

Final Results 2023

Presentation

21 Mar 2024

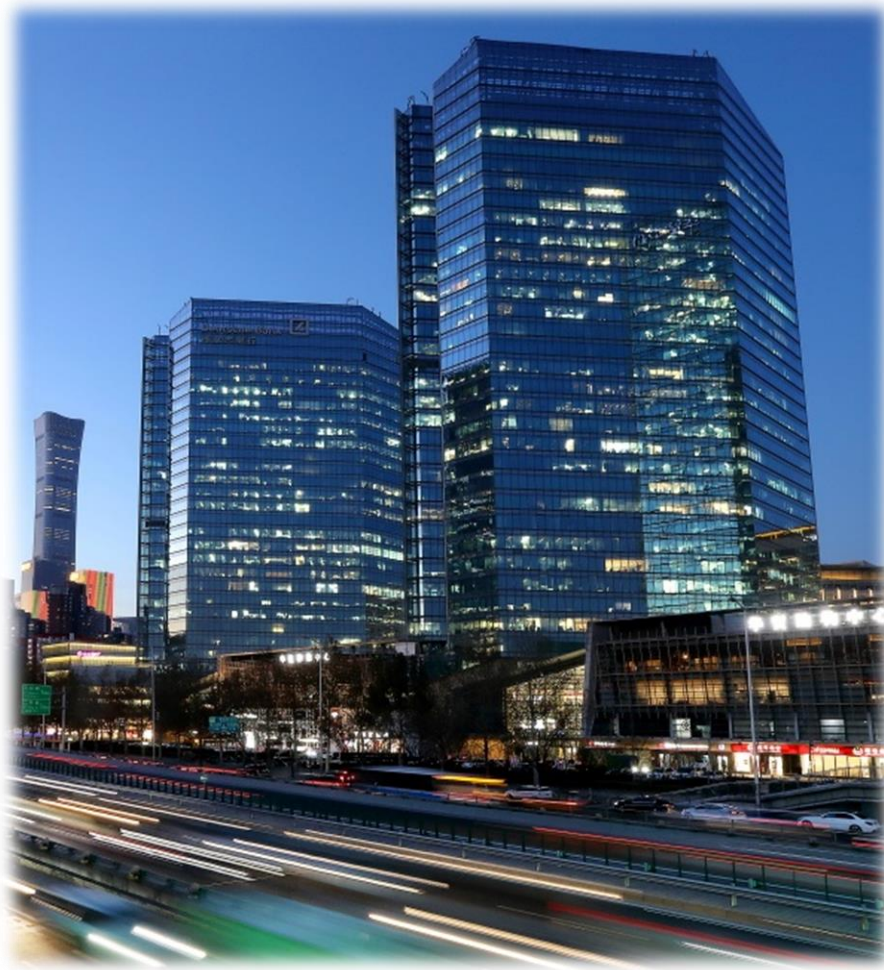
DISCLAIMER

This presentation may contain information which is proprietary, confidential and/or legally privileged and has been prepared by Spring Asset Management Limited, in its capacity as the manager (the “Manager”) of Spring Real Estate Investment Trust (the “Trust”). This presentation is being communicated for information purposes only and its intended recipients are professional investors in Hong Kong (as defined by Part 1 of Schedule 1 to the Securities and Futures Ordinance(Cap.571)) and professional investors outside of Hong Kong to whom it is lawful to communicate the presentation. Any other persons should not rely or act upon this presentation or any of its contents.

The information contained in this document, including any obtained from external data sources, has not been verified. The information and opinions in this presentation are subject to change without notice and the Manager is under no obligation to update or keep current the information contained in this presentation. No representation or warranty, express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. It is not the intention to provide, and you may not rely on this document as providing, a complete or comprehensive analysis of the Trust’s financial or operational position. Furthermore, this presentation should not be construed as legal, tax, investment, or other advice. None of the REIT Manager, the Trust, nor any of their respective affiliates, advisors or representatives shall be held liable for any damages, losses or expenses of any kind, whether direct, indirect, special, consequential or incidental, arising out of or in connection with the presentation. In this regard, all warranties or representations of any kind, whether expressed or implied by law, equity or statutes, are excluded to the extent permissible under the applicable law. All liabilities whatsoever arising from or incidental to the document are hereby expressly disclaimed.

Certain information and statements made in this presentation contain forward-looking statements. All forward-looking statements are based on current expectation of future events and are subject to a number of factors that could cause actual results to differ materially from those described in the forward-looking statements. Caution should be taken with respect to such statements and you should not place undue reliance on any such forward-looking statements.

This document does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell or inviting offers to acquire, purchase or subscription for any units (“Units”) or other securities of the Trust. The value of Units and the income from them, if any, may fall as well as rise from time to time. Units are not obligations of, deposits in, or guaranteed by the Manager, the Trust, nor any of their respective affiliates, advisors or representatives. An investment in Units or other securities of the Trust is subject to investment risks, including the possible loss of the principal amount invested. It is intended that holders of Units may only deal in their Units through trading on the Stock Exchange of Hong Kong and investors have no right to request the Manager to redeem their Units. Listing status does not guarantee a liquid market for the Units. All copyright, patent, intellectual and other property rights in information contained herein is owned by the Manager or other third parties. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing such information. Without the expressed written permission of the Manager under no circumstances should information contained herein or any part of it be quoted, reproduced, redistributed or transmitted in any form, by any means, electronic or otherwise.



AGENDA

- 1 FY2023 RESULTS HIGHLIGHTS
- 2 CCP PROPERTY OPERATION REVIEW
- 3 HUAMAO PLACE OPERATION REVIEW
- 4 UK PORTFOLIO OPERATION REVIEW
- 5 OUTLOOK & STRATEGIC PRIORITIES

FY2023 RESULTS HIGHLIGHTS



- Despite the challenging macroeconomic environment, Spring REIT registered a 23.3% YoY increase in net property income due to the steady performance of Beijing CCP office portfolio and the full-year contribution from Huamao Place shopping mall in Huizhou
- The gain at the operations level was offset by the significantly higher cost of borrowings. Thanks to the ongoing interest rate hedging programme, together with the RMB loan which is based on the stable PRC Loan Prime Rate, 99.5% of the loans are either hedged or under a relatively stable rate, minimising the impact of rising rates. At the same time, it has better aligned the loan currency with the location of the asset covered by the loan.
- Total distributable income amounted to RMB252.14 mn. At a payout ratio of 97.5%, DPU for the Reporting Year amounted to HK19.0 cents, representing a YoY decrease of 10.4% (or YoY decrease of 6.6% in RMB terms).

