	1.5%	0.6%
Total	18.0%	4.5%

Huamao Place's Tenancy Mix by leased GFA
(As at 31 December 2023)



Huamao Place's Tenancy Mix by rental
(For the month of December 2023)



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[1]. Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately GBP4.76 million after the five-yearly rent review completed during the Reporting Year. 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.).

Note:

1. Both the ground lense and the commercial lease of the property located in Islington will be expired in September 2024.

Financial Results Highlights

(in RMB millions unless otherwise specified)	FY2023	FY2022	YoY Change	2H 2023	1H 2023	HoH Change
Revenue	**732.45**	577.85	26.8%	369.03	363.42	1.5%
Property operating expenses	**(189.19)**	(137.42)	37.7%	(99.67)	(89.52)	11.3%
Net property income	**543.26**	440.43	23.3%	269.37	273.89	(1.7%)
Net property income margin	**74.2%**	76.2%	-2.0 ppts	73.0%	75.4%	-2.4 ppts
G&A expenses	**(89.01)**	(74.65)	19.2%	(48.40)	(40.61)	19.2%
Cash interest expenses	**(181.19)**	(110.18)	64.4%	(88.81)	(92.38)	(3.9%)
Current income tax	**(32.16)**	(8.87)	262.6%	(15.33)	(16.84)	(9.0%)
(Loss)/profit after taxation attributable to Unitholders	**(77.54)**	28.35	n.a.	15.38	(92.92)	n.a.
Profit after taxation attributable to non-controlling interests	**23.99**	90.08	(73.4%)	13.16	10.82	21.6%
Total distributable income	**252.14**	292.61	(13.8%)	120.48	131.66	(8.5%)
Unit Information						
DPU (HK cents)	**19.0**	21.2	(10.4%)	9.0	10.0	(10.0%)
DPU (RMB cents equivalent)	**17.1**	18.3	(6.6%)	8.2	8.9	(7.9%)
Payout ratio	**97.5%**	92.5%	+5.0 ppts	97.5%	97%	+0.5 ppts
Net asset value per Unit (HK$)	**4.70**	4.95	(5.1%)	4.70	4.63	1.5%
Number of Units outstanding	**1,440,497,110**	1,484,931,187	(3.0%)	1,440,497,110	1,493,567,431	(3.6%)

As at	31 December 2023	31 December 2022	YoY Change	31 December 2023	30 June 2023	HoH Change
Property valuation	**12,039.34**	12,082.95	(0.4%)	**12,039.34**	**12,066.23**	(0.2%)
Total assets	**12,785.53**	12,930.99	(1.1%)	**12,785.53**	**13,009.14**	(1.7%)
Total borrowings	**5,054.49**	4,857.35	4.1%	**5,054.49**	**5,131.00**	(1.5%)
Net asset value attributable to Unitholders	**6,130.66**	6,558.84	(6.5%)	**6,130.66**	**6,370.88**	(3.8%)
Gearing ratio	**39.5%**	37.60%	+1.9 ppts	**39.5%**	**39.4%**	+0.1 ppts

Financial Performance

Spring REIT's revenue for the Reporting Year was RMB732.45 million, representing a 26.8% increase YoY due to the full-year contribution from Huamao Place. After taking into account property operating expenses of RMB189.19 million, net property income amounted to RMB543.26 million, representing a 23.3% increase YoY and a net property income margin of 74.2% (FY2022: 76.2%).

General and administrative expenses amounted to RMB89.01 million. Meanwhile, a total finance cost on interest-bearing borrowings of RMB236.99 million (FY2022: 397.73 million) was registered, which consisted of a non-cash foreign exchange loss of RMB50.60 million (FY2022: non-cash foreign exchange loss of 252.90 million) when HKD-denominated bank borrowings were converted to RMB in the financial statements. A higher cash interest expenses of RMB181.19 million was registered in FY2023, mainly attributable to the additional funding drawn down for the acquisition of Huamao Place in September 2022. The cash interest expenses in 2H 2023 was RMB88.81 million, representing a 3.9% decrease HoH, thanks to the ongoing interest rate hedging programme. Current income tax incurred in FY2023 was RMB32.16 million, representing a YoY increase of 262.6% due to the full-year impact from the operation in Huizhou which was subject to corporate income tax in China.

Taking into account the decline in the fair value of the investment properties of RMB131.83 million (FY2022: increase in fair value of RMB268.73 million), loss after taxation attributable to Unitholders for the Reporting Year was RMB77.54 million (FY2022: profit after taxation attributable to Unitholders of RMB28.35 million).

Spring REIT's total distributable income for the Reporting Year was RMB252.14 million, representing a decrease of 13.8% YoY. Among other adjustments, the reported amount excludes the foreign exchange loss, and the decrease in the fair value of the investment properties, which are non-cash in nature.

Financial Position

Spring REIT's principal valuer, Knight Frank Petty Limited ("**Knight Frank**" or the "**Principal Valuer**"), performed a valuation of the Spring REIT portfolio as at 31 December 2023. The CCP Property was appraised at RMB8,560 million as at 31 December 2023, representing a 0.9% decrease in value compared to its valuation as at 31 December 2022. The valuation of the CCP Property was arrived at using the income capitalisation approach, and cross-checked by the direct comparison approach. The capitalisation rate/reversionary yield was 5.0% (30 June 2023: 5.0%; 31 December 2022: 5.0%).

Huamao Place was appraised at RMB2,843 million as at 31 December 2023, representing a 0.7% increase compared to its valuation as at 31 December 2022. The valuation of Huamao Place was arrived at using the income approach, and cross-checked by the direct comparison approach. The capitalisation rate/reversionary yield was 6.0% (30 June 2023: 6.0%; 31 December 2022: 6.0%).

The UK Portfolio was appraised at GBP70.4 million (equivalent to RMB636.34 million) as at 31 December 2023, representing a 5.2% decrease in GBP terms and a 2.6% increase in RMB terms compared to its valuation as at 31 December 2022. The valuation of the UK Portfolio was arrived at using the income approach. The reversionary yield ranged from 4.35% to 9.05% (31 December 2022: 3.70% to 8.15%).

