Annual Results 2021

Presentation

22 March 2022

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AGENDA

OVERVIEW OF FY 2021

SpringREIT

Performance Review

- Amid the volatility, Spring REIT in 2021 managed to achieving a 10.8% growth in distributable income to RMB297.69 million and 10.0% growth in DPU to HK22.0 cents on the back of a payout ratio of 90%, representing two years of consecutive growth.
- Spring REIT's revenue for the year was RMB528.44 million, 0.9% lower than that in 2020. After taking into account property operating expenses, net property income amounted to RMB396.37 million, representing a 0.3% decrease YoY and a net property income margin of 75.0% (FY2020: 74.6%).
- The Manager recognised the importance of occupancy at the CCP property. As a result, we managed to achieve an encouraging occupancy of 98% at the end of 2021 (End-2020: 90%) on the back of an average retention rate of 81.3% for the year. Average passing rent declined marginally to RMB350 per sqm in 2H 2021, implying a negative rental reversion rate of 2.6% for the second half, and a full year reversion of negative 4.5% (FY2020: 0.7%). For the full year of 2021, the CCP Property's revenue and net property income had remained steady compared to 2020.
- With 74% of our interest rate exposure hedged and lower US$ and GBP LIBOR rates amplified by the appreciation of the RMB, we enjoyed a substantial drop in cash interest expenses, which was contained to RMB62.18 million for the year represented a decrease of 35.1% YoY. Interest saving was the main driver for DPU growth in 2021.
- The CCP Property was appraised at RMB8,638.00 million as at 31 Dec 2021, representing a 1.0% increase compared to its valuation as at 31 December 2020 while the UK Portfolio was appraised at GBP77.80 million (equivalent to RMB669.10 million) as at 31 Dec 2021, representing a 6.7% increase in GBP terms compared to its valuation as at 31 December 2020. As such, gearing ratio further improved to 30.0% as at 31 December 2021 (31 Dec 2020: 31.1%).
- Spring REIT has continued to develop and expand its Environmental, Social and Governance ("ESG") practices and policies in the year. Last year we were off to a good start with CCP Property's 'Platinum' level LEED accreditation, and as planned, in 2021 Spring REIT began to establish a series of workable ESG targets to be applied across its operations, including to properties and management companies.

AGENDA

SpringREIT

FY 2021 Results Summary

- Revenue for the year was RMB528.44 million, 0.9% lower than that in 2020. After taking into account property operating expenses, net property income amounted to RMB396.37 million, representing a 0.3% decrease YoY and a net property income margin of 75.0% (FY2020: 74.6%).
- With 74% of interest rate exposure hedged and lower US$ and GBP LIBOR rates amplified by the appreciation of the RMB, cash interest expenses, which was contained at to RMB62.18 million, represented a decrease of 35.1% YoY. Interest saving was the main driver for growth in 2021.
- The CCP Property was appraised at RMB8,638.00 million as at 31 Dec 2021, representing a 1.0% increase while the UK Portfolio was appraised at GBP77.83 million (equivalent to RMB669.10 million) as at 31 Dec 2021, representing a 6.7% increase YoY in GBP terms. As such, gearing ratio further improved to 30.0% as at 31 December 2021 (31 Dec 2020: 31.1%).

