

Final Results 2020

Presentation

23 March 2021

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OVERVIEW OF FY 2020

Performance Review

- **Revenue and net property income's** performance was encouraging given the tough macro environment, with marginal declines of 2.5% and 2.3% YoY respectively. Our Beijing operation was inevitably affected by the COVID-19 pandemic, continued tension between China and US, as well as the incoming new supply within the vicinity of our CCP Property.
- **Total distributable income and DPU** has bucked the general trend to show a decent growth of 15.8% and 5.8% YoY respectively, amounting to RMB 268.72 millions and HK 20.0 cents per Unit. This is mainly driven by careful financial management initiatives, combining with low interest rates and a stronger RMB.
- **CCP Property's** performance has outperformed the peers in a rather lacklustre Beijing office market, registering an average occupancy rate of above 90% while recording a positive rental reversion for the year. Leasing activities in the market slowed due to the outbreak of COVID-19, but have since recovered towards the end of 2020.
- **UK Portfolio** continued to contribute steady cash flow during the time of unprecedented global events during the year.
- **Gearing ratio** remained at low-30s after the conversion of the convertible bonds during the year which provided valuable debt headroom.

Strategic Initiatives

- We took advantage of low interest rates to fix the interest cost of 74.4% of Spring REIT's US\$ interest exposure by entering into several interest rate swaps, ensuring good financial stability.
- Since the AGM held in May 2020, Spring REIT has been active in buying back units in a move that will bring longer-term benefits to existing unitholders. Following the outbreak of COVID-19 and a general decline in the stock market in early 2020, Spring REIT's unit price has recovered strongly.
- In February 2020, Sino Ocean Group became a substantial unitholder of Spring REIT through the conversion of the bonds they held. With the extensive network across the property sector in mainland China and beyond, it should open up a route to new, high quality investment opportunities for Spring REIT.
- Just before the close of 2020, Huamao Property increased its interest in units of Spring REIT and thus became a substantial unitholder. Their group owns a significant portion of the mixed-use development China Central Place in which Spring REIT's CCP Property is situated. We expect to see continued synergies for the entire China Central Place community.



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FY 2020 RESULTS SUMMARY

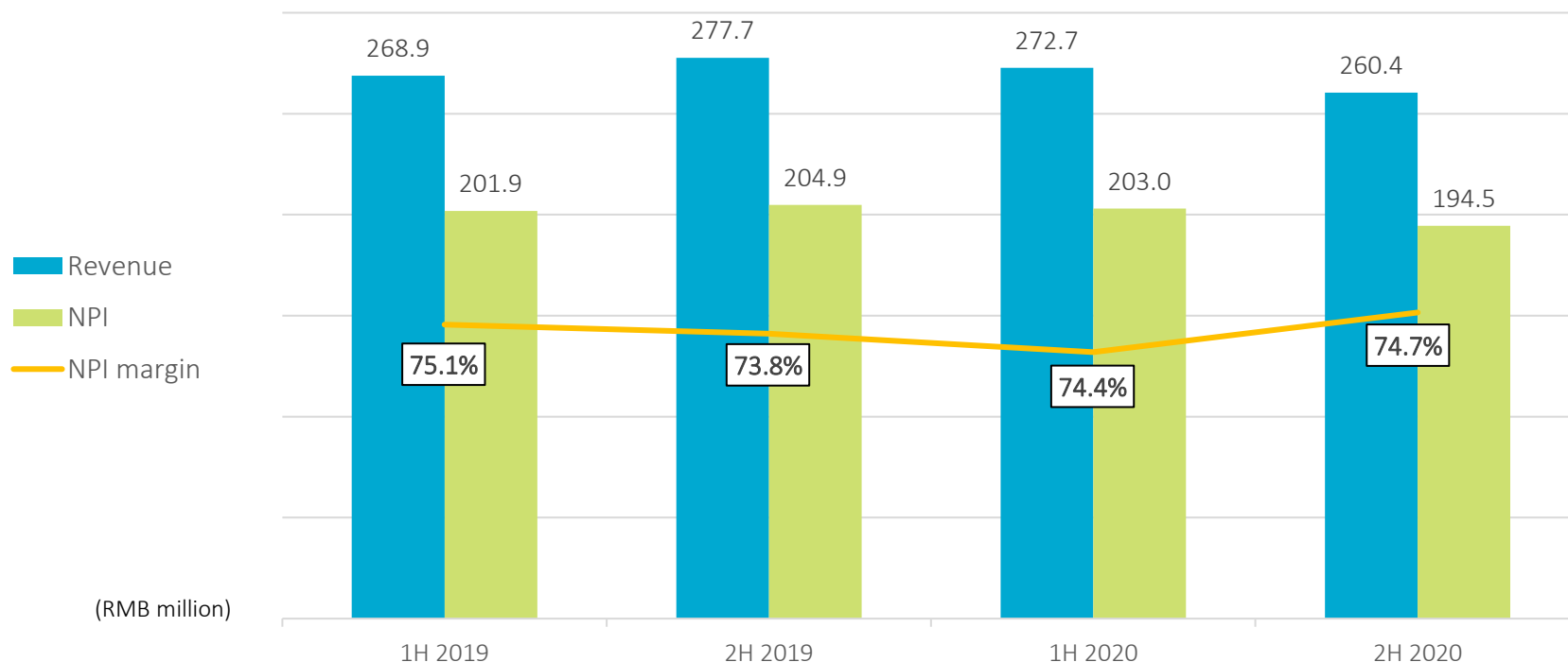
- Revenue and NPI both declined YoY as the revenue from our CCP Property was inevitably affected by global events during the year.
- Total distributable income improved, mainly due to lower cash interest expense, thanks to a low interest rate environment and also the strengthening of RMB against USD as the majority of our debt is US\$-denominated.
- Net asset value remained stable as decreases of our investment properties were partially offset by a lower total borrowings.