As at 31 December 2023, Spring REIT had in place aggregate debt facilities of approximately RMB5,054.49 million, comprising:

1. a combined facility of HKD4,875 million consists of a committed facility of HKD3,705 million and an uncommitted facility of HKD1,170 million (the "**CCP Facilities**"), which bears an interest rate of 1-month HKD HIBOR plus 1.60% per annum and will mature in September 2025. Of the CCP Facilities, HKD4,335 million was outstanding as at the end of the Reporting Year.

2. a facility of GBP51 million (the "**UK Facility**") which 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. Of the UK Facility, after a partial prepayment of GBP2.7 million in April 2023, GBP47.8 million was outstanding as at the end of the Reporting Year.

3. a facility of RMB900 million which bears an interest rate of 60 basis points above the PRC loan prime rate (for five years or more) and will mature in March 2032, of which RMB735.31 million was outstanding as at the end of the Reporting Year.

As at 31 December 2023, the Group's gearing ratio, i.e. total borrowings to gross asset value, was 39.5%, compared with 37.6% at 31 December 2022.

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.

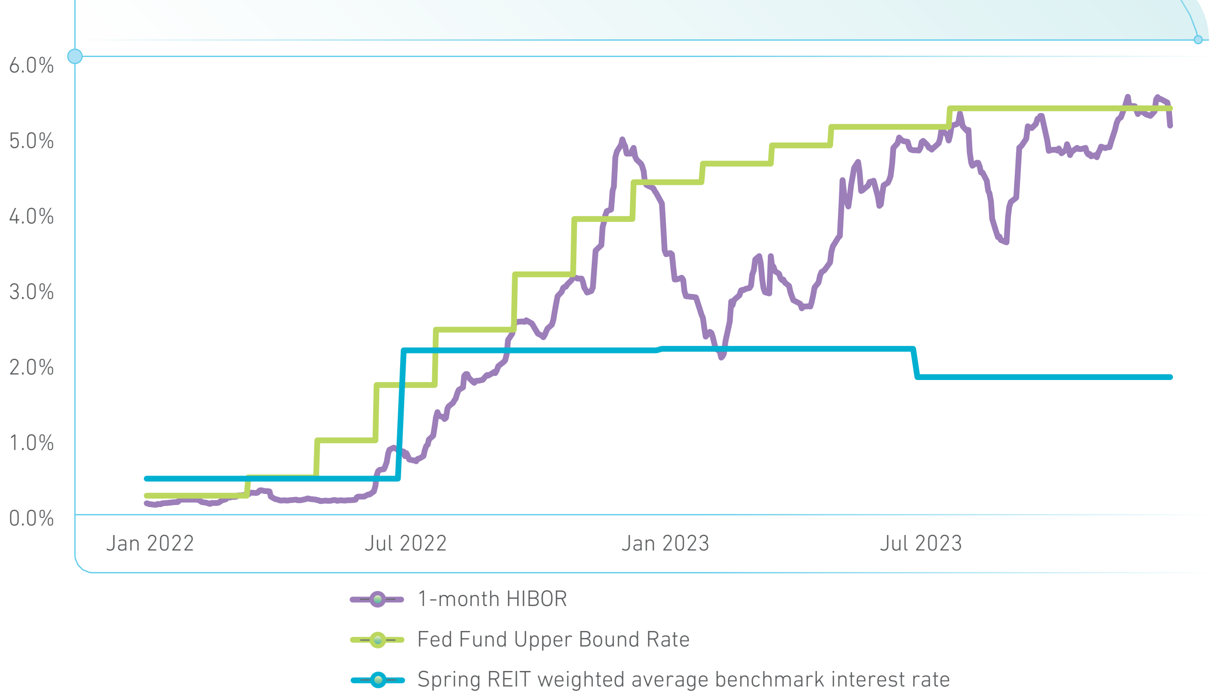
The unrestricted cash of Spring REIT (together with its special purpose vehicles, the "Group") amounted to RMB222.89 million as at 31 December 2023, compared with RMB202.43 million as at 31 December 2022. The Group also had total undrawn bank loan facilities of RMB555 million. With these financial resources, 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.

Capital Management

Spring REIT has in place a hedging programme by entering into float-to-fixed interest rate swap ("**IRS**") and cross-currency swap contracts of varied tenures to mitigate its interest rate and exchange rate risks.

As at 31 December 2023, in relation to the CCP Facilities, the aggregate notional amount of IRS contracts and cross-currency swap contracts, was HKD2,355 million and HKD1,950 million respectively with a weighted average swap rate of 1.82% per annum. In relation to the UK Facility, the notional amount of IRS contract was GBP47.8 million with a swap rate of 3.8% per annum. As a result, the weighted average swap rate per annum (before interest margin and any credit adjustment spread) was approximately 2.0%. Meanwhile, the RMB-denominated loan is based on the PRC Loan Prime Rate which was relatively stable and on a downward trend during the Reporting Year.

BENCHMARK INTEREST RATES



As at 31 December 2023, the proportion of Spring REIT's borrowings either covered by the interest rate hedging programme or under a relatively stable PRC Loan Prime Rate was approximately 99.5% (FY2022: 77.0%), which has significantly reduced the impact of interest rate volatility on Spring REIT.

During the Reporting Year, the weighted average cash interest rate (after interest margin) per annum was approximately 3.6% (FY2022: 3.1%).

Net Assets Attributable to Unitholders

As at 31 December 2023, net assets attributable to Unitholders stood at RMB6,130.66 million. The net asset value per Unit as at 31 December 2023 was HK$4.70 (31 December 2022: HK$4.95). This represented a 106.1% premium to the closing price of the Units of HK$2.28 as at 29 December 2023, the last trading day in the Reporting Year.

Capital Commitments

As at 31 December 2023, the Group had no significant capital commitments.

Employees

Spring REIT is managed by the Manager and did not directly employ any staff during the Reporting Year.

CORPORATE GOVERNANCE

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Spring REIT in a transparent manner and with built-in checks and balances. The corporate governance policy for Spring REIT have been adopted with due regard to the requirements under Appendix C1 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 maintain 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 and certain internal policies, including corporate governance policy (the "**Corporate Governance Policy**"), for use in relation to the management and operation of Spring REIT, which sets out the key processes, systems and measures, and such policies 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, the Corporate Governance Policy, the Trust Deed, the Code on Real Estate Investment Trusts (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 Securities and Futures Commission (the "**SFC**") under section 104 of the SFO and regulated by the SFC pursuant to the applicable provisions of the SFO, the REIT Code and the Listing Rules. The Manager has been authorized by the SFC under section 116 of the SFO to conduct the regulated activities of asset management. As at the date of this announcement, Mr. Leung Kwok Hoe, Kevin (Executive Director and Chief Executive Officer of the Manager), Mr. Chung Wai Fai (Executive Director and Chief Financial Officer of the Manager) and Ms. Bai Yanan 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.