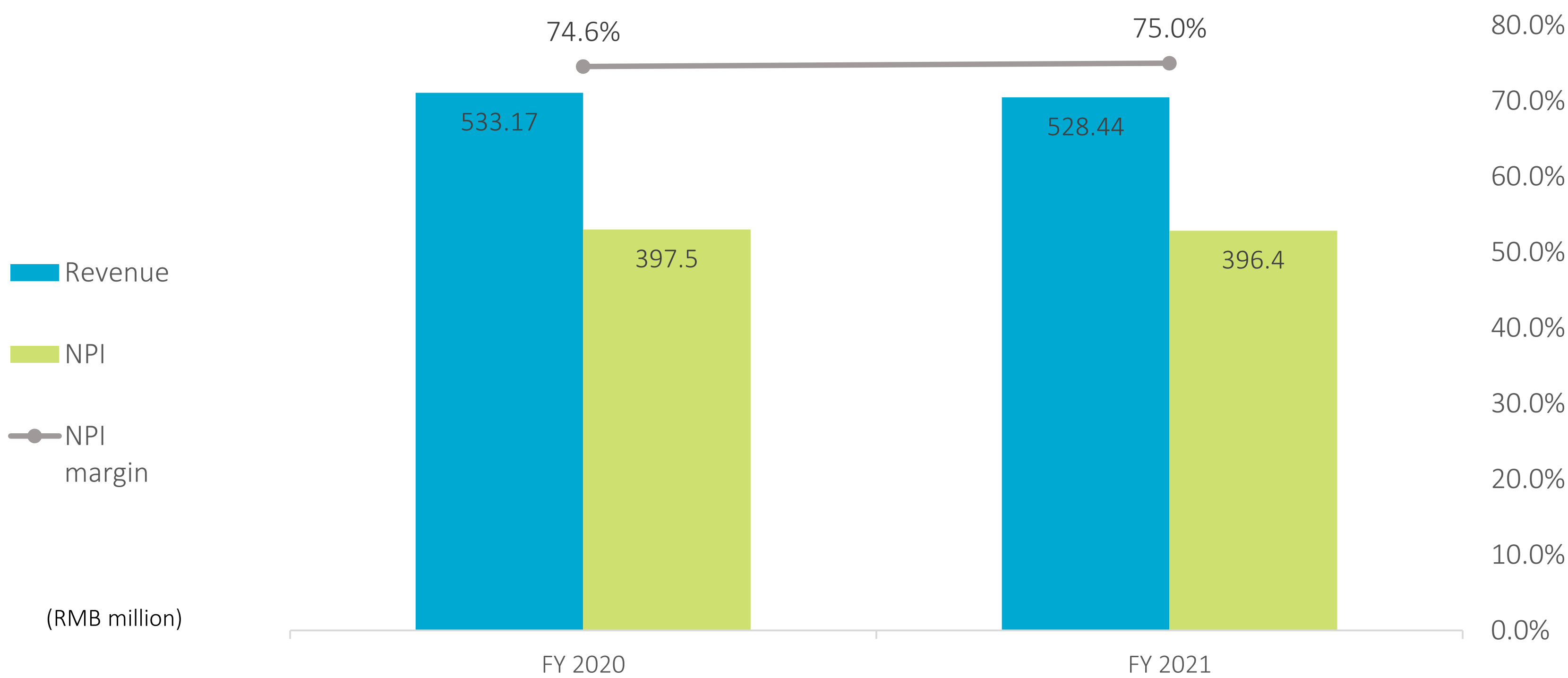
Operating Results (in RMB' million)	FY 2021	FY 2020	YoY Chg
Revenue	528.44	533.17	*(0.9%)*
Property operating expenses	(132.07)	(135.69)	*(2.7%)*
Net property income	396.37	397.48	*(0.3%)*
Net property income margin	75.0%	74.6%	*+0.4 ppt*
G&A expenses	(65.27)	(72.07)	*(9.4%)*
Cash interest expense	(62.18)	(95.78)	*(35.1%)*
Total distributable income	297.69	268.72	*10.8%*
Payout Ratio	90%	95%	*-5.0 ppts*
DPU (HK cents)	22.0	20.0	*10.0%*

Financial Positions (in RMB' million)		FY 2021	FY 2020	**YoY Chg**
Portfolio valuation	CCP Property	8,638.00	8,553.00	*1.0%*
	UK Portfolio	669.10	649.90	*3.0%*
	Total	9,307.10	9,202.90	*1.1%*
Total borrowings		2,960.83	3,024.23	*(2.1%)*
Net asset value		6,671.65	6,432.90	*3.7%*
Gearing ratio		30.0%	31.1%	*-1.1 ppts*

OPERATING PERFORMANCE

SpringREIT

- **Spring REIT**: Overall stable operation despite weakness in the macro environment. Revenue and NPI declined by 0.9% YoY and 0.3% YoY respectively, while NPI margin slightly improved by 0.4 ppt.
- **CCP Property**: A recovery of occupancy to 98% at end-2021 (End-2020: 90%) helped offset a slightly lower passing rent. As leasing market in Beijing somewhat recovered, less early termination income was recognized during the year. As the main driver of our profit, CCP Property's revenue declined by 0.9% YoY, NPI dropped by 0.3% YoY.
- **UK Portfolio**: All properties are under long-term leases with UK's #1 car servicing chain (Kwik Fit). Car servicing is considered an essential service by UK government and garages remained open during COVID. Rental contribution from UK Portfolio remained rock solid, contributing 8% and 10% of the total revenue and NPI respectively.



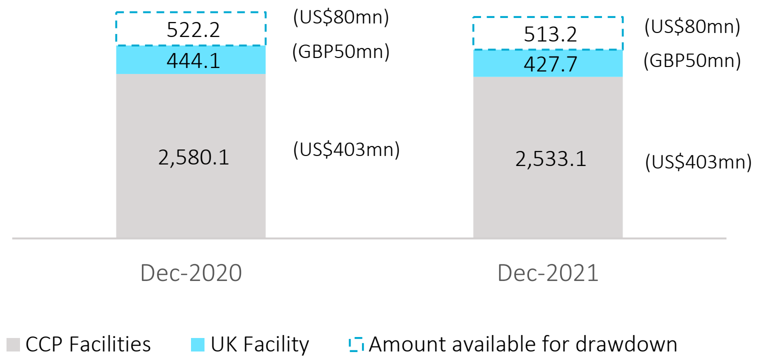
CAPITAL MANAGEMENT

SpringREIT

Gearing at 30.0%; Strong balance sheet with debt headroom for growth

Debt Profile (Notional Amounts)