FINANCIAL SUMMARY

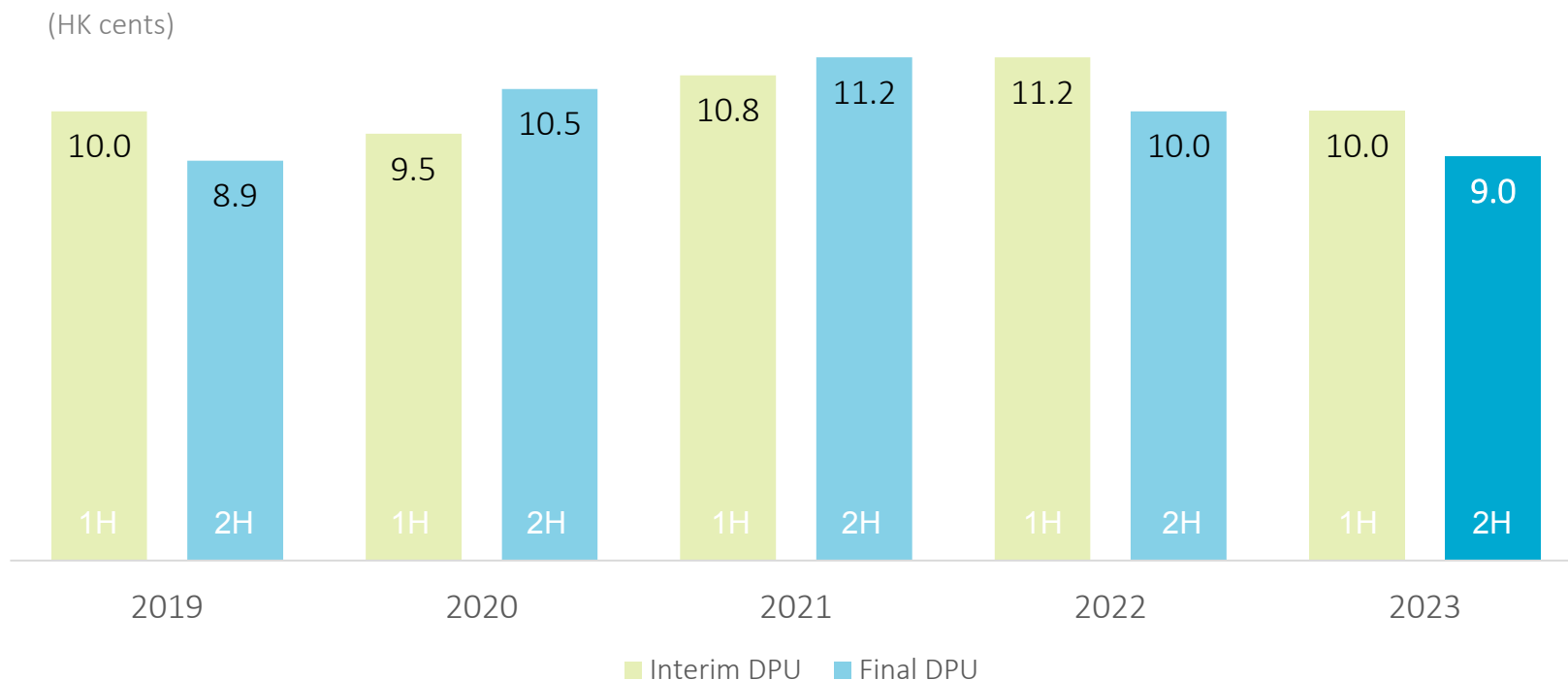
Operating Results (in RMB million)		FY2023	FY2022	YoY Chg	2H23	1H23	HoH Chg
Revenue		732.45	577.85	26.8%	369.03	363.42	1.5%
Property operating expenses		(189.19)	(137.42)	37.7%	(99.67)	(89.52)	11.3%
Net property income		543.26	440.43	23.3%	269.37	273.89	(1.7%)
Net property income margin		74.2%	76.2%	-2.0 pts	73.0%	75.4%	-2.4 pts
G&A expenses		(89.01)	(74.65)	19.2%	(48.40)	(40.61)	19.2%
Cash interest expense		(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%)
Profit after taxation attributable to	Unitholders	(77.54)	28.35	n.a.	15.38	(92.92)	n.a.
	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%)
Payout Ratio		97.5%	92.5%	+5.0 ppt	97.5%	97%	+0.5 pts
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%)

Financial Positions (in RMB million)		31-12-2023	31-12-2022	YoY Chg	31-12-2023	30-6-2023	HoH Chg
Portfolio valuation	CCP Property	8,560.00	8,640.00	(0.9%)	8,560.00	8,600.00	(0.5%)
	Huizhou Property ¹	2,843.00	2,823.00	0.7%	2,843.00	2,823.00	0.7%
	UK Portfolio	636.34	619.95	2.6%	636.34	643.23	(1.1%)
	Total	12,039.34	12,082.95	(0.4%)	12,039.34	12,066.23	(0.2%)
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%	37.6%	+1.9 pts	39.5%	39.4%	+0.1 pts

Note 1: The acquisition was completed on 28 Sep 2022.

PROVEN DPU TRACK RECORD

- Maintained a steady distribution for unitholders amid challenging macroeconomic environment, with an annualized DPU yield of 8.3%¹.
- Spring REIT's unit price outperformed its peers and the market in 2023 as well as over the past 3 years². Its total return was +4% and +8% respectively over the corresponding periods, while that of Hang Seng Index was -10.5% and -31.0% respectively.



Notes:

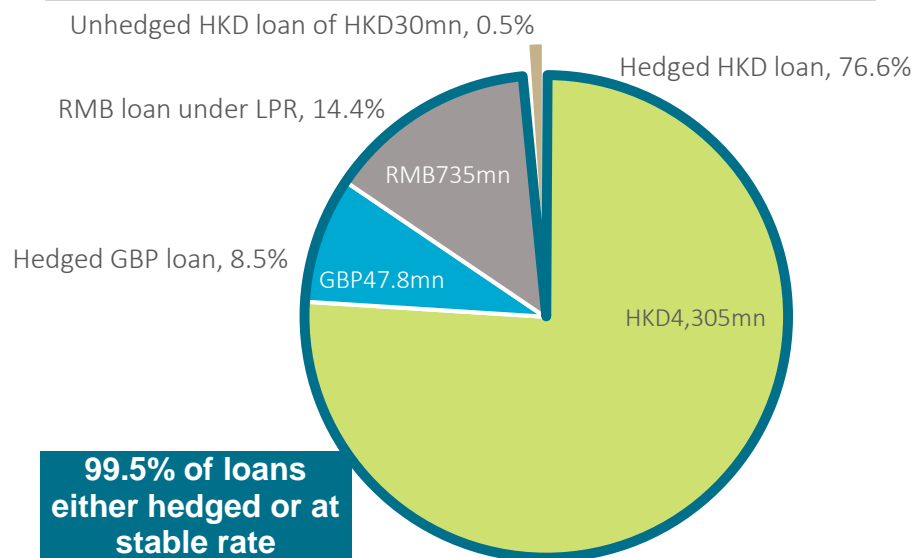
1. Based on the closing price of HK\$2.28 per Unit as at 29 Dec 2023

2. The past 3 years refer to the period of year 2021-2023

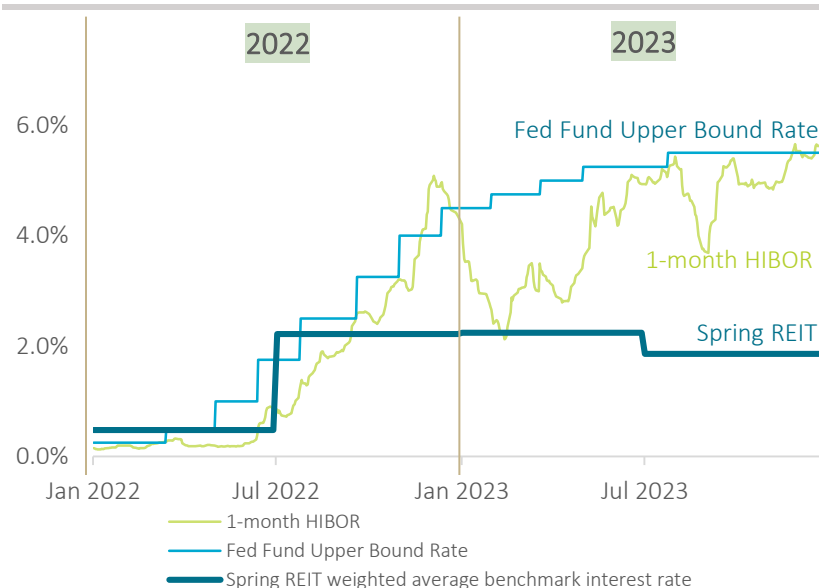
CAPITAL MANAGEMENT

Prudent interest rate management with 99.5% of loans either hedged or at stable rate