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

New Issue of Units

During the Reporting Year, an aggregate of 19,510,923 new Units were issued to the Manager as payment of part of the Manager's fee. Please refer to the announcements dated 24 March 2023, 2 May 2023, 18 August 2023 and 31 October 2023 for more details.

During the Reporting Year, the Manager (on behalf of Spring REIT) bought back a total of 64,348,000 Units and 63,945,000 Units bought back were cancelled prior to the financial year end and the remaining 403,000 Units have not yet been cancelled as at 31 December 2023. 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 2023 was 1,440,497,110 Units.

Purchase, Sale or Redemption of Units

During the Reporting Year, the Manager (on behalf of Spring REIT) bought back on-market a total of 1,113,000 Units on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK$2.4 million. Further details are set out as follows:

Month	Number of Units bought back (on-market)	Purchase price per Unit		Approximate aggregate consideration (excluding expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$'000*
2023				
March	79,000	2.3947	2.3597	187
April	180,000	2.4410	2.4313	439
October	203,000	1.9873	1.8767	397
November	183,000	1.8969	1.8692	345
December	468,000	2.2530	1.9100	1,006
Total	1,113,000			2,374

All the above on-market 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 on-market was approximately HK$2.13 per Unit.

As announced by the Manager on 25 May 2023, the Manager and BT Cayman Ltd. ("**BT Cayman**") entered into a buyback agreement, pursuant to which the Manager (acting in its capacity as manager for and on behalf of Spring REIT) conditionally agreed to acquire and BT Cayman conditionally agreed to dispose of 63,235,000 Units held by BT Cayman, representing approximately 4.39% of issued Units as at 31 December 2023 (the "**Off-market Unit Buy-back**"). The price of Off-market Unit Buy-back was fixed at HK$2.3810. The Off-market Unit Buy-back was approved by the independent Unitholders at an extraordinary general meeting of Spring REIT held on 23 June 2023. Completion of the Off-market Unit Buy-back was taken place on 7 July 2023. Details of the Off-market Unit Buy-back were set out in Spring REIT's announcements dated 25 May 2023, 28 May 2023, 30 May 2023, 23 June 2023 and 7 July 2023 and Spring REIT's circular dated 27 May 2023 respectively.

A total of 63,945,000 Units bought back were cancelled during the Reporting Year and the remaining 403,000 on-market Units bought back were subsequently cancelled in January 2024.

Save as disclosed above, there was no purchase, sale or redemption of the Units by the Manager on behalf of Spring REIT or any of the special purpose vehicles that are owned and controlled by Spring REIT during the Reporting Year.

Public Float of the Units

Based on information that is publicly available and within the knowledge of the Directors, Spring REIT maintained a public float of not less than 25% of the issued and outstanding Units as of 31 December 2023.

Review of Annual Results

The consolidated annual results of Spring REIT for the Reporting Year have been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their respective terms of reference.

Scope of work of the auditor

The figures set out in this announcement in respect of our Group's results for the year ended 31 December 2023 have been agreed by our Group's auditor, PricewaterhouseCoopers, to the amounts set out in our Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong/International Standards on Auditing, Hong Kong/International Standards on Review Engagements or Hong Kong/International Standards on Assurance Engagements, and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Issuance of the Annual Report

The annual report of Spring REIT for the year ended 31 December 2023 will be published on the websites of the Hong Kong Exchanges and Clearing Limited, at www.hkexnews.hk, and Spring REIT, at www.springreit.com, and will be sent to Unitholders on or before 30 April 2024.

Annual General Meeting

The 2024 annual general meeting of Spring REIT will be held on or around 29 May 2024, notice of which will be published and given to Unitholders in due course.

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

Hong Kong, 21 March 2024

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenues	5	**732,448**	577,851
Property operating expenses	6	**(189,186)**	(137,423)
Net property income		**543,262**	440,428
General and administrative expenses	7	**(89,005)**	(74,651)
Fair value (loss)/gain of investment properties	13	**(131,833)**	268,730
Fair value loss of right-of-use assets	14	**(187)**	(312)
Other losses, net	8	**(98,736)**	(18,695)
Operating profit		**223,501**	615,500
Bank interest income		**4,932**	4,166
Finance costs on interest-bearing borrowings	9	**(236,994)**	(397,726)
(Loss)/profit before taxation and transactions with Unitholders		**(8,561)**	221,940
Income tax expense	10	**(44,998)**	(103,508)
(Loss)/profit for the year, before transactions with Unitholders		**(53,559)**	118,432
Distributions paid to Unitholders:			
– 2021 final distribution		**—**	(139,224)
– 2022 interim distribution		**—**	(137,386)
– 2022 final distribution (note ii)		**(135,192)**	—
– 2023 interim distribution (note ii)		**(127,710)**	—
		(316,461)	(158,178)

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units and units bought back for cancellation		**(320,910)**	(140,732)
Amount arising from exchange reserve movements regarding translations of financial statements		**(19,536)**	(107,526)
Non-controlling interests		**23,985**	90,080
		(316,461)	(158,178)
(Loss)/profit for the year, before transactions with Unitholders attributable to:			
– Unitholders (note i)		**(77,544)**	28,352
– Non-controlling interests		**23,985**	90,080
		(53,559)	118,432

Notes:

(i) (Loss)/earnings per unit, based upon (loss)/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) 2023 interim distribution and 2022 final distribution of RMB127,710,000 and RMB135,192,000 respectively were paid during the year ended 31 December 2023. Total distribution for the year ended 31 December 2023 is presented in the consolidated statement of distributions.