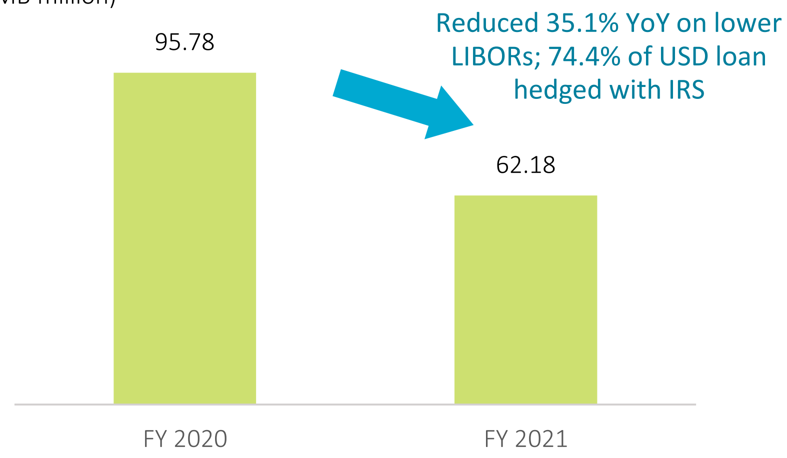
(RMB million)



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

Cash Interest Expenses

(RMB million)



Spring REIT's debt facilities:

- US$483mn under CCP Facilities (5-year term, till Dec 2024) :
  (i) Drawndown amount of US$403mn
  (ii) Undrawn amount of US$80 mil
- GBP50 mil under UK Facility (4-year term, till Jan 2022) [2]
- Gearing ratio at 30.0% (Dec 20: 31.1%)

Interest rate exposure well managed:

- Float-to-fixed IRS was in place, covering 74.4% of our US$ denominated loan with an average swap rate of 0.52%.
- Cash interest expense continued to decline in 2021 due to lower USD and GBP LIBOR rate which lowered finance costs for unhedged portion of bank loans. This was amplified by a stronger RMB against USD and GBP.

Note 2:
In January 2022, the expiring GBP 50 mil loan was refinanced. The new GBP loan has an outstanding amount of GBP 50.5 mil and will expire in January 2025. The new GBP loan carries an annual interest rate of Sterling Overnight Interbank Average (SONIA) plus credit adjustment of 0.1193% plus 2.20%.

AGENDA

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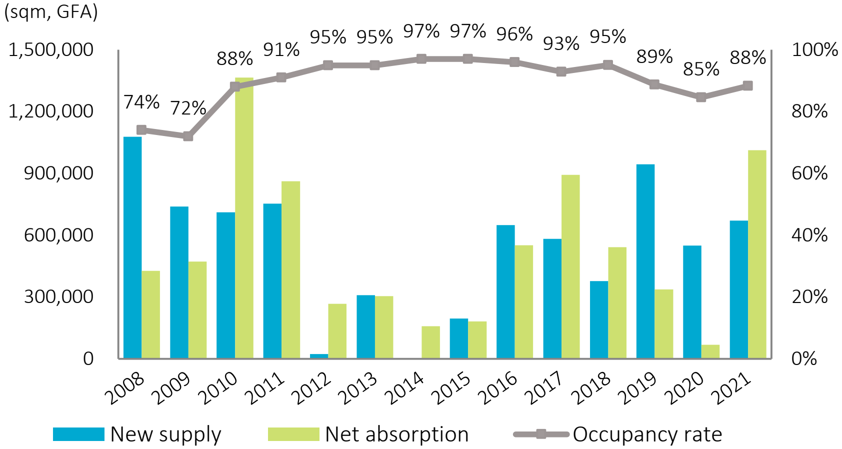
LEASING MARKET CONDITION