Operating Results (in RMB' million)	FY 2020	FY 2019	Change
Revenue	533.17	546.59	(2.5%)
Property operating expenses	(135.69)	(139.77)	(2.9%)
Net property income	397.48	406.82	(2.3%)
Net property income margin	74.6%	74.4%	+ 0.2 ppt
G&A expenses	(72.07)	(67.35)	7.0%
Cash interest expense	(95.78)	(151.93)	(37.0%)
Total distributable income	268.72	232.29	15.7%
Payout Ratio	95%	100%	- 5.0 pts
DPU (HK cents)	20.0	18.9	5.8%

Financial Positions (in RMB' million)		FY 2020	FY 2019	Change
Portfolio valuation	CCP Property	8,553.00	9,174.00	(6.8%)
	UK Portfolio	649.90	699.27	(7.1%)
	Total	9,202.90	9,873.27	(6.8%)
Total borrowings		3,024.23	3,704.84	(18.4%)
Net asset value		6,432.88	6,447.77	(0.2%)
Gearing ratio		31.1%	35.5%	- 4.4 pts

FINANCIAL PERFORMANCE

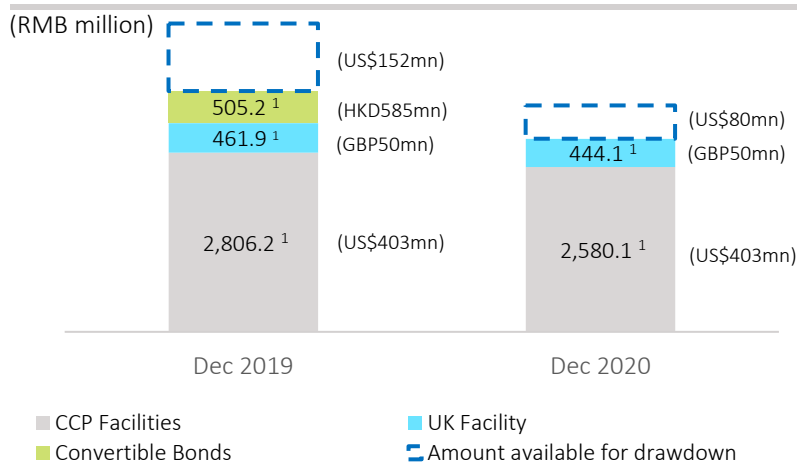
- **Spring REIT:** Overall stable operation despite weakness in the macro environment. Revenue and NPI declined by 2.5% and 2.3% YoY respectively while NPI margin remained stable.
- **CCP Property:** As the main driver of our profit, CCP Property's revenue and NPI declined by 2.4% and 2.2% YoY respectively with the general market being under pressure from both the demand and supply side.
- **UK Portfolio:** Operations remained stable and financial contributions are hardly affected by the macro environment. It continued to deliver satisfactory contribution by accounting for 7% and 10% of the total revenue and NPI respectively.



DEBT PROFILE

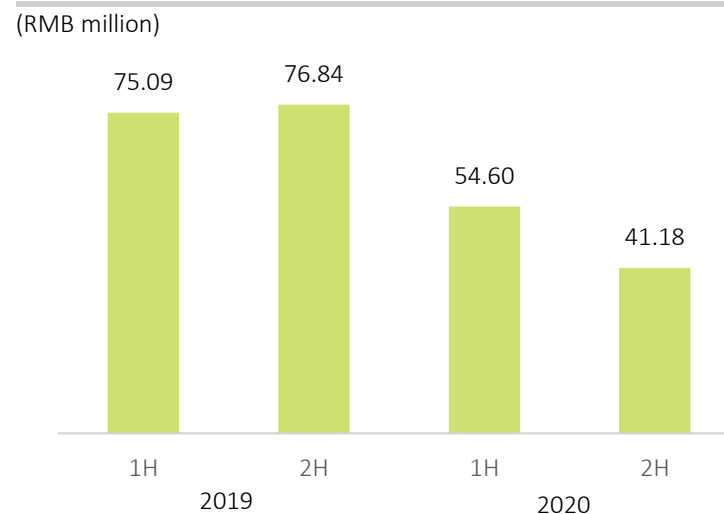
- In February 2020, the convertible bonds were fully converted, reducing our total borrowings and gearing ratio.
- In 1H 2020, Spring REIT entered into several interest rate swaps, locking 74.4% of floating rate of our US\$-denominated loan with an average swap rate of 0.52%.
- Cash interest expense continued to decline in 2H 2020, due to lower LIBOR rates, further amplified by the appreciation of RMB (our reporting currency).