Debt profile (notional amounts) and Hedging ratio



Benchmark interest rates



- ❑ Hedging initiatives in place as at 31 Dec 2023:
 - HKD loan: interest rate swap and cross-currency swap contracts of aggregate notional amount of HKD2,355 mn and HKD1,950 mn respectively with weighted average swap rates of 1.82% p.a.
 - GBP loan: interest rate swap contract of notional amount of GBP47.8 mn with a swap rate of 3.8% p.a.
 - ➔ weight average swap rate of ~2.0% p.a. (before interest margin and any credit adjustment spread)
- ❑ RMB loan is based on the PRC Loan Prime Rate which was relatively stable and on a downward trend during the year
- ❑ Weighted average cash interest rate (after interest margin) p.a.: ~3.6% (FY2022: 3.1%)
- ❑ 99.5% of Spring REIT's borrowings either covered by the interest rate hedging programme or under a relatively stable PRC Loan Prime Rate, which has significantly reduced the impact of interest rate volatility

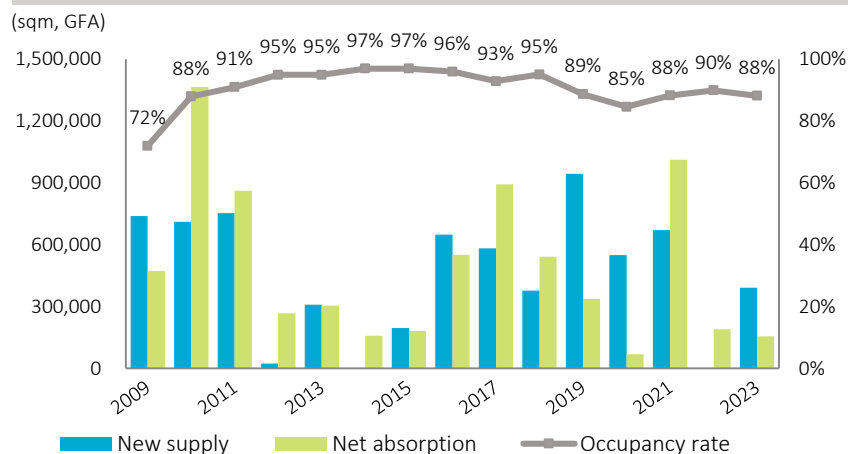
CCP PROPERTY OPERATION REVIEW



BEIJING LEASING MARKET CONDITION

Beijing Overall

Beijing Overall – Supply, Absorption, Occupancy

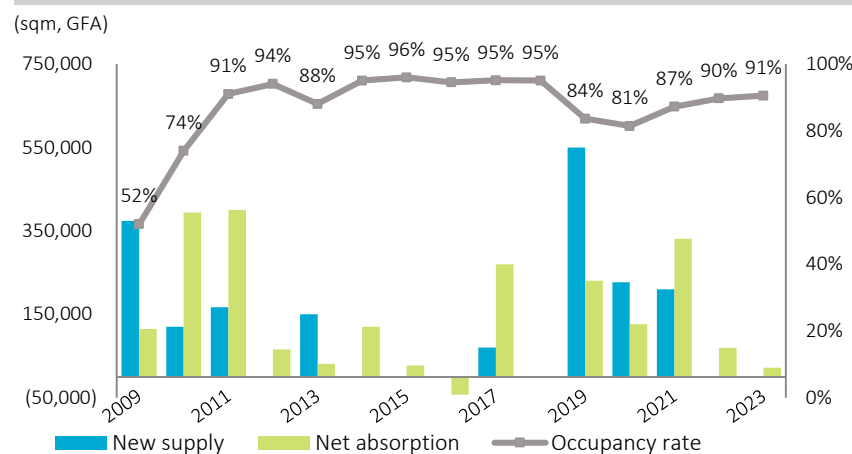


Beijing Overall – Effective Rental Rate

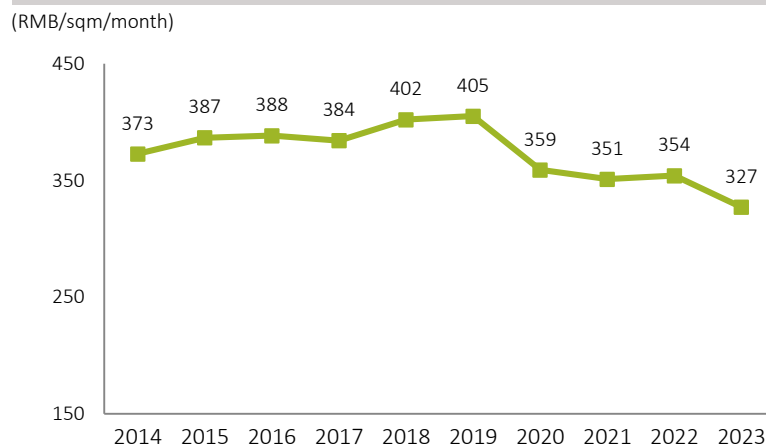


Beijing CBD

Beijing CBD – Supply, Absorption, Occupancy



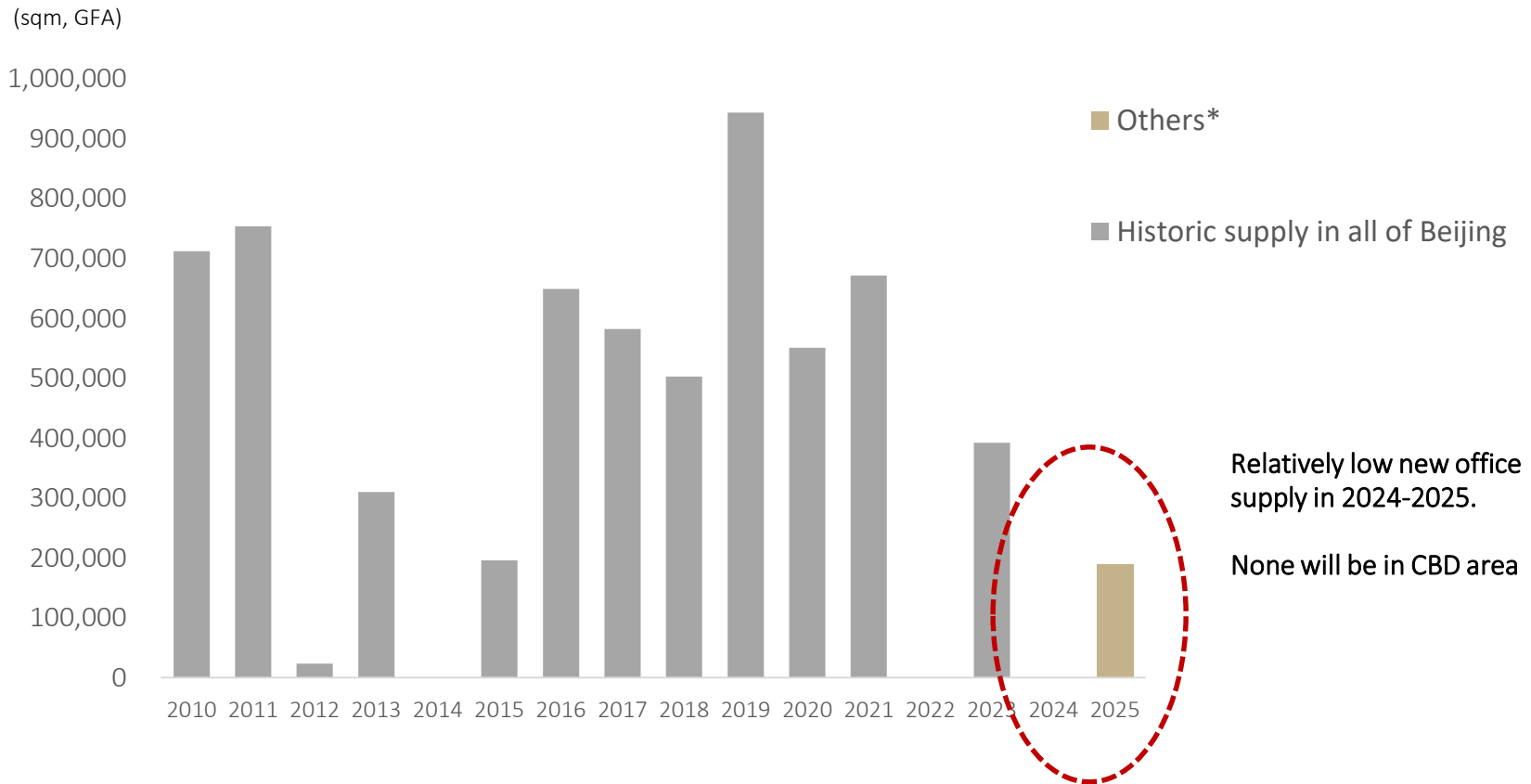
Beijing CBD – Effective Rental Rate



BEIJING FUTURE GRADE-A OFFICE SUPPLY

Of the 189,000 sqm GFA of new supply in 2024 and 2025, none will be located in the CBD area

Grade-A office supply by year



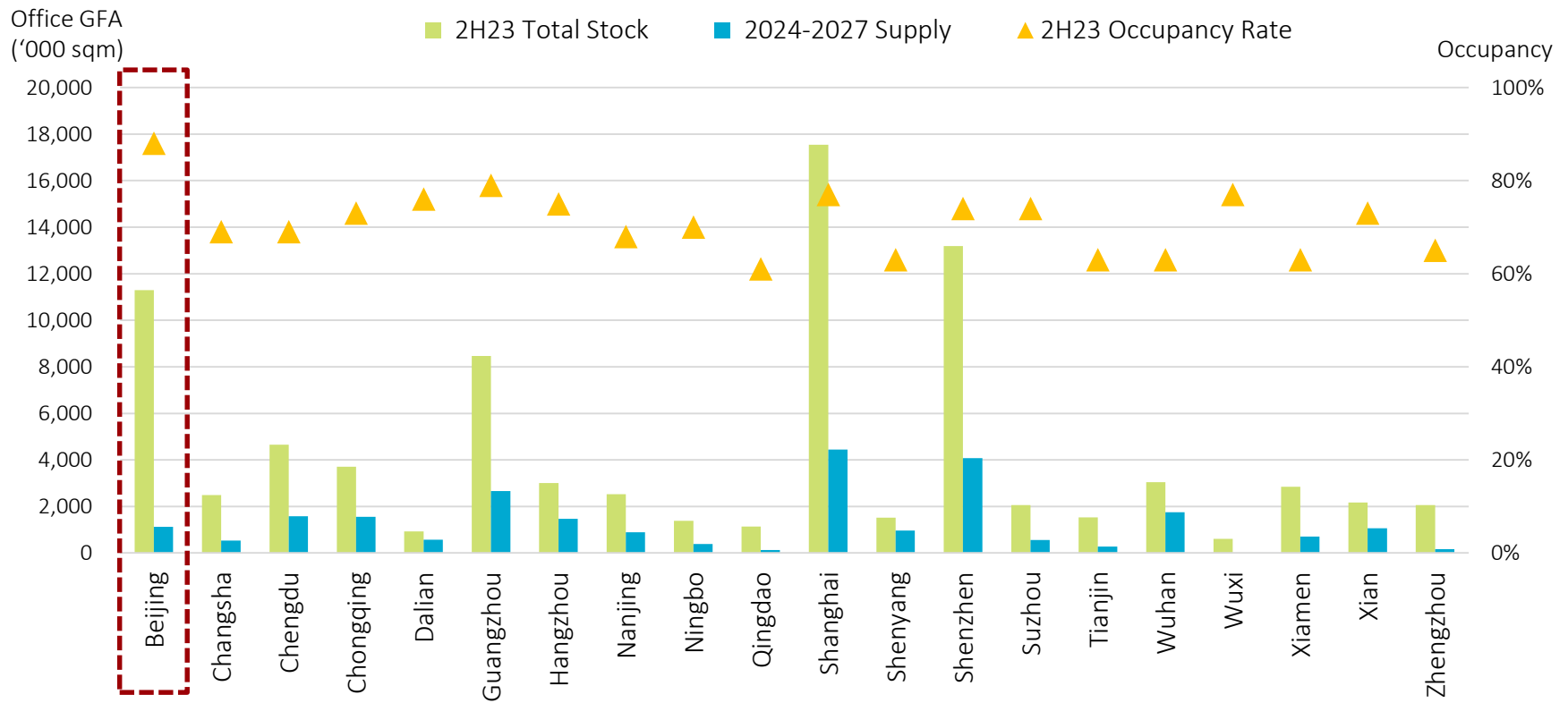
Note:

* Others included Zhongguancun, 3rd Embassy Area, Olympic Park and Wangjing