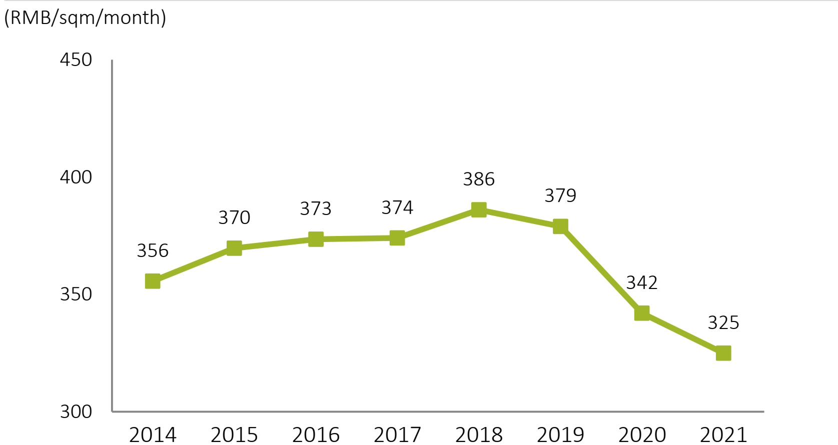
SpringREIT

Beijing Overall

Beijing Overall – Supply, Absorption, Occupancy

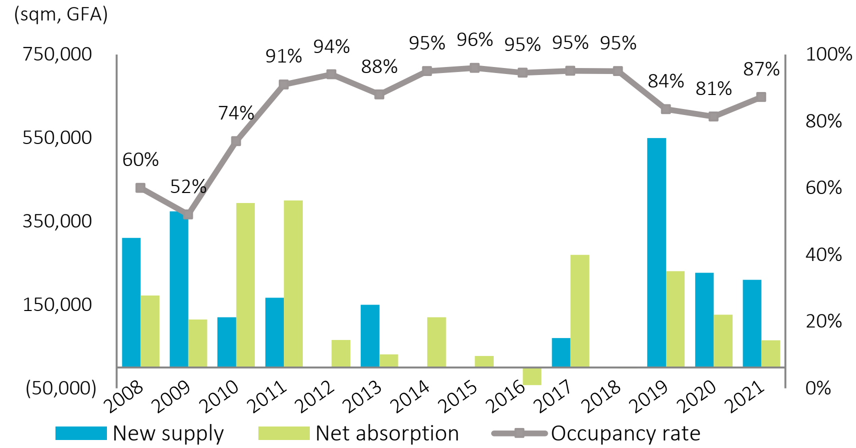


Beijing Overall – Effective Rental Rate

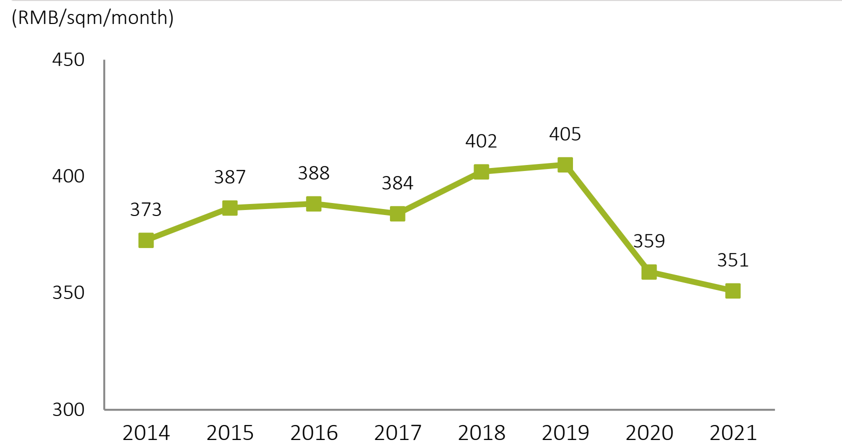


Beijing CBD

Beijing CBD – Supply, Absorption, Occupancy



Beijing CBD – Effective Rental Rate



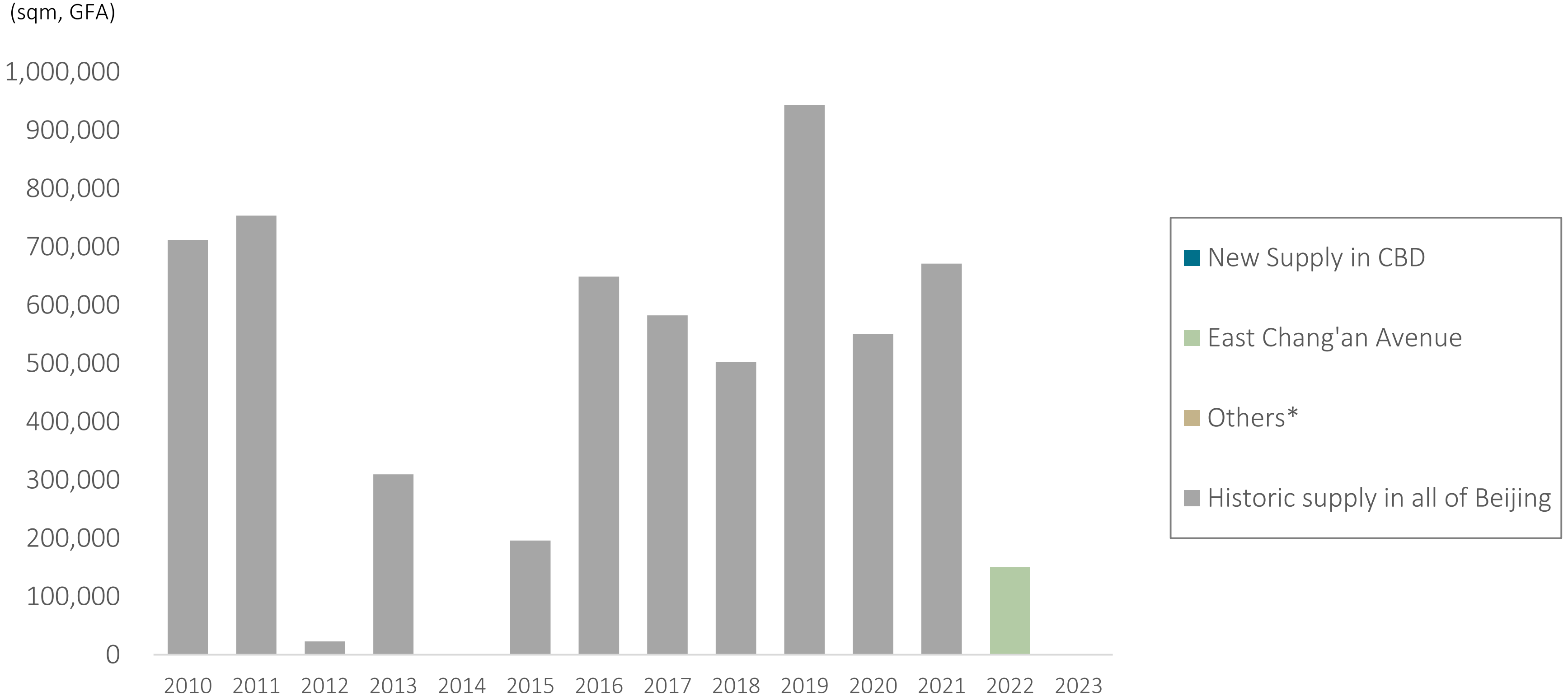