Loan Notional



Note 1: The figures represent the carrying amounts of the loans in RMB.

Cash Interest Expenses



Spring REIT's debt facilities:

- US\$483mn under CCP Facilities (5-year term, till Dec 2024) :
 - (i) Drawdown amount of US\$403mn
 - (ii) Undrawn amount of US\$80 mil
- GBP50 mil under UK Facility (4-year term, till Jan 2022)
- Gearing ratio at 31.1% (Dec 19: 35.5%)

Interest rate exposure and counter-measures:

- Cash interest expense declined further in 2H 2020 due to lower GBP and US\$ LIBOR rates, further amplified by the appreciation of RMB.
- Float-to-fixed IRS entered during FY 2020, covering 74.4% of our US\$ denominated loan with an average swap rate of 0.52%.

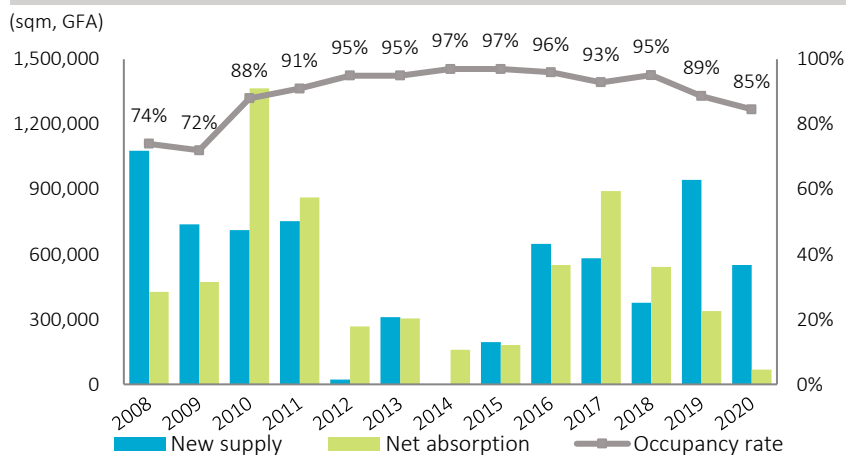


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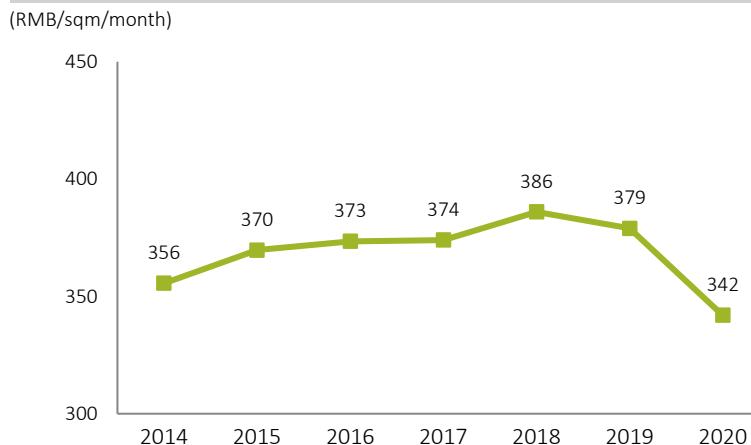
LEASING MARKET CONDITION