All of the above data are based on JLL Research in Dec 2023.

COMPARISON OF GRADE-A OFFICE MARKETS ACROSS CHINA

- Beijing has highest office occupancy of 88%. All other cities have occupancy rate under 80%.
- Low new supply in Beijing in the next 4 years, only 2.5% p.a. of existing stock (vs avg. 8.0% p.a. of other selected cities)



Source: JLL Research, Dec 2023

CCP PROPERTY: OPERATIONS SUMMARY

- 2H23 revenue was increased by 0.5% HoH, with rental income grew by 0.9% HoH due to a moderate improvement in occupancy
- Property operating expenses increased by 4.9% HoH, mainly due to higher commission expenses
- Cost structure largely remained stable, with NPI margin at 73.6% in 2H23 (1H23: 74.7%)

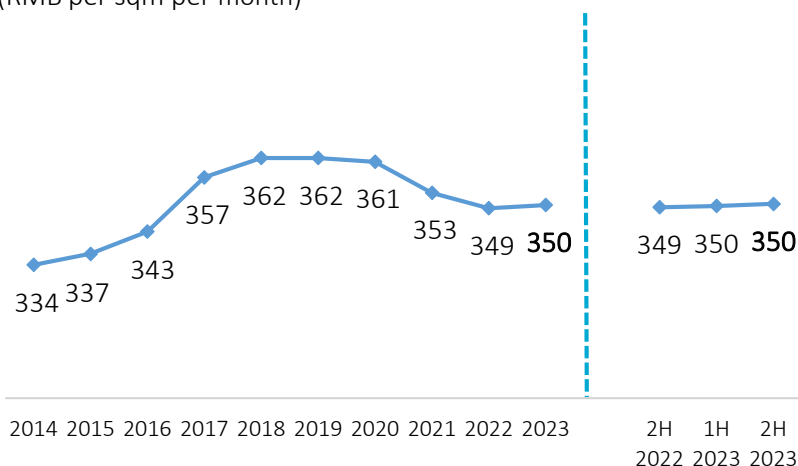
(in RMB million)	FY2023	FY2022	YoY Chg	2H23	1H23	HoH Chg
Revenues						
- Rental income	461.06	476.26	(3.2%)	231.54	229.52	0.9%
- Car park income	3.56	4.78	(25.5%)	2.06	1.50	37.3%
- Other income	5.57	9.85	(43.5%)	2.11	3.46	(39.0%)
Total revenue	470.19	490.89	(4.2%)	235.71	234.48	0.5%
Property Operating Expenses						
- Property management fee	(10.36)	(10.80)	(4.1%)	(5.18)	(5.18)	-
- Property tax	(57.61)	(59.29)	(2.8%)	(29.00)	(28.61)	1.4%
- Withholding tax	(48.19)	(49.87)	(3.4%)	(24.30)	(23.89)	1.7%
- Other taxes	(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%
- Others	(0.84)	(2.36)	(64.4%)	(0.42)	(0.42)	-
Total property expenses	(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%)

CCP PROPERTY: LEASING PERFORMANCE

- Average passing rent was stable HoH, and increased slightly by 0.3% YoY.
- The CCP Property registered an average occupancy of 91% in 2H 2023.