Source: JLL Research, Dec 2021

FUTURE GRADE-A OFFICE SUPPLY

SpringREIT

Of the 150,000 sqm GFA of new supply in 2022 and 2023, none will be located in the CBD area

Grade-A office supply by year

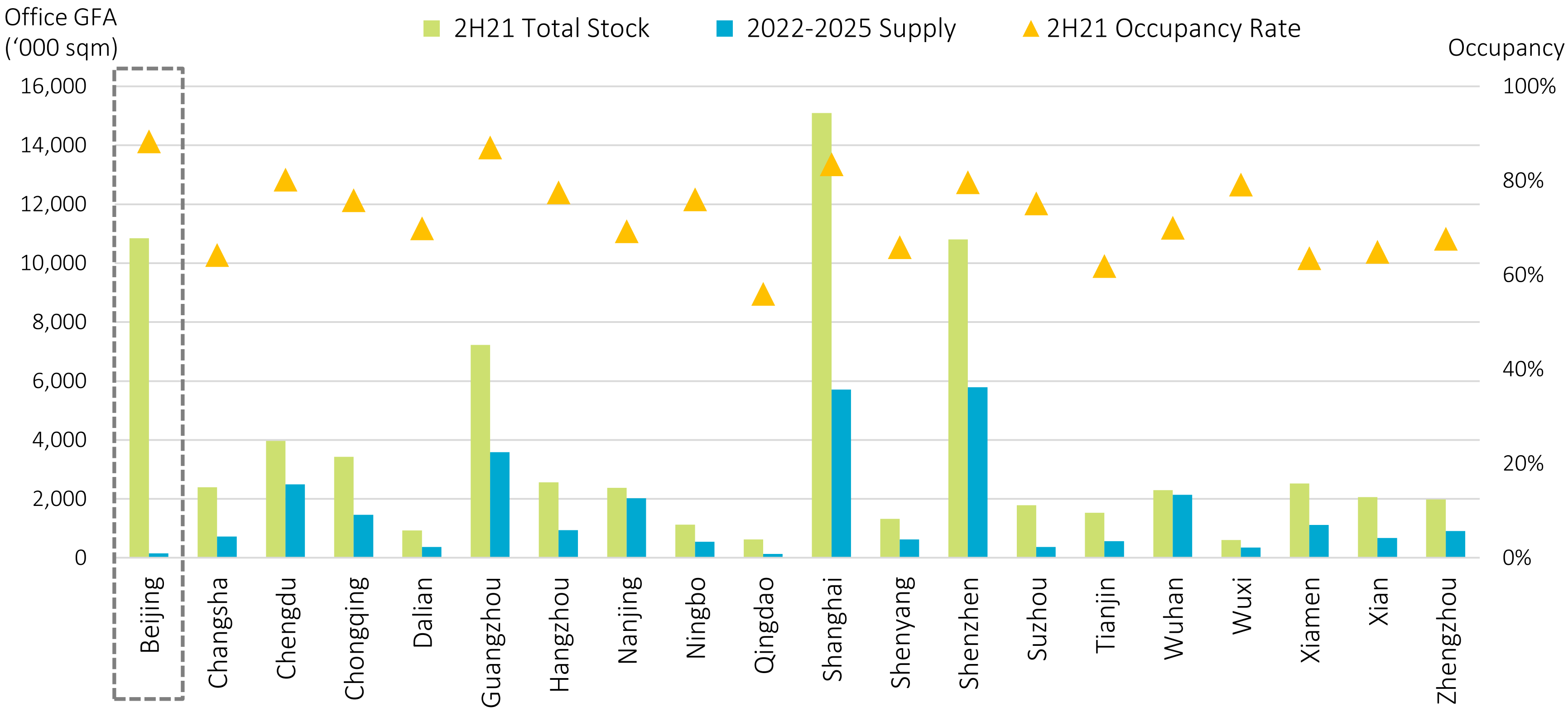


Note:
Others included Wangjing, Lize and Olympic Park
All of the above data are based on JLL Research in Dec 2021.