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	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 2023					
Loss for the year	**(77,544)**	**58,008**	**(19,536)**	**23,985**	**4,449**
Other comprehensive income:					
Items that may be reclassified to consolidated income statement					
Exchange losses on translation of financial statements of subsidiaries	**(16,867)**	**—**	**(16,867)**	**—**	**(16,867)**
Items that may not be reclassified to consolidated income statement					
Exchange gains on translation of financial statements of Spring REIT	**36,403**	**—**	**36,403**	**—**	**36,403**
Total comprehensive income for the year	**(58,008)**	**58,008**	**—**	**23,985**	**23,985**
For the year ended 31 December 2022					
Profit for the year	28,352	(135,878)	(107,526)	90,080	(17,446)
Other comprehensive income:					
Items that may be reclassified to consolidated income statement					
Exchange gains on translation of financial statements of subsidiaries	29,633	—	29,633	—	29,633
Items that may not be reclassified to consolidated income statement					
Exchange gains on translation of financial statements of Spring REIT	77,893	—	77,893	—	77,893
Total comprehensive income for the year	135,878	(135,878)	—	90,080	90,080

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of RMB262,902,000 (2022: RMB276,610,000), change in net assets attributable to Unitholders excluding issuance of new units and unit bought back for cancellation, which is a decrease of RMB 320,910,000 (2022: a decrease of RMB140,732,000).

(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 recognized in the consolidated income statement. Accordingly, the total comprehensive income attributable to Unitholders after transactions with Unitholders is zero.

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	*RMB'000*
(Loss)/profit for the year, before transactions with Unitholders attributable to Unitholders	**(77,544)**	28,352
Adjustments:		
– Fair value loss/(gain) of investment properties attributable to Unitholders	**132,210**	(153,350)
– Fair value loss of right-of-use assets	**187**	312
– Net fair value loss/(gain) of derivative financial instruments	**120,615**	(81,767)
– Deferred taxation on change in fair values of investment properties attributable to Unitholders	**8,729**	63,499
– Manager's fee expenses in units in lieu of cash	**38,611**	34,500
– Interests calculated under effective interest method of bank borrowings	**(166)**	39,361
– Unrealised foreign exchange losses	**29,497**	361,699
Distributable income for the year (note ii)	**252,139**	292,606
Total distributions of the year (note iii)	**245,836**	270,661
Represented by:		
Interim distribution, paid (note iv)	**127,710**	137,386
Final distribution, to be paid (note v)	**118,126**	133,275
Total distributions of the year (note iii)	**245,836**	270,661
Percentage of total distribution over distributable income for the year	**97.5%**	92.5%
Distributions per unit to Unitholders		
– Interim distribution per unit, paid (note iv)	**HK10.0 cents**	HK11.2 cents
– Final distribution per unit, to be paid (note v)	**HK9.0 cents**	HK10.0 cents
Distribution per unit for the year (note vi)	**HK19.0 cents**	HK21.2 cents

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

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:

	2023	2022
Distributions per unit to Unitholders		
– Interim distribution per unit	**RMB8.9 cents**	RMB9.3 cents
– Final distribution per unit	**RMB8.2 cents**	RMB9.0 cents
Distribution per unit for the year	**RMB17.1 cents**	RMB18.3 cents

(ii) Under the terms of the Trust Deed, the distributable income represents the (loss)/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$10.0 cents for the six months ended 30 June 2023 was calculated based on the interim distribution of RMB127,710,000 for the period and 1,435,334,392 units in issue as at 8 September 2023, being the record date of 2023 Interim Distribution, rounded to the nearest HK0.1 cents. The interim distribution was paid to Unitholders on 22 September 2023.

(v) The final distribution per unit of HK$9.0 cents for the year ended 31 December 2023 is calculated based on the final distribution to be paid to Unitholders of RMB118,126,000 for the second half of the financial year and 1,439,410,110 units in issue as at 21 March 2024, being the date of declaration of the final distribution, rounded to the nearest HK$0.1 cents.

The final distribution for the year ended 31 December 2023 is expected to be paid to Unitholders on 29 April 2024. Such final distributions per unit, however, may be subject to adjustment upon the issuance of new units and units bought back and cancelled between 21 March 2024 (being the date of the declaration of the final distribution) and 17 April 2024 (the "Record Date"), if any.

The final distribution per unit of HK$10.0 cents for the year ended 31 December 2022 was calculated based on the final distribution paid to the Unitholders of RMB133,275,000 for the second half of the financial year and 1,484,931,187 units in issue as at 28 April 2023, being the record date of 2022 Final Distribution, rounded to the nearest HK$0.1 cents. The final distribution for the year ended 31 December 2022 was paid to Unitholders on 15 May 2023.

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

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Assets			
Investment properties	13	**12,039,343**	12,082,952
Right-of-use assets	14	**15,468**	14,460
Derivative financial instruments	15	**93,186**	159,994
Restricted bank balances	17	**326,532**	366,840
Trade and other receivables	16	**88,103**	104,313
Cash and cash equivalents	17	**222,893**	202,434
Total assets		**12,785,525**	12,930,993
Liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	19	**5,054,490**	4,857,346
Derivative financial instruments	15	**41,376**	—
Deferred tax liabilities	20	**110,150**	97,313
Lease liabilities	14	**11,163**	10,601
Rental deposits	18	**211,544**	204,566
Trade and other payables	18	**215,122**	217,279
Income tax payable		**39,866**	37,880
Total liabilities, excluding net assets attributable to Unitholders		**5,683,711**	5,424,985
Non-controlling interests		**971,150**	947,165
Net assets attributable to Unitholders		**6,130,664**	6,558,843
Units in issue ('000)	21	**1,440,497**	1,484,931
Net asset value per unit attributable to Unitholders			
In RMB		**4.26**	4.42
Equivalent in HK$		**4.70**	4.95

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

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

The notes on pages 46 to 80 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 2023

	Reserve	Net assets attributable to Unitholders	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	—	6,558,843	947,165	7,506,008
(Loss)/profit for the year and before transactions with Unitholders	—	(77,544)	23,985	(53,559)
Exchange gains on translation of financial statements	19,536	—	—	19,536
Amount arising from exchange reserve movements (note)	(19,536)	19,536	—	—
Distributions paid to Unitholders:				
– 2022 final distribution	—	(135,192)	—	(135,192)
– 2023 interim distribution	—	(127,710)	—	(127,710)
Change in net assets attributable to Unitholders for the year ended 31 December 2023, excluding issuance of new units and units bought back for cancellation	—	(320,910)	23,985	(296,925)
Issuance of units (note 21)	—	32,786	—	32,786
Units bought back for cancellation (note 21)	—	(140,055)	—	(140,055)
	—	(107,269)	—	(107,269)
As at 31 December 2023	—	6,130,664	971,150	7,101,814

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

The notes on pages 46 to 80 are an integral part of these consolidated financial statements.