Average Passing Rents

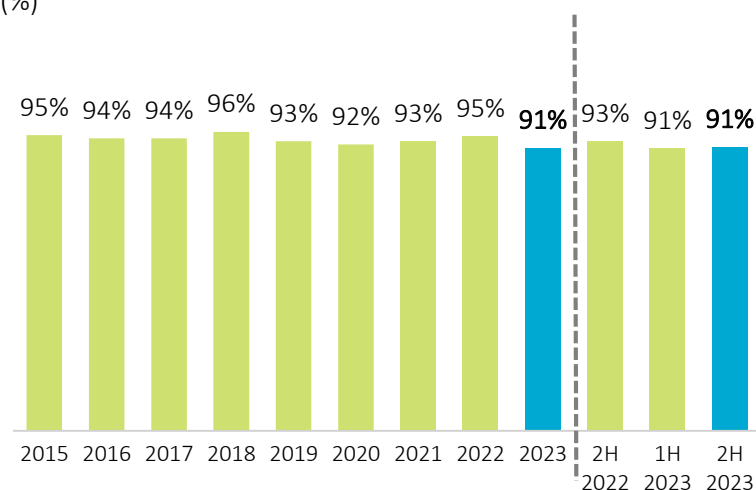
(RMB per sqm per month)



- Passing rent was stable at RMB350 per sqm during the year.
- Rental reversion of 0.7% for FY2023 (FY2022: -0.3%)
- FY2023 Retention rate: 75% (FY2022: 69%)

Average Occupancy Rates

(%)

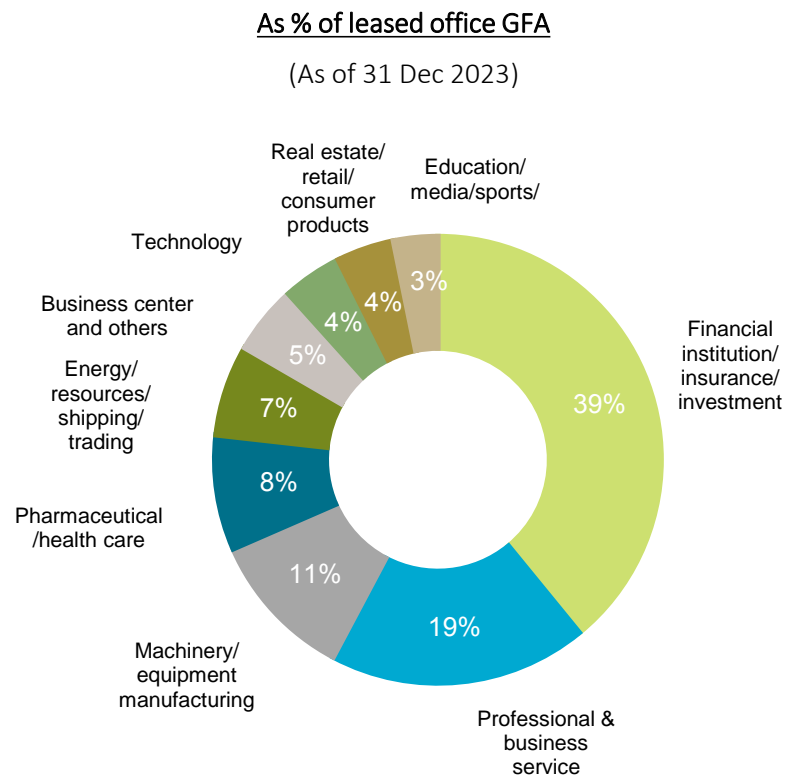


- Average occupancy rate maintained at 91% for FY23 (FY22: 95%).
- As at 31 December 2023, occupancy rate was recorded at 92%.

CCP PROPERTY: TENANT BASE

Diverse and high-quality tenant mix

Tenants by Industry



Top 5 Tenants

Tenants	% of total leased GFA	
Epson	6.0%	21.9%
Zhong De Securities	4.3%	
Global Law	4.3%	
TEC	4.1%	
Condé Nast	3.2%	

Note: as of 31 Dec 2023

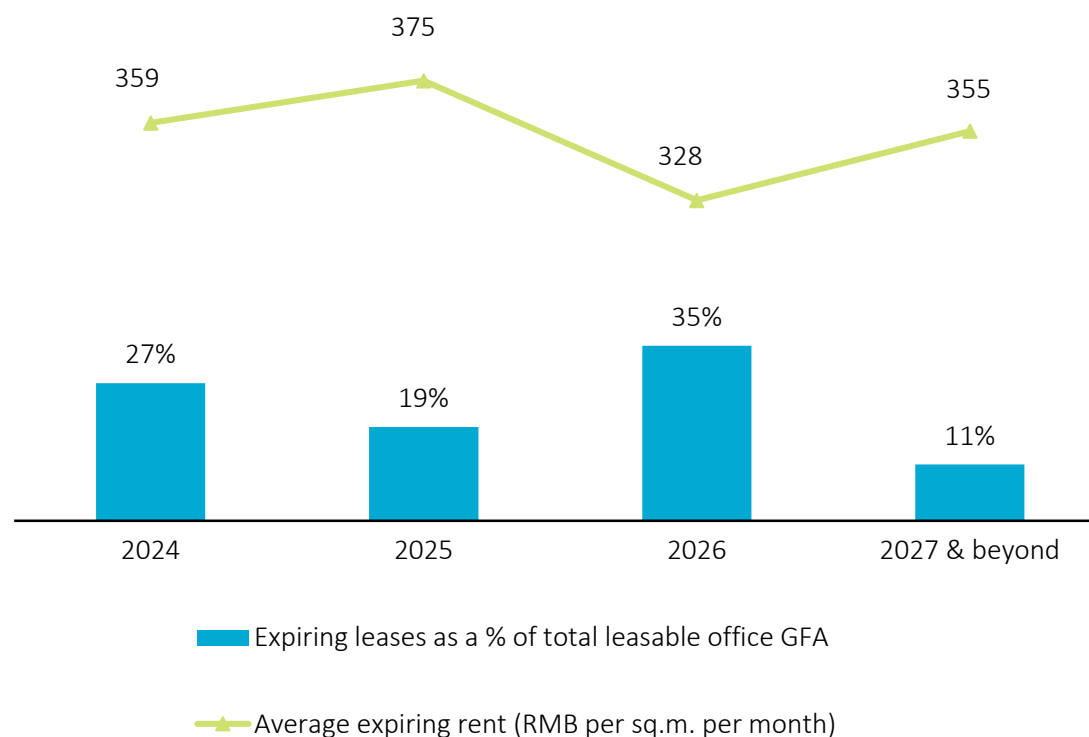
Other industry-leading tenants

- White & Case
- Baxter
- DB
- SMBC Nikko Securities
- AECOM
- Bain & Company
- Richemont
- AIG

Note: as of 31 Dec 2023

CCP PROPERTY: EXPIRING LEASE PROFILE

- Average lease expiry of existing leases (in GFA terms) as of 31 Dec 2023 was 647 days.
- Lease expiries in 2024 – about 27% of the leasable GFA, with an average expiring rental rate of RMB359 per sqm.
- Of the arrears as of 31 December 2023, the amount outstanding at the time of writing stood at RMB0.6 million.