COMPARISON OF GRADE-A OFFICE MARKETS ACROSS CHINA

SpringREIT

- Guangzhou and Beijing have highest office occupancy of above 85%.
- Low new supply in the next 4 years, only 0.4 % p.a. of existing stock (vs avg. 13.5% p.a. of other selected cities)



Source: JLL Research, Dec 2021

CCP Property: Operations Summary

SpringREIT

- Rental income at CCP Property remained stable. Total revenue was down by 0.9% YoY due to a lower early termination income as leasing market somewhat recovered in Beijing.
- Property operating expenses declined by 2.7% as other expense such as reinstatement costs decreases along with other revenue-linked expenses. Leasing commission increased as more new tenants were brought in, contributing to occupancy back up to 98% at end-2021.
- Cost structure remained stable, with NPI margin at 73.1% (FY 2020: 72.6%)

(in RMB million)	FY 2021	FY 2020	YoY Chg
Revenues			
- Rental income	478.80	479.28	*(0.1%)*
- Car park income	4.87	4.86	*0.2%*
- Other income	5.33	9.50	*(43.9%)*
Total revenue	489.00	493.64	*(0.9%)*
Property Operating Expenses			
- Property management fee	(10.34)	(10.76)	*(3.9%)*
- Property tax	(57.09)	(59.87)	*(4.6%)*
- Withholding tax	(47.88)	(49.83)	*(3.9%)*
- Other taxes	(4.03)	(5.99)	*(32.7%)*
- Leasing commission	(10.63)	(1.90)	*459.5%*
- Others	(1.46)	(6.75)	*(78.4%)*
Total property expenses	(131.43)	(135.10)	*(2.7%)*
Net Property Income	357.57	358.54	*(0.3%)*

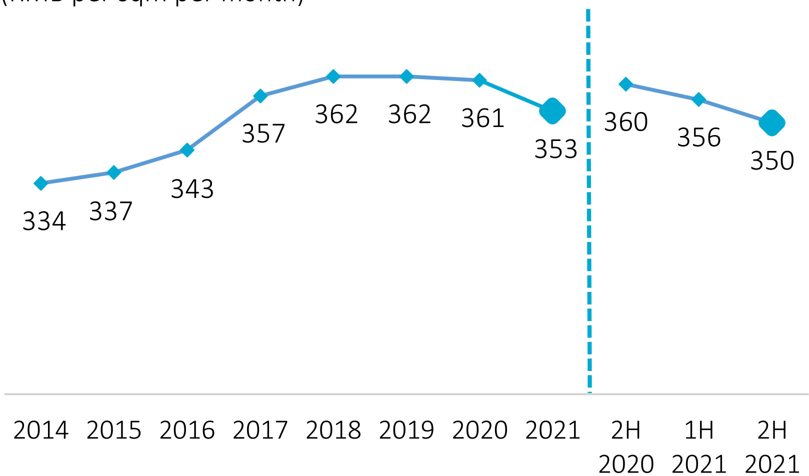
CCP PROPERTY: LEASING PERFORMANCE

SpringREIT

- Average passing rent softened by 1.7% HoH and 2.2% YoY, as Beijing landlords concede on pricing to fill up vacant spaces.
- During 2H 2021, average occupancy rate recovered significantly from 90% to 96% on the back improved leasing demand. Full year 2021 average occupancy improved to 93% (FY2020: 92%).

Average Passing Rents

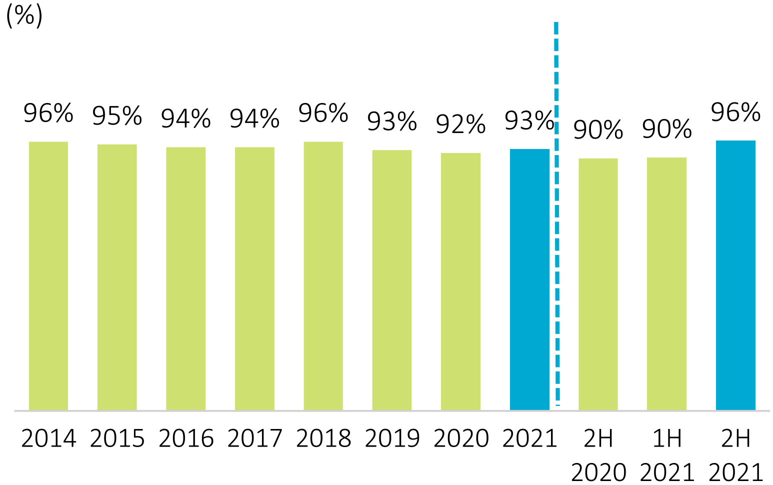
(RMB per sqm per month)



- Passing rent continued to trend downward with the market despite early signs of bottoming in wider market occupancy
- Negative rental reversion of 2.6% for 2H 2021 (1H: 5.5%)
- Retention rate 81.3% (FY20: 47.9%)

Average Occupancy Rates

(%)



- Average occupancy rate strengthened to 93% for FY21 (FY20: 92%).
- As at 31 December 2021, occupancy rate recovered to 98% (End-2020: 90%).