Beijing Overall

Beijing Overall – Supply, Absorption, Occupancy

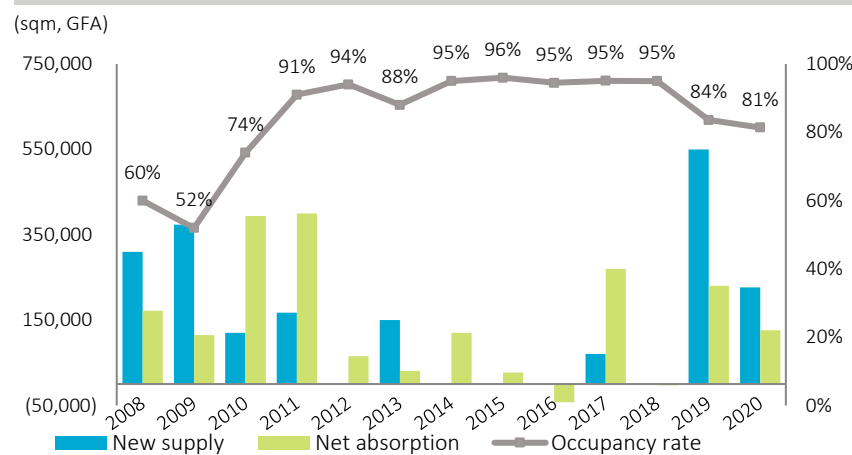


Beijing Overall – Effective Rental Rate

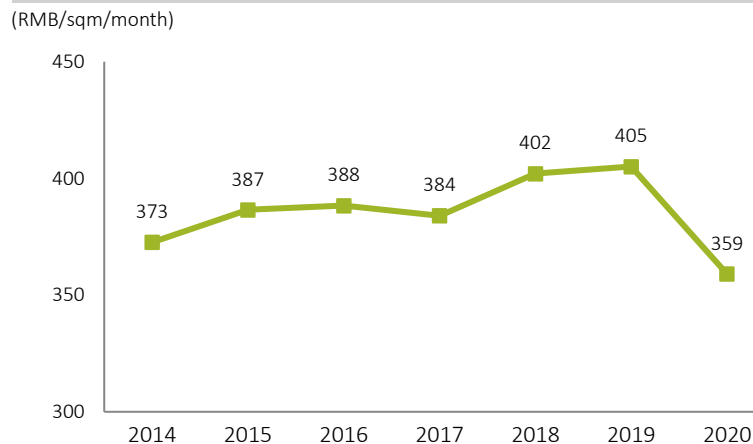


Beijing CBD

Beijing CBD – Supply, Absorption, Occupancy



Beijing CBD – Effective Rental Rate

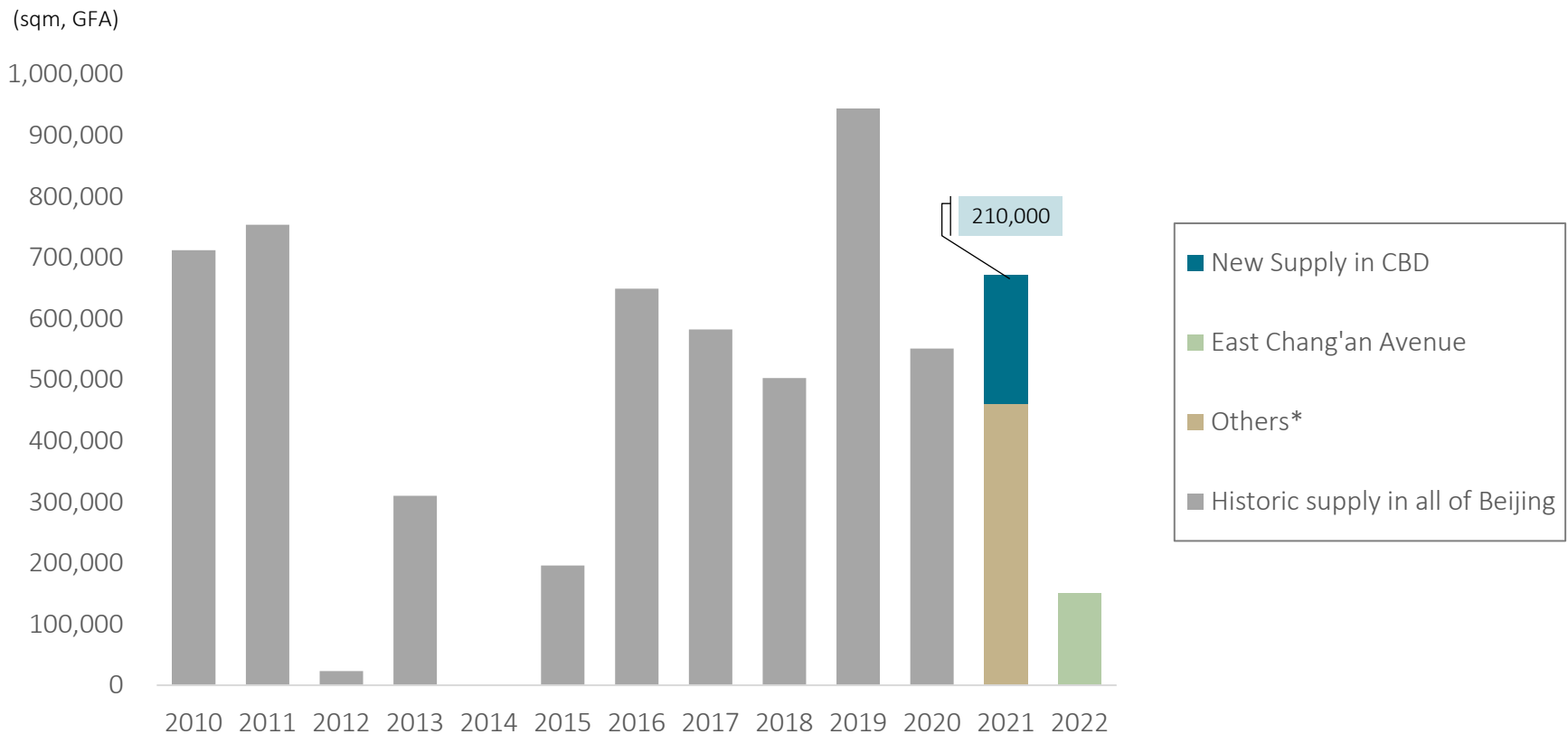


FUTURE GRADE-A OFFICE SUPPLY