	Reserve	Net assets attributable to Unitholders	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	—	6,671,653	—	6,671,653
Acquisition of subsidiaries (note 23)	—	—	857,085	857,085
Profit for the year and 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 46 to 80 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2602, 26/F, LHT Tower, 31 Queen's Road Central, Hong Kong and 60/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

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

The consolidated financial statements are presented in Renminbi ("RMB"). The functional currency of Spring REIT is Hong Kong dollars ("HK$"), the distribution of Spring REIT is determined and paid in HK$.

2 Summary of material accounting policies

The material principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Interpretations issued by the International Accounting Standards Board ("IASB"), the requirements of the Trust Deed and the relevant disclosure requirements as set out in Appendix C of the REIT Code issued by the Securities and Futures Commission of Hong Kong.

The Group has adopted the liquidity basis in the presentation of the consolidated statement of financial position as it is considered to be more relevant and meaningful to readers based on the timing of their realisation or settlement of assets and liabilities as justified by the market situation.

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

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

New standards and amendments to existing standards adopted by the Group

The Group has adopted all of the new standards and amendments to existing standards issued by the IASB that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2023.

New standards and amendments, to existing standards effective in 2023:

IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
IAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
IFRS 17 and IFRS 17 (Amendments)	Insurance Contracts
IFRS 17 (Amendment)	Initial Application of IFRS 17 and IFRS 9 — Comparative Information

The adoption of these new standards and amendments 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 and amendments to existing standards not yet adopted

The following new standards and amendments 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 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new standards and amendments to existing standards as and when they become effective. The Group has already commenced an assessment of the impact of these new standards and amendments to existing standards, and anticipated that the adoption of new standards and amendments 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 2023 and their results for the year then ended.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

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

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

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, for rental income in the ordinary course of the Group's activities. Amounts disclosed as revenue are net of returns and amounts collected on behalf of third parties. Revenue is recognised when or as the control of the good or service is transferred to the customer.

(i) Rental and car park income

Operating lease rental income from investment properties is recognised in the consolidated income statement on a straight-line basis over the terms of lease agreements. Lease incentives provided, such as rent-free periods, are amortised on a straight-line basis and are recognised as a reduction of rental income over the respective term of the lease.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Property operating expenses

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

(e) Investment properties

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

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

(f) Derivative financial instruments

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

(g) Trade and other receivables

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

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

(h) Cash and cash equivalents

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

(i) Interest-bearing borrowings

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

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

(j) Borrowing costs

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

(k) Payables and provisions

(i) Trade and other payables

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

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

(iii) Rental deposits

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

(l) Taxation

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

Current income tax

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

Deferred taxation

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

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

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

(m) Foreign currency translation

(a) Functional and presentation currency

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

The Group's functional currency is different from the presentation currency and the results and financial position are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within other gains or losses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(n) Leases

(i) At initial recognition

The Group acting as lessee recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

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

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

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

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

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

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

(ii) Subsequent measurement

The Group measures the right-of-use assets that meet the definition of investment property using the fair value model applied to its investment property.

The lease liability is measured as follows:

(a) increasing the carrying amount to reflect interest on the lease liability;

(b) reducing the carrying amount to reflect the lease payments made; and

(c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(o) Unitholders' funds as a financial liability

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

3 Financial risk and capital risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Market risk

(i) Foreign exchange risk

The subsidiaries of the Group operate in the People Republic of China (the "PRC") and the United Kingdom (the "UK") with functional currency in Renminbi ("RMB") and British Pound Sterling ("GBP") respectively. It is therefore exposed to foreign exchange risk arising from commercial transactions, and from recognised assets and liabilities that are denominated in a currency that is not the functional currency. This is primarily with respect to the US$ and HK$.

As at 31 December 2023, the Group has four (2022: nil) cross currency swaps swapping RMB to HK$ with total notional amount of HK$1,950 million (approximately RMB 1,767 million) to hedge the foreign exchange risk from the HK$ denominated bank borrowings until 23 September 2025.

As at 31 December 2023, if US$ had strengthened/weakened by 5% against the RMB with all other variables held constant, loss for the year would have been increase/decrease by RMB47,232,000 (2022: profit for the year would decrease/increase by RMB45,817,000) 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 and other payables.

As at 31 December 2023, if HK$ had strengthened/weakened by 5% against the RMB with all other variables held constant, loss for the year would have been increase/decrease by RMB132,165,000 (2022: profit for the year would decrease/increase by RMB126,829,000) 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 2023, if GBP had strengthened/weakened by 5% against the US$ with all other variables held constant, loss for the year would have been increased/decreased by RMB7,638,000 (2022: profit for the year would decrease/increase by RMB8,308,000) respectively, mainly as a result of foreign exchange differences on translation of monetary assets and liabilities being denominated in US$ that is not the functional currency items in the UK.

(ii) Interest rate risk

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

As at 31 December 2023, the Group has four (2022: three) plain vanilla interest rate swaps with total notional amount of HK$2,355 million and GBP 47.8 million (approximately RMB2,566 million) (2022: total notional amount of HK$3,355 million (approximately RMB2,967 million)) to hedge the interest rate risk arising from the variable rate bank borrowings. For the HK$ denominated bank borrowings, the Group pays interest at fixed rates from 1.144% to 1.25% per annum (2022: 1.144% to 1.25% per annum) and receives interest at the rate of 1-month HK$ HIBOR (2022: 1-month HK$ HIBOR) until 23 September 2025. For the GBP denominated bank borrowings, the Group paus interest at fixed rate of 3.8% per annum and receives interest rate at the rate of 3-month compounded Sterling Overnight Index Average until 27 January 2025.

As at 31 December 2023, if interest rates had been 50 basis points higher/lower with all other variables held constant, loss for the year would have been increase/decrease by RMB1,282,000 (2022: profit for the year would decrease/increase by RMB6,616,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings after taking into consideration of interest rate swaps.

(b) Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under financial contracts. The Group is exposed to credit risk on its deposits with financial institutions, derivative financial instruments as well as trade and other receivables.

For deposits with financial institutions, the Group has limited its credit exposure by restricting their selection of financial institutions to reputable banks with sound credit ratings.