CCP PROPERTY: TENANT BASE

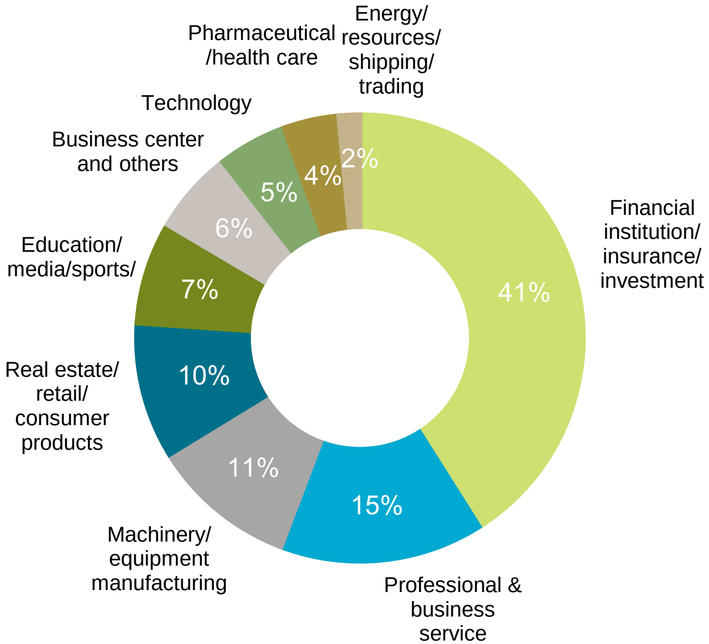
SpringREIT

Diverse and high-quality tenant mix

Tenants by Industry

As % of leased office GFA

(As of 31 Dec 2021)



Top 5 Tenants

Tenants	% of total leased GFA
Epson	5.6%
Conde Nast	4.3%
Zhong De Securities	4.1%
Deutsche Bank	4.1%
Xinyuan	4.0%

22.1%

Note: as of 31 December 2021

Other industry-leading tenants

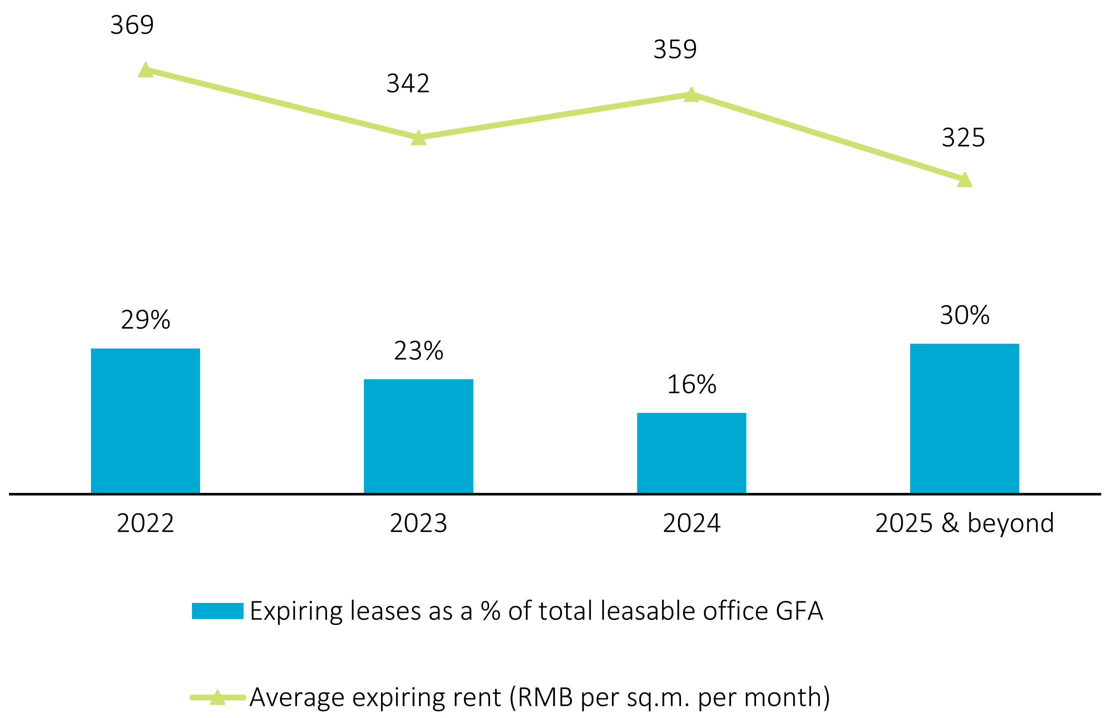
- White & Case
- Baxter
- Global Law
- SMBC Nikko Securities
- NBA
- AECOM
- Bain & Company
- Richemont
- AIG