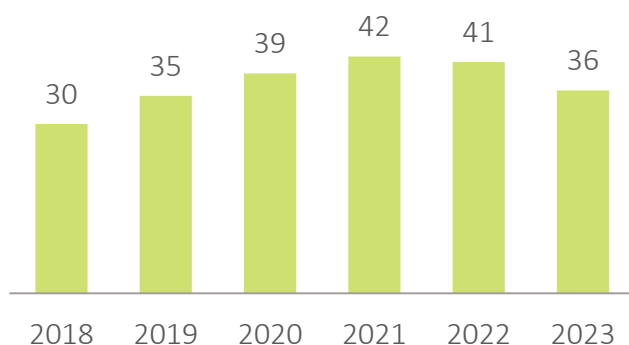


HUAMAO PLACE OPERATION REVIEW



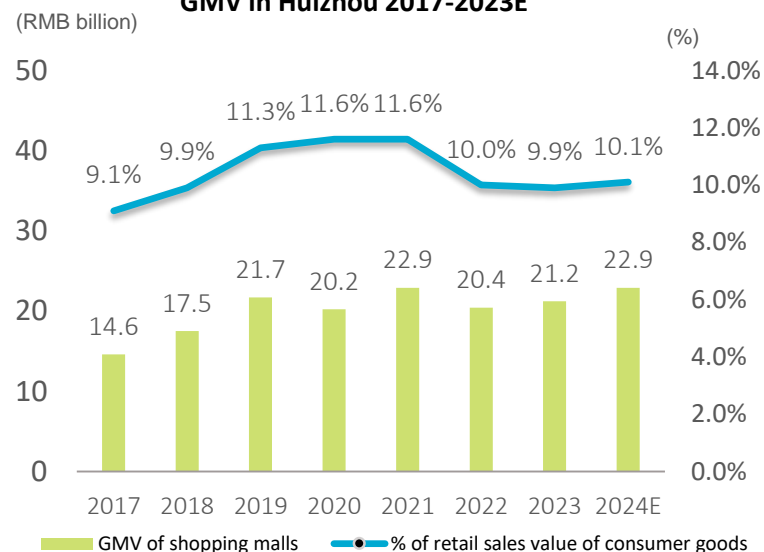
- Huizhou's shopping mall industry has experienced robust growth, driven by high economic growth potential, ongoing urbanisation, consumption upgrading, expanding retail facilities, and continued government support.
- 36 shopping malls in Huizhou with overall retail GFA of approx. 2.5 million sqm at the year-end of 2023, managed by 31 shopping mall management service providers. The industry is not highly concentrated, with top 5 accounting for 33.7% of retail GFA in the market
- The overall Gross Merchandise Value ("GMV") of shopping malls in Huizhou increased from RMB17.5 billion in 2018 to RMB21.2 billion in 2023, with a CAGR of 3.9%. The share of Huamao Place in the Huizhou shopping industry in GMV amounted to 9.7% as of 31 December 2023

Number of Huizhou shopping malls



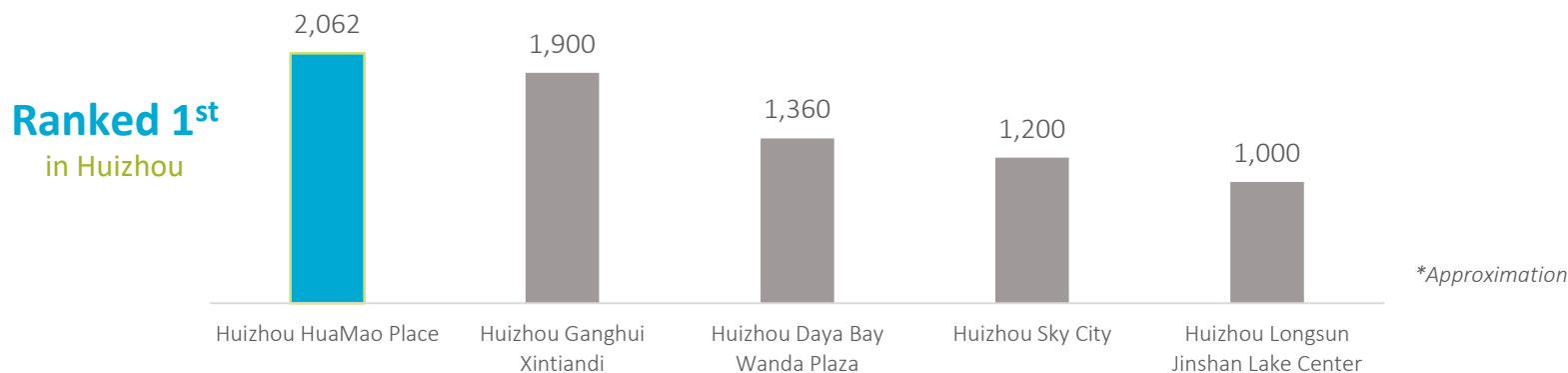
Source: CIC Research, Dec 2023

GMV in Huizhou 2017-2023E

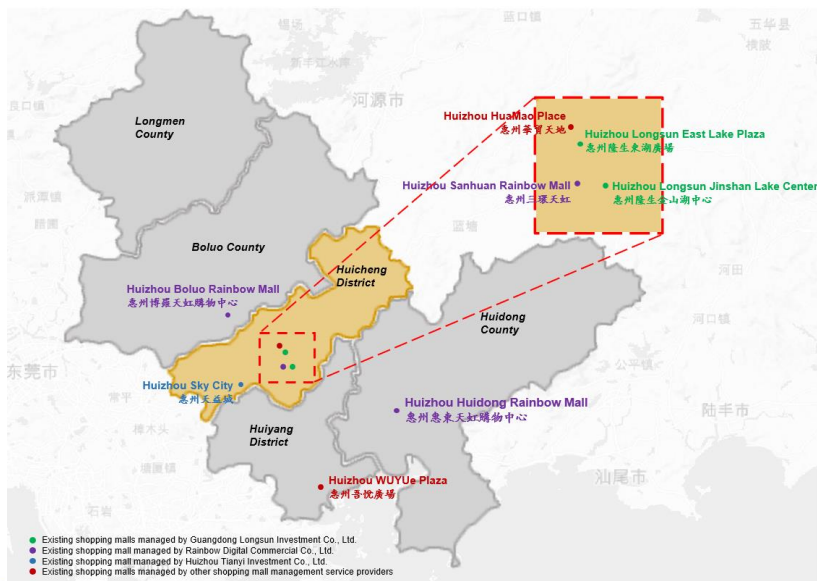


HUIZHOU SHOPPING MALL MARKET

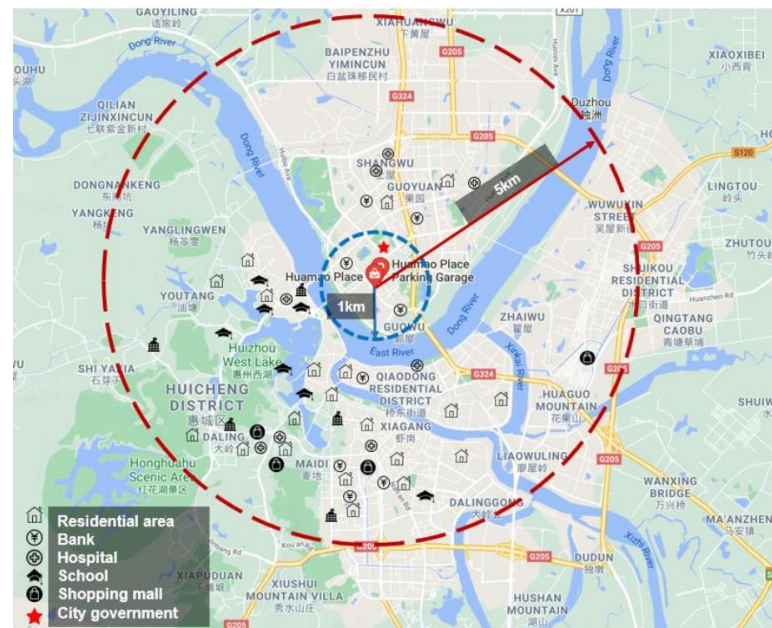
Top five shopping malls by gross merchandise value (GMV) in Huizhou, 2023 (million RMB)