Of the 821,400 sqm GFA of new supply in 2021 and 2022:

- 26% of the GFA will be located in the CBD area
- Of which, 79% of the GFA is held of self-use or pre-committed

Grade-A office supply by year



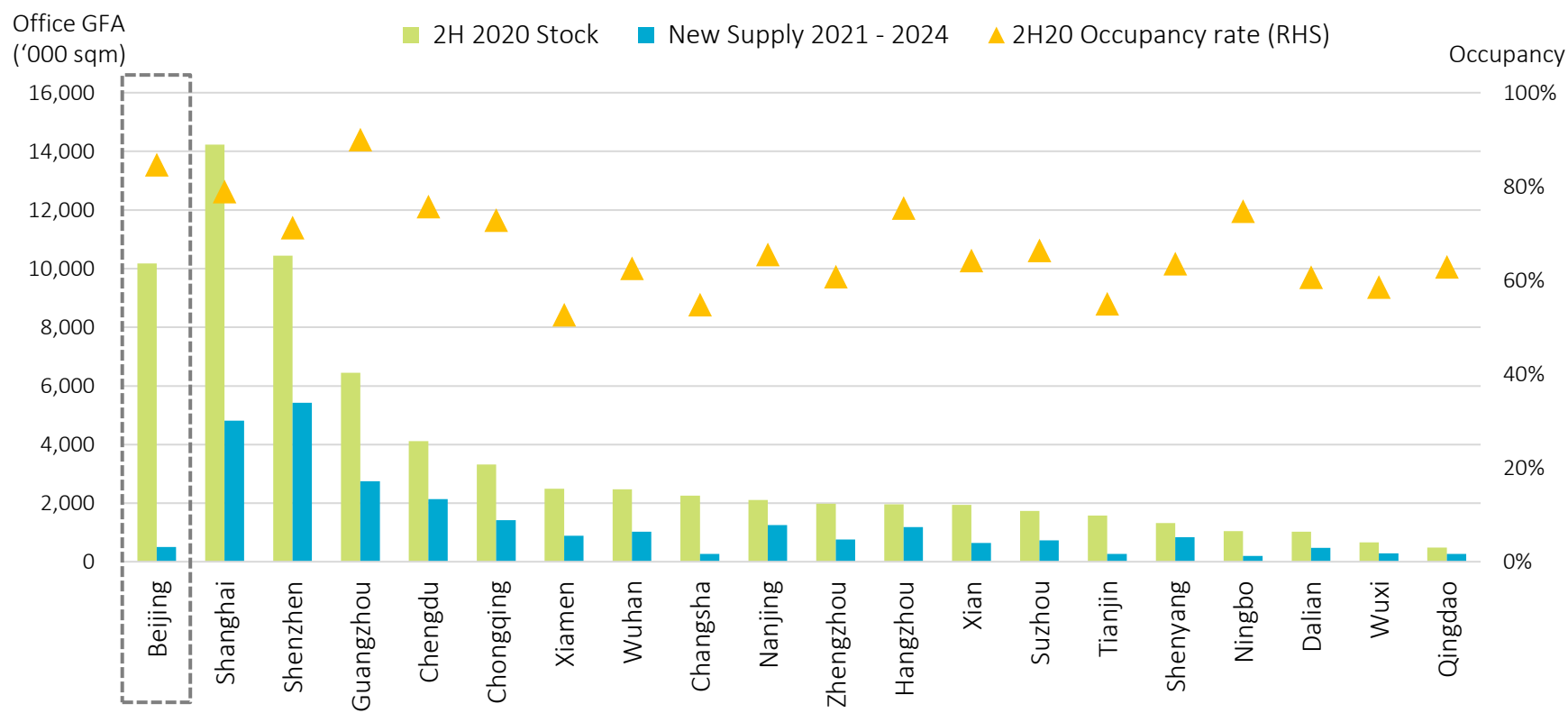
Note:

Others included Wangjing, Lize and Olympic Park

All of the above data are based on JLL Research in Dec 2020.