Note: as of 31 December 2021

CCP Property: Expiring Lease Profile

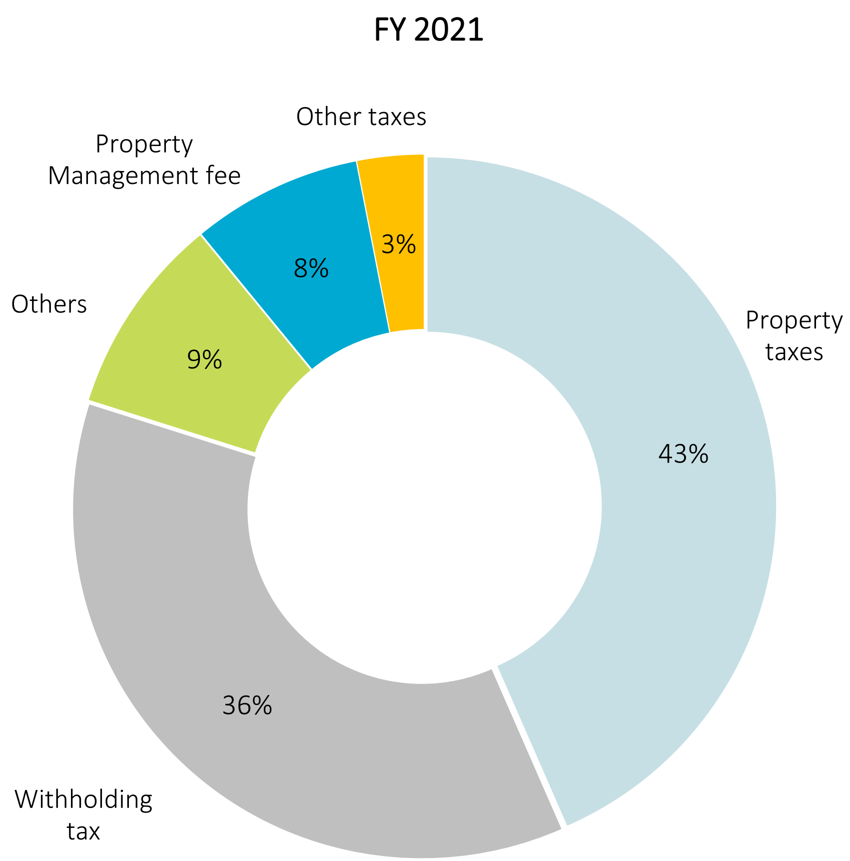
SpringREIT

- Average lease expiry of existing leases (in GFA terms) as of 31 December 2021 was 813 days.
- Lease expiries in 2022 – about 17% and 12% in the first and second half of 2022, with an average expiring rental rate of RMB372 per sqm and RMB365 per sqm.
- Most of the major leases that were due to expire in the first half of 2022 have been secured for renewal.



CCP PROPERTY: COST STRUCTURE

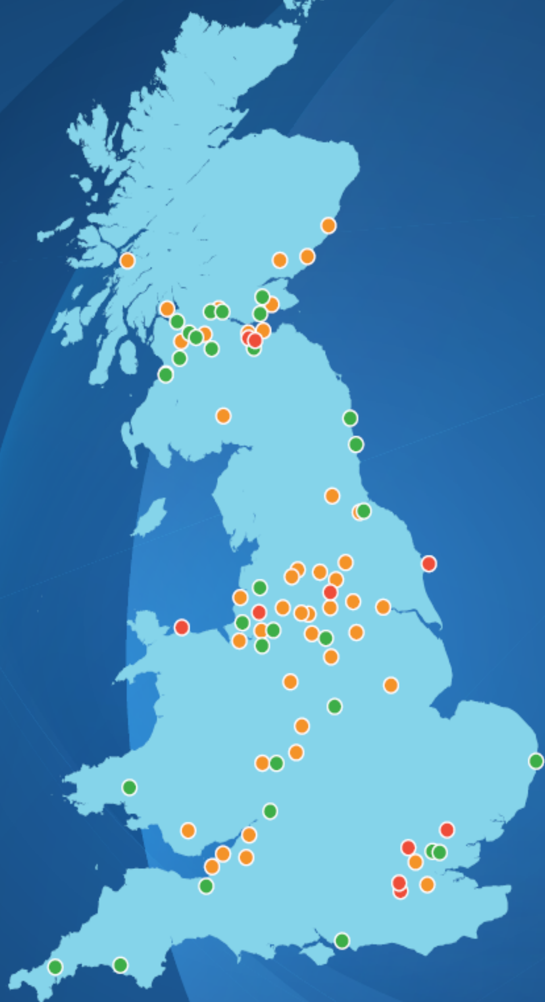
Most property expenses are revenue-linked or fixed. Stable NPI margin.



- Property taxes
  - Includes real estate tax and land use tax
  - 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, which were no longer eligible starting from Sep 2021
  - Stamp duty of 0.1% on total rental income payable over the term of each lease
- Property management fee
  - 2% of the total revenue

Agenda

Location of the properties



KEY:
LARGE RENT
MEDIUM RENT
SMALL RENT

KwikFit SpringREIT

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	Radcliffe	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 Laurieknowe 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

- 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.
- Car servicing is considered an essential service by UK government and garages remained open during COVID.
- Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately GBP4.55 million.
- Spring REIT enjoys substantial pass through of rental income as the leases are "full repairing and insuring" in nature. This means that the tenant agrees to pay 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.).
- In June 2021, Spring REIT completed the disposal of a small parcel of unused land adjacent to one of the Kwik Fit sites, resulting in a gain on disposal amounting to RMB149,000.

AGENDA

SpringREIT

1 OVERVIEW OF FY 2021

2 FY 2021 RESULTS SUMMARY

3 CCP PROPERTY OPERATION