Locations of comparable shopping mall in Huizhou



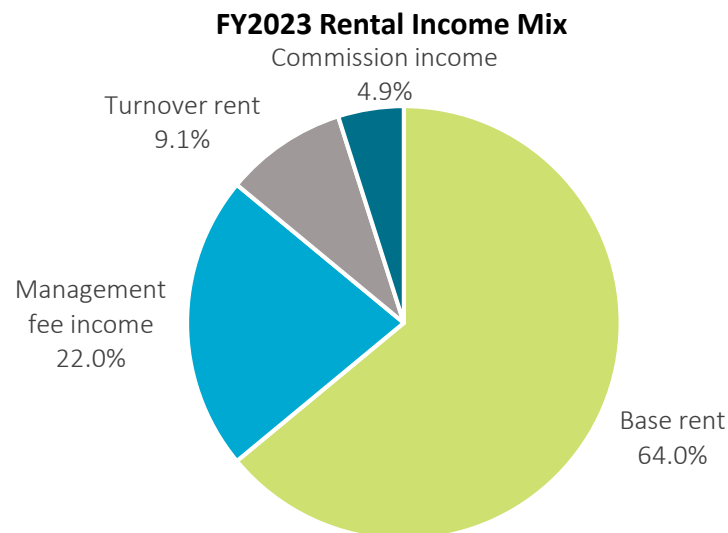
Location of Huizhou Huamao Place, at center of CBD



HUAMAO PLACE IN HUIZHOU: OPERATIONS SUMMARY

First full-year contribution from Huamao Place

(in RMB million)	FY2023
Revenues	
- Rental income	214.4
- Other income	5.4
Total revenue	219.8
Property Operating Expenses	(67.2)
Net Property Income	152.6



2023 Average daily footfall
~32,620
+30.3% YoY



2023 Average monthly GMV
~RMB171 mn
+10.3% YoY

DIFFERENT INITIATIVES DRIVING FOOTFALL AND GMV

SpringREIT

A variety of online and offline promotion events



VIP Lounge for high-spending visitors



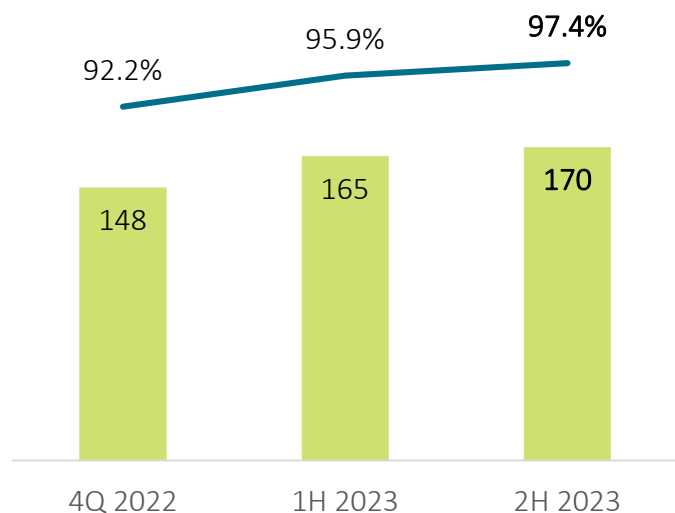
2023 Guangdong Night Economy and Summer Consumption Promotion Event at Huamao Place



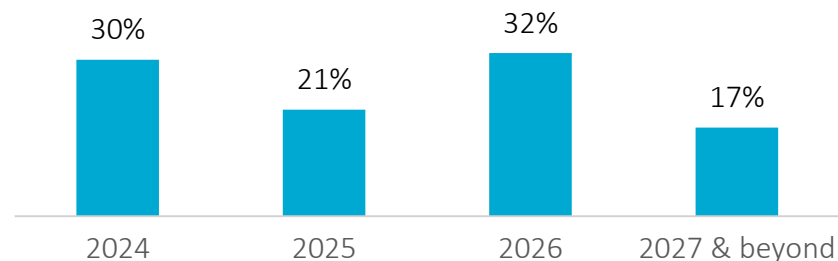
HUAMAO PLACE IN HUIZHOU: LEASING SUMMARY

- Introduced a cluster of electric vehicles and exclusive international cosmetics brands, helping to create a sense of exclusivity and luxury for the shopping mall and solidifying its high-end reputation
- Successfully signed leases with 154 new merchants in 2023
- Occupancy cost, defined as total rental income as a percentage of total GMV of the shopping mall, stood at 10.4% for FY2023

Average occupancy rate and monthly rent (RMB/sqm) ¹



Expiry profile by GFA

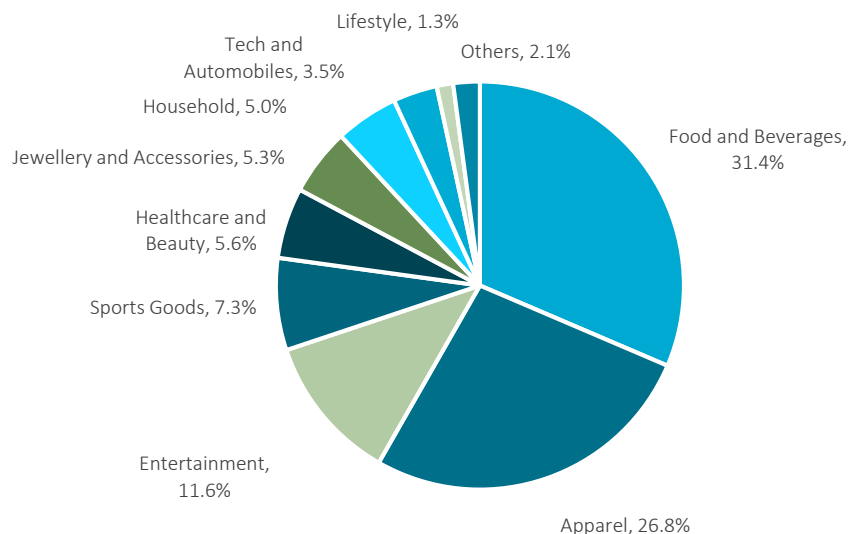


Note:

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.

ONGOING OPTIMIZATION TO OUR TENANT MIX

Tenancy mix by GFA (as at 31 Dec 2023)



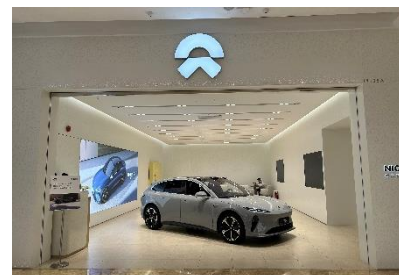
Top 5 Tenants

Tenant's trade sector	By GFA	By rental income ¹
Entertainment	7.1%	2.3%
F&B	4.2%	0.7%
Apparel	3.4%	0.6%
Household	1.8%	0.3%
Household	1.5%	0.6%
Total	18.0%	4.5%

Note:

1. By rental income of December 2023

Examples of new shops



UK PORTFOLIO OPERATION REVIEW



Location of the properties



KEY:

- LARGE RENT
- MEDIUM RENT
- SMALL RENT

TRADING NAME	TOWN	ADDRESS	POSTCODE
Kwik Fit	Chelmsford	103 New London Road	CM2 0PP
Kwik Fit	South Croydon	453 Brighton Road	CR2 6EW
Kwik Fit	Tottenham	32 Monument Way	N17 9NX
Kwik Fit	Bridlington	32-36 St Johns Street	YO16 7JS
Kwik Fit	Chapel Allerton	Leeds, 232 Harrogate Road	LS7 4QD
Kwik Fit	Edinburgh	107/109 Dundee Street	EH11 1AW
Kwik Fit	Croydon	3 Mitcham Road	CR0 3RU
Kwik Fit	Wigan	Wallgate	WN5 0XG
Kwik Fit	Edinburgh	19 Corstorphine Road	EH12 6DD
Kwik Fit	Llandudno	Conway Road	LL30 1DE
Kwik Fit	Altrincham	1-3 Church Street	WA14 4DB
Kwik Fit	Middlesbrough	3 Lansdowne Road	TS4 2LW
Kwik Fit	Plymouth	125-129 Alexandra Road	PL4 7EG
Kwik Fit	Loughborough	24-29 The Rushes	LE11 5BG
Kwik Fit	Truro	Treaswalls Road	TR1 3PY
Central Tyres	Gloucester	Unit 3 Northbrook Road	GL4 3DP
Kwik Fit	Portsmouth	94 East Surrey Street	PO1 1JY
Kwik Fit	Bridgewater	48-54 St John's Street	TA6 5HY
Kwik Fit	Worcester	1 Carden Street, City Walls	WR1 2AX
Kwik Fit	Yoker	2369-2375 Dumbarton Road	G14 0NT
Tyre City	Northwich	Leicester Street	CW9 5LQ
Kwik Fit	Blyth	Cowpen Road	NE24 5TT
Kwik Fit	Stirling	11 Burghmuir Road	FK8 2DY
Kwik Fit	Sunderland	Monk Street	SR6 0BD
Kwik Fit	Motherwell	99a Airbles Road	ML1 2TJ
Kwik Fit	Kilmarnock	32/36 Low Glencairn Street	KA1 4DD
Kwik Fit	Skegness	50 Roman Bank	PE25 2SP
Kwik Fit	Hornchurch	Ardleigh Green Road	RM11 2ST
Kwik Fit	Glasgow	381 Pollokshaws Road	G41 1QZ
Kwik Fit	Sheffield	Townhead Street	S1 1YG
Kwik Fit	Glenrothes	Fullerton Road	KY7 5QR
Kwik Fit	Alloa	Clackmannan Road	FK10 1RR
Kwik Fit	Great Yarmouth	90 North Quay	NR30 1JT
Kwik Fit	Edinburgh	81/91 Dundee Street	EH11 1AW
Kwik Fit	Carmarthen	Pensarn Road	SA31 2BS
Kwik Fit	Preston	Market Street	PR1 2HP
Kwik Fit	Kirkcaldy	182 The Esplanade	KY1 2AQ
Kwik Fit	Rutherglen	273 Main Street	G73 1EE
Kwik Fit	Ayr	22/26 Maybole Road	KA7 2PZ
Kwik Fit	Liverpool	232 Aigburth Road	L17 0BJ
Kwik Fit	Stonehaven	110 Barclay Street	AB39 2AP
Non-Op	Edinburgh	40a Portobello Road	EH8 7EH

TRADING NAME	TOWN	ADDRESS	POSTCODE
Kwik Fit	Otley	Bondgate	LS21 3AB
Kwik Fit	Thornaby-On-Tees	212 Thornaby Road	TS17 8AA
Kwik Fit	Edinburgh	69b Saughton Road North	EH12 7JB
Kwik Fit	Shipley	58 Briggate	BD17 7BT
Kwik Fit	Oldham	Huddersfield Road	OL1 3HR
Kwik Fit	Ellesmere Port	116 Whitby Road	CH65 0AA
Kwik Fit	Pontypridd	Sardis Road	CF37 1BA
Kwik Fit	Hyde	26-28 Manchester Road	SK14 2BD
Kwik Fit	Lincoln	148-150 Newark Road	LN5 8QJ
Kwik Fit	Coatbridge	320 Main Street	ML5 3RX
Kwik Fit	Goole	Boothferry Road	DN14 6AG
Kwik Fit	Huddersfield	Lockwood Road	HD1 3QU
Kwik Fit	Congleton	46a West Road	CW12 4EU
Kwik Fit	Barrhead	17 Cross Arthurlie Street	G78 1QY
Budget	Ayr	38 Fort Street	KA7 1DE
Central Tyres	Stirling	1 Whitehouse Road	FK7 7SS
Kwik Fit	Keynsham	Ashton Way	BS31 2UF
Kwik Fit	Sheffield	726 City Road	S2 1GJ
Kwik Fit	Leven	The Promenade	KY8 4PJ
Kwik Fit	Oban	Market Street	PA34 4HR
Kwik Fit	Nelson	130 Leeds Road	BB9 9XB
Kwik Fit	Burnley	Caldervale Road	BB11 1BS
Kwik Fit	Helensburgh	3 Charlotte Street	G84 7PH
Winterstoke	Weston-Super-Mare	Winterstoke Road	BS23 3YE
Kwik Fit	Warrington	Priestley Street/Garibaldi Street	WA5 1TE
Kwik Fit	Eltham	727 Sidcup Road	SE9 3AQ
Kwik Fit	Clevedon	119-120 Kenn Road	BS21 6JE
Kwik Fit	Keighley	Worthway	BD21 5ET
Kwik Fit	Thornbury	14 Mead Court	BS35 3UW
Kwik Fit	Southport	8 Ash Street	PR8 6JH
Kwik Fit	Forfar	Queenswell Road	DD8 3JA
Kwik Fit	Castleford	Leeds, 92 Bridge Street	WF10 4LA
Kwik Fit	Raddcliffe	Bury Road	M26 2UG
Kwik Fit	Oldham	Middleton Road/Lansdowne Road	OL9 9EG
Kwik Fit	Birmingham	900/902 Coventry Road	B10 0UA
Kwik Fit	Montrose	24 George Street	DD10 8EW
Kwik Fit	Islington	379 Camden Road	N7 0SH
Kwik Fit	Kidderminster	20 Churchfields	DY10 2JL
Kwik Fit	Doncaster	Wheatley Hall Road	DN2 4LP
Tyre City	Lichfield	8-9 Europa Way	WS14 9TZ
Budget	Dumfries	40 Lauricknowe Road	DG2 7DA
Kwik Fit	Bishop Auckland	Cockton Hill Road	DL14 6JN

UK PORTFOLIO OPERATION SUMMARY

Long-term, quality cash flow backed by guarantee, with upward-only revisions

Five-yearly rent review	Occupancy rate	Annual contract rental income
↑ 4.6%	100%	~GBP4.76 mn

- Each of the 84 properties in the UK Portfolio is under a long-term lease with the tenant Kwik-Fit (GB) Limited, a leading car servicing operator in the United Kingdom, with all but one of the leases expiring in March 2032. (The ground lease and the commercial lease for the property located in Islington will be expired in September 2024)
- Spring REIT enjoys substantial pass through of rental income as the leases are “full repairing and insuring” in nature. This means that the tenant agrees to pay all real estate taxes, building insurance, and maintenance (the triple "nets") on the properties



华贸天地
HUAMAO PLACE

YVES SAINT LAURENT
ROUGE PUR COUTURE
THE SLIM

MANNER COFFEE

**OUTLOOK
& STRATEGIC PRIORITIES**

Weakened sentiment in Beijing office market is expected to persist in the near term

- We expect continued pressure on both rent and occupancy, despite no new office supply is expected to be introduced in the Beijing CBD area in the coming year. We will 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.

Huamao Place in Huizhou continue to benefit from its premier positioning as a high-end destination mall

- 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.
- 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. We will continue to enhance the mall's social media presence and to promote the shopping mall as a premium location for festive events and celebration.

Prudent capital management strategy to mitigate interest rate risk

- 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. We will remain vigilant in monitoring changes in market conditions and adapting our capital management efforts to the evolving macroeconomic environment. 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.