COMPARISON OF GRADE-A OFFICE MARKETS ACROSS CHINA

- Beijing and Guangzhou have highest office occupancy of above 85%.
- Low new supply in the next 4 years, only 1.3% p.a. of existing stock (vs avg. 10.4% p.a. of other selected cities)



Source: JLL Research, Dec 2020

CCP PROPERTY OPERATIONS SUMMARY

- Rental income at CCP Property declined by 1.9% YoY.
- Property operating expenses declined by 2.9% which was roughly in line with the decrease in revenue.
- Cost structure remained stable, with NPI margin at 72.6% (FY 2019: 72.5%)

	FY 2020	FY 2019	Change
(in RMB million)			
Revenues			
- Rental income	474.78	484.10	(1.9%)
- Car park income	4.86	3.67	32.4%
- Other income	14.00	17.76	(21.2%)
Total revenue	493.64	505.53	(2.4%)
Property Operating Expenses			
- Property management fee	(10.76)	(10.98)	(2.0%)
- Property tax	(59.87)	(58.58)	2.2%
- Withholding tax	(49.83)	(50.33)	(1.0%)
- Other taxes	(5.99)	(6.16)	(2.8%)
- Leasing commission	(1.90)	(5.45)	(65.1%)
- Others	(6.75)	(7.60)	(11.2%)
Total property expenses	(135.10)	(139.10)	(2.9%)
Net Property Income	358.54	366.43	(2.2%)

- Slight decline in both passing rents and occupancy rates amid pressure from both demand and supply sides.

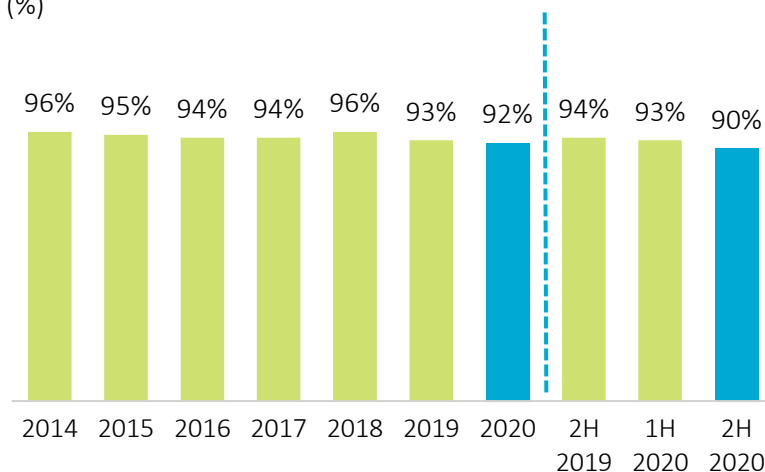
Average Passing Rents

(RMB per sqm per month)



Average Occupancy Rates

(%)



- Net passing rent remains relatively flat
- Positive rental reversion of 0.7% for FY 2020 (FY19: 2.1%)
- Retention rate 47.9% (FY19: 66.2%)

- Average occupancy rate receded to 92% for FY 2020.
- As at 31 December 2020, occupancy rate was recorded at 90%.

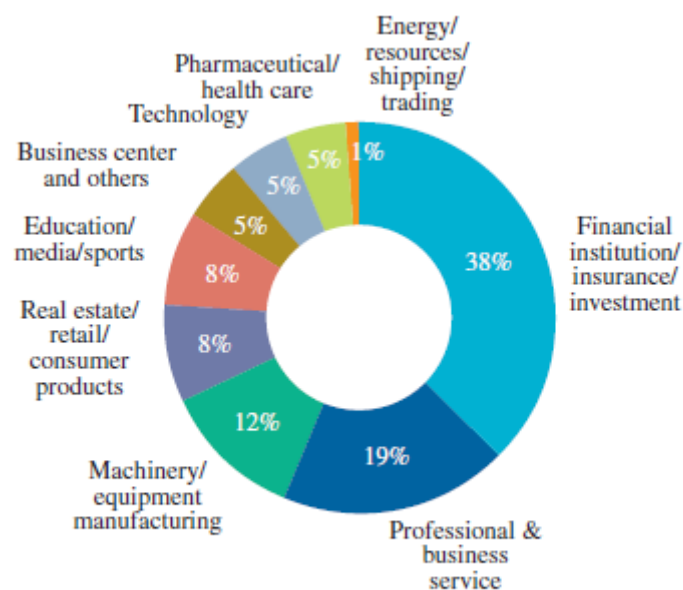
TENANT BASE

Diverse and high-quality tenant mix

Tenants by Industry

As % of leased office GFA

(As of 31 December 2020)



Top 5 Tenants

Tenants	% of total leased GFA	
Epson	6.2%	23.8%
Zhong De Securities	4.4%	
Deutsche Bank	4.4%	
Xinyuan	4.4%	
Condé Nast	4.4%	