In respect of credit exposures to tenants, credit risk exposure is minimised by undertaking transactions with a large number of counterparties and conducting credit evaluations on prospective tenants before lease agreements are entered into with tenants. Monthly rentals are payable in advance by tenants in accordance with the leases. The Group also has policies in place to ensure that rental security deposits are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses is made for irrecoverable amounts.

(c) Liquidity risk

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

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

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

	Within 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*
At 31 December 2023				
Restricted bank balances	**—**	**286,532**	**—**	**40,000**
Trade and other receivables	**43,010**	**—**	**—**	**—**
Cash and cash equivalents	**222,893**	**—**	**—**	**—**
Derivative financial instruments (net recovered)	**—**	**51,580**	**—**	**—**
At 31 December 2022				
Restricted bank balances	—	—	326,840	40,000
Trade and other receivables	50,026	—	—	—
Cash and cash equivalents	202,434	—	—	—
Derivative financial instruments	24,578	135,416	—	—

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 2023				
Trade and other payables	**129,112**	**—**	**—**	**—**
Rental deposits	**71,815**	**48,075**	**81,892**	**9,762**
Interest payable on borrowings	**298,784**	**167,083**	**78,200**	**48,090**
Interest-bearing borrowings	**67,765**	**4,447,249**	**250,329**	**342,116**
Lease liabilities	**1,148**	**1,148**	**3,440**	**54,338**
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

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	
	2023	2022
	RMB'000	*RMB'000*
Total borrowings (note 19)	**5,054,490**	4,857,346
Total assets	**12,785,525**	12,930,993
Gearing ratio	**39.5%**	37.6%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2023 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.

	Level 1	**Level 2**	**Level 3**	**Total**
At 31 December 2023	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Derivative assets				
Derivative financial instruments	**—**	**93,186**	**—**	**93,186**
Derivative liabilities				
Derivative financial instruments	**—**	**41,376**	**—**	**41,376**
At 31 December 2022				
Derivative assets				
Derivative financial instruments	—	159,994	—	159,994

There were no transfers between levels 1, 2 and 3 during the year (2022: nil).

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

As at 31 December 2023, the level 2 derivative financial instruments represented five (2022: three) plain vanilla interest rate swaps and four cross currency swaps (2022: nil) which are not traded in an active market. The fair values of these derivative financial instruments are based on prices quoted by financial institutions at the end of the reporting period.

There were no changes in valuation techniques during the year.

The disclosures of the investment properties and right-of-use assets, that are measured at fair value, are set out in notes 13 and 14.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates of fair value of investment properties

The fair value of each investment property is individually determined at each reporting date by independent valuer using valuation techniques. Details of the judgement and assumptions have been disclosed in note 13.

(b) Estimates of fair values of derivative financial instruments

Fair values have been arrived at using valuations provided by the counterparty banks/valuer for each reporting period with reference to market data. Actual results may differ when assumptions and selections of valuation technique changes.

(c) Taxation

The Group is a foreign enterprise established outside the PRC and the UK. The Group is subject to various taxes in the PRC and the UK. Significant judgement is required in determining the provision for taxation including deferred taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxation and deferred tax.

5 Revenue and segment information

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

For the year ended 31 December 2023, revenue of RMB690 million (2022: RMB541 million) is attributable to tenants from the PRC investment properties and RMB42 million (2022: RMB37 million) is attributable to tenants from the UK investment properties. As at 31 December 2023, investment properties of RMB11,403 million (2022: RMB11,463 million) is located in the PRC and RMB636 million (2022: RMB620 million) is located in the UK. Right-of-use assets of RMB15 million (2022: RMB14 million) is located in the UK.

An analysis of revenues of the Group is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenues		
Rental income	**701,862**	561,631
Car park income	**3,562**	4,784
Other income (note i)	**27,024**	11,436
	732,448	577,851

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	
	2023	2022
	RMB'000	*RMB'000*
Property management fee	**34,815**	17,563
Property taxes (note i)	**80,822**	63,442
Other taxes (note ii)	**5,272**	1,461
Enterprise income tax (note iii)	**48,187**	49,867
Leasing commission	**3,918**	2,794
Reinstatement costs	**—**	1,551
Advertising and promotional expenses	**15,151**	—
Others	**1,021**	745
	189,186	137,423

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) Enterprise income 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	
	2023	2022
	RMB'000	*RMB'000*
Manager's fee (note i)	**62,153**	54,770
Trustee fee	**2,381**	1,715
Valuation fee	**652**	1,210
Auditor's remuneration		
- Audit services	**2,228**	1,956
- Other assurance services	**657**	626
- Other non-assurance services	**343**	334
Legal and other professional fees	**15,697**	9,173
Others	**4,894**	4,867
	89,005	74,651

Notes:

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

(ii) For the year ended 31 December 2022, acquisition fee amounts to RMB16.6 million, trustee fee amount to RMB0.1 million and auditor's remuneration amounts to RMB0.3 million in related to the acquisition of Huizhou property were capitalized into the investment properties.

8 Other losses, net

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net fair value (loss)/gain of derivative financial instruments at fair value through profit or loss	**(120,615)**	81,767
Foreign exchange gains/(losses), net	**21,099**	(108,803)
Other gains	**780**	8,341
	(98,736)	(18,695)

9 Finance costs on interest-bearing borrowings

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses on bank borrowings (note i)	**(288,834)**	(165,837)
Interest income on derivative financial instruments	**103,329**	21,870
Interest expenses on lease liabilities	**(893)**	(863)
Foreign exchange losses on bank borrowings (note ii)	**(50,596)**	(252,896)
	(236,994)	(397,726)

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

10 Income tax expense

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

For the subsidiary with operation in Huizhou, the PRC, it is subject to corporate income tax at a rate of 25%.

Prior to 31 March 2023, for the subsidiary with operation in the UK, it is subject to corporate income tax at a 19%. From 31 March 2023 onwards, the UK subsidiary is subject to corporation tax at a rate of 25%.

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	
	2023	2022
	RMB'000	*RMB'000*
Current tax		
Current income tax	**32,161**	8,871
Over provision in prior year	**—**	(2)
	32,161	8,869
Deferred taxation	**12,837**	94,639
	44,998	103,508

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	
	2023	2022
	RMB'000	*RMB'000*
(Loss)/profit before income tax and transactions with unitholders	**(8,561)**	221,940
Exclude loss/(profit) from the PRC operation which is not subject to income tax (note 6(iii))	**47,187**	(25,321)
	38,626	196,619
Tax calculated at the Hong Kong profit tax rate at 16.5% (2022: 16.5%)	**6,373**	32,442
Effect on different taxation rate on overseas operations	**7,373**	31,970
Income not subject to tax	**(8,340)**	(1,984)
Expenses not deductible for tax purposes	**39,592**	43,756
Effect on temporary differences previously not recognised	**—**	(2,674)
Over provision in prior year	**—**	(2)
	44,998	103,508

11 Manager's fee

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Base fee	**47,306**	41,934
Variable fee	**14,847**	12,836
Acquisition fee	**—**	16,606
	62,153	71,376

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) The acquisition fee was incurred from the acquisition of subsidiaries which was capitalized in investment property.

Based on the election made by the Manager dated 2 December 2022 and 3 December 2021 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% (2022: same), and Variable Fee to be paid to the Manager in the form of cash entirely (2022: same), arising from any real estate of Spring REIT for the year ended 31 December 2023 and 2022 in accordance with the Trust Deed.

12 (Loss)/earnings per unit

	2023	2022
	RMB'000	*RMB'000*
(Loss)/profit for the year before transactions with Unitholders attributable to Unitholders	**(77,544)**	28,352
Weighted average number of units for the year for calculating basic earnings per unit	**1,463,749,811**	1,478,856,171
Adjustment for dilutive units issuable in respect of the Manager's fee	**—**	4,404,119
Weighted average number of units for the year for calculating diluted (loss)/earnings per unit	**1,463,749,811**	1,483,260,290
Basic (loss)/earnings per unit based upon profit before transactions with Unitholders attributable to Unitholders	**(RMB5.3 cents)**	RMB1.9 cents
Diluted (loss)/earnings per unit based upon profit before transactions with Unitholders attributable to Unitholders	**(RMB5.3 cents)**	RMB1.9 cents

The units issuable in respect of the Manager's fee are considered to have an anti-dilutive effect on the basic loss per unit for the year ended 31 December 2023, thus it is not included in the calculation of diluted loss per unit.

13 Investment properties

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At beginning of the year	**12,082,952**	9,307,096
Acquisition of subsidiaries (note 23)	**—**	2,442,000
Capitalisation of transaction costs for the acquisition of subsudiaries	**—**	51,024
Additions	**37,636**	33,731
Exchange differences recognized in other comprehensive income	**50,588**	(19,629)
Changes in fair value recognised in consolidated income statement	**(131,833)**	268,730
At end of the year	**12,039,343**	12,082,952

Notes:

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

In Beijing, the investment properties comprise office towers 1 & 2 and approximately 608 car parking spaces located at No. 79 and 81 Jianguo Road, Beijing, the PRC. 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 comprise seven-storey shopping mall and 700 underground and 50 above-ground car park spaces located at No. 9 First Wencheng Road, Huicheng District, Huizhou, Guangdong Province, the PRC. The land use rights of the properties have been granted to Huizhou Runxin for 40-year term expiring on 1 February 2048.

In the UK, the investment properties comprise 84 individual properties with diversified locations across the UK. The investment properties are held under either freehold or leasehold interests.

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

As at 31 December 2023 and 31 December 2022, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment properties.

As at 31 December 2023 and 31 December 2022, 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 2023 and 2022, the fair values of the investment properties have been determined by Knight Frank Petty Limited. The independent valuer adopted the income capitalisation approach and cross-checked by the direct comparison approach for the valuation where applicable.

Valuation techniques

(i) PRC investment properties

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

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

(ii) UK investment properties

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

Fair value hierarchy

	Fair value measurements using		
	Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***
Recurring fair value measurements			
As at 31 December 2023	**—**	**—**	**12,039,343**
As at 31 December 2022	—	—	12,082,952

There were no transfers between levels 1, 2 and 3 during the year (2022: 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 2023 valuation, a capitalisation rate of 5.0% (2022: 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 property. The average gross monthly office unit base rent of RMB399 (2022: RMB399) per square meter exclusive of VAT is used in the valuation.

(ii) Huizhou Huamao Place

(a) Capitalisation rate

This is estimated based on the market lease over market value on comparable. The higher the capitalization rates used, the lower the fair values of the investment properties. In the 31 December 2023 valuation, a capitalization rate of 6.0% (2022:6.0%) 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 RMB179 (2022: 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 property. In the 31 December 2023 valuations, the capitalisation rate used in the income capitalisation approach of 84 investment properties range from 4.35% to 9.05% (2022: 3.70% to 8.15%).

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of taxes, other relevant charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment properties. The gross annual unit base rents of 84 investment properties range from GBP4.50 to GBP27.96 (2022: GBP4.52 to GBP23.57) per square foot.

14 Leases

This note provides information for leases where the Group is a lessee that is not occupied by the Group.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets		
At beginning of the year	**14,460**	15,217
Exchange differences recognised in other comprehensive income	**1,195**	(445)
Changes in fair value recognised in consolidated income statement	**(187)**	(312)
At end of the year	**15,468**	14,460

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Lease liabilities, expected to be settled:		
Within 1 year	**344**	96
After 1 year	**10,819**	10,505
	11,163	10,601

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

Fair value hierarchy

	Fair value measurements using		
	Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***
Recurring fair value measurements			
As at 31 December 2023	**—**	**—**	**15,468**
As at 31 December 2022	—	—	14,460

There were no transfers between levels 1, 2 and 3 during the year (2022:nil).

15 Derivative financial instruments

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Derivative assets		
Derivative financial instruments	**93,186**	159,994
Derivative liabilities		
Derivative financial instruments	**41,376**	—

The Group has entered into four (2022: three) interest rate swaps and four (2022: nil) cross currency 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. Cross-currency swap was used to hedge both floating interest payment and foreign exchange risk of the debt instruments.

The aggregated notional principal amounts of the interest rate swaps as at 31 December 2023 were HK$2,355 million and GBP47.8 million (approximately total RMB2,566 million) (31 December 2022: HK$3,355 million (approximately RMB2,967 million)) with HK$2,355 million mature on 23 September 2025 and GBP47.8 million mature on 27 January 2025 (2022: HK$1,000 million mature on 29 December 2023 and HK$2,355 million mature on 23 September 2025).