Note: as of 31 December 2020

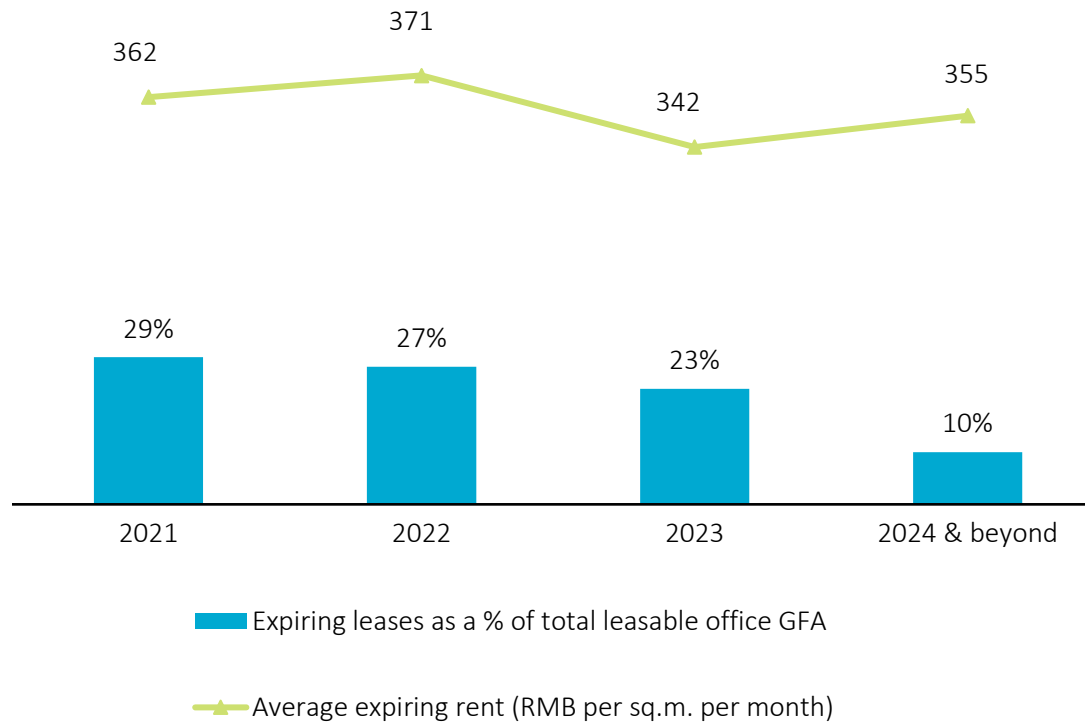
Other industry-leading tenants

- Global Law Office
- White & Case
- Baxter
- Chanel
- AECOM
- Bain & Company
- Richemont
- AIG