The Group entered into four cross currency swaps swapping RMB to HK$. The total aggregated notional principal amount as of 31 December 2023 was HK$1,950 million (approximately RMB1,767 million) with maturity on 23 September 2025.

The Group recorded net fair value loss on derivative financial instruments for the year ended 31 December 2023 amounting to RMB120,615,000 (2022: gain of RMB81,767,000) (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 derivatives are expected to be recovered/settled after twelve months.

16 Trade and other receivables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Rent receivables (note vi)	**10,223**	7,266
Deferred rent receivables (note iv)	**35,080**	41,135
Prepayments	**9,026**	10,884
Other receivables	**8,960**	2,151
VAT recoverable	**—**	117
Indemnified tax recoverable (note v)	**24,814**	42,760
	88,103	104,313

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 2023 and 2022, 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) The 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	
	2023	2022
	RMB'000	*RMB'000*
0 – 30 days	**4,207**	4,939
31 – 90 days	**1,967**	661
Over 90 days	**4,049**	1,666
	10,223	7,266

(vii) The carrying amounts of trade and other receivables are expected to be recovered within the next twelve months.

17 Restricted bank balances and cash and cash equivalents

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Restricted bank balances	**326,532**	366,840
Cash and cash equivalents	**222,893**	202,434
	549,425	569,274

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
US$	**19,290**	25,206
RMB	**352,093**	305,290
HK$	**166,241**	210,584
GBP	**11,801**	28,194
	549,425	569,274

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	
	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents		
Within 1 year	**222,893**	202,434
Restricted bank balances		
After 1 year	**326,532**	366,840

18 Rental deposits and trade and other payables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Rental deposits (note i)	**211,544**	204,566
Trade and other payables:		
Rental receipts in advance	**59,677**	52,380
Provision for other taxes (note ii)	**15,003**	16,377
Accrued expenses and other payables	**140,442**	148,522
	215,122	217,279

Notes:

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**71,815**	64,764
After 1 year	**139,729**	139,802
	211,544	204,566

(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 their fair values, mainly denominated in RMB and GBP and are expected to be settled within twelve months.

19 Interest-bearing borrowings

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank borrowings		
Within 1 year	**67,765**	64,000
After 1 year	**4,986,725**	4,793,346
	5,054,490	4,857,346

Bank borrowings are denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
HK$ (note i)	**3,890,949**	3,674,729
RMB (note ii)	**735,309**	768,000
GBP (note iii)	**428,232**	414,617
	5,054,490	4,857,346

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	
	2023	2022
	RMB'000	*RMB'000*
6 months or less	**5,054,490**	4,857,346

The carrying amounts of bank borrowings approximate their fair values, as the borrowings were at floating interest rate.

Notes:

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

(ii) 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

(iii) The 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.

As at 31 December 2023 and 31 December 2022, the Group's investment properties (note 13), derivative financial instruments (note 15), rent receivables (note 16) and all future rent receivables of the investment properties (note 22), restricted bank balances (note 17), interests in certain subsidiaries of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's loan borrowings. In addition, the Trustee (in its capacity as trustee of Spring REIT) has provided guarantee for all the loan facilities.

20 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 2023			
At beginning of the year	**95,250**	**2,063**	**97,313**
Deferred tax expense recognised in consolidated income statement	**5,000**	**7,837**	**12,837**
At end of the year	**100,250**	**9,900**	**110,150**

	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

21 Units in issue

	Number of units As at 31 December	
	2023	2022
Balance as at beginning of the year	**1,484,931,187**	1,472,383,580
New units issued for Manager's fee	**19,510,923**	14,674,607
Repurchase of units in issue (note ii)	**(63,945,000)**	(2,127,000)
Balance as at end of the year	**1,440,497,110**	1,484,931,187

Notes:

(i) Traded market value of the units as of 31 December 2023 was HK$2.28 (2022: HK$2.40) per unit. Based on 1,440,497,110 (2022: 1,484,931,187) units, the market capitalisation was HK$3,284 million (approximately RMB2,976 million) (2022: HK$3,564 million (approximately RMB3,205 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 64,348,000 units (2022: 2,127,000 units) at an aggregate amount of approximately RMB140,055,000 (2022: RMB4,742,000) during the year ended 31 December 2023. 63,945,000 units (2022: 2,127,000 units) bought back were cancelled during the year and 403,000 units bought back were cancelled in January 2024.

22 Future minimum rental receivables

As at 31 December 2023, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**616,502**	633,346
1 – 2 years	**461,364**	493,517
2 – 3 years	**286,603**	327,607
3 – 4 years	**146,101**	162,046
4 – 5 years	**106,042**	74,057
After 5 years	**204,626**	204,317
	1,821,238	1,894,890

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2022: 3 years).

23 Acquisition of subsidiaries

On 29 April 2022, the Group entered into conditional acquisition agreements, pursuant to which they would acquire an aggregate 68% interest in Huizhou Runxin and its investment holding companies from the Associates of a substantial Unitholder. Huizhou 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 assets	(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 cost (note)	51,024
Transaction costs paid in prior year	(7,813)
Net outflow of cash – investing activities	739,730

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

24 Principal subsidiaries

Name	Place of establishment and kind of legal entity/place of operations	Principal activities	Particulars of issued share capital	Interest held 2023	2022
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%**	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%**	68%

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

25 Financial instruments by category

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Financial assets			
Financial assets at amortised cost:			
Trade and other receivables	16	**35,037**	50,026
Restricted bank balances	17	**326,532**	366,840
Cash and cash equivalents	17	**222,893**	202,434
Financial assets at fair value through profit and loss:			
Derivative financial instruments	15	**93,186**	159,994
		685,621	779,294
Financial liabilities			
Financial liabilities at amortised cost:			
Accrued expenses and other payables	18	**140,442**	148,522
Rental deposits	18	**211,544**	204,566
Interest-bearing borrowings	19	**5,054,490**	4,857,346
Lease liabilities	14	**11,163**	10,601
Financial liabilities at fair value through profit and loss:			
Derivative financial instruments	15	**41,376**	—
		5,459,015	5,221,035

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

26 Approval of the consolidated financial statements

The consolidated financial statements were authorised for issue by the Manager on 21 March 2024.