Note: as of 31 December 2020

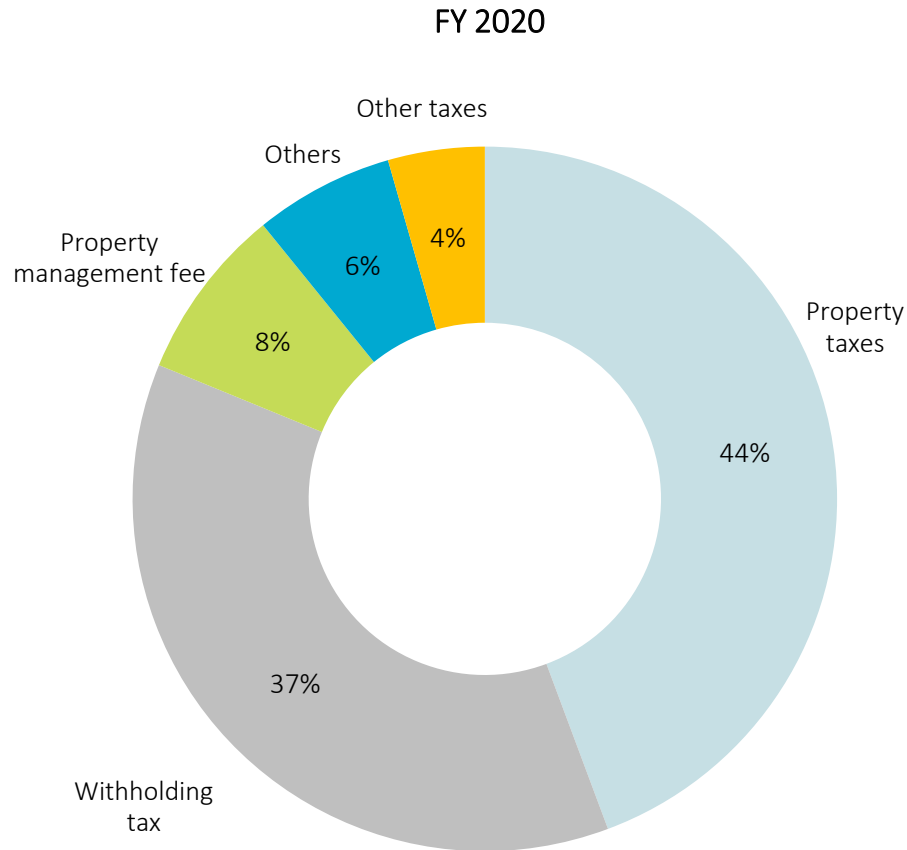
EXPIRING LEASE PROFILE

- Average lease expiry of existing leases (in GFA terms) as of 31 December 2020 was 610 days.
- Lease expiries in 2020 – about 18% and 12% in the first and second half of 2021, with an average expiring rental rate of RMB355 per sqm and RMB374 per sqm respectively



COST STRUCTURE OF CCP PROPERTY

Most property expenses are revenue-linked or fixed



■ Property taxes

- Includes real estate tax and land use tax
- Starting from 2H 2016, real estate tax calculated based on 12% of revenue for leased area, and 1.2% of the residual value of vacant area
- Land use tax based on the site area of the development

■ Withholding tax

- 10% of revenues received from rental operations

■ Other taxes

- Urban construction and maintenance tax and education surcharge
- Stamp duty of 0.1% on total rental income payable over the term of each lease

■ Property management fee

- 2% of the total revenue

- In 2020, the CCP Property was awarded LEED Platinum Certification under **the LEED for Existing Buildings: Operations and Maintenance category**, recognising our efforts to responsibly manage significant impacts of our buildings on the environment and natural resources.
- To better assess the performance of the Building Manager, tenant satisfaction surveys are conducted on a semi-annual basis to gather their feedback regarding the quality of our customer service. In the latest survey conducted in January 2021, the average tenant satisfaction rate exceeded **97%**, with a response rate of 90%.
- In direct response to the outbreak, we have been working with the building manager to put in place a comprehensive set of safety precautions at the CCP Property, which includes installation of thermal imagers at the office lobby, and delivering prompt and transparent information about COVID-19 to our tenants. We are pleased to say that there have been no case of COVID-19 reported in or associated with our CCP Property.
- Over the past few years, we have implemented various measures to contribute to the protection of our environment. At the CCP Property, we recorded a continuous decline in **greenhouse gas emission, electricity consumption and water consumption**.



Building Environmental Awareness – This event was designed to echo the government's call for responsible waste management. Through setting up designated booths and displaying environmental protection posters, we worked to enhance tenants' awareness about waste reduction and recycling



Acknowledgments were given in recognition of our quality services to cater for tenants' needs



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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

Portfolio Highlights

1. **The portfolio:** 84 separate commercial properties in the UK, with a total gross internal area of approx. 505,381 sq.ft.
2. **Purchase price:** £73,500,000, funded by debt (acquisition completed in July 2017)
3. **Initial gross rental yield:** 6.1% (unleveraged)
4. **Rental revisions:** Upward-only rental adjustment every five year
5. **Lease terms:** All but one leases expire in 2032; no break clause; the tenant has an option to extend for an additional 15 years
6. **Annual contract rental income:** approximately GBP 4.55 million
7. **NPI margin:** 98.3% pass through of its revenue
8. **Single tenant:** Kwik-Fit (GB) Limited



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- For our CCP Property, most of the major leases due to expire in the first half of 2021 have been secured for renewal. It will take time for the Beijing market to absorb the new office supply, which in the near term is expected to weigh on the rental levels and occupancy rates across the market. The Manager will remain vigilant over Spring REIT's leasing operation for the upcoming year.
- Much attention was paid to ensuring the CCP Property was consistently spotless clean and hygienic through measures such as installing body temperature detectors in the lobby area and providing transparent and timely updates to tenants in relation to COVID-19. Going forward, we will continue to have stringent measures in place in order to provide our tenants, colleagues and guests visiting the property the safest and most hygienic workplace possible.
- We also remain committed in the field of ESG through the establishment of a dedicated ESG taskforce, which will be responsible for monitoring ESG-related performances as well as setting certain preserved ESG targets to be applied to properties and management companies associated with Spring REIT.
- In 2021, we intend to extend our buyback mandate in order to retain the flexibility to repurchase our units as and when the opportunities arise.
- Closing the end of last year, the REIT Code has been amended to alleviate the investment restrictions previously imposed on the REITs. A higher borrowing limits as well as relaxed thresholds for a REIT's investment in minority-owned properties brings more opportunities for investment in the future.
- Our enhanced strategic relationship with Sino Ocean Group is paving the way for potential high-quality investment opportunities arising in the year ahead, and Spring REIT will be focused on ensuring any new acquisitions live up to the standard of quality and reliability of its existing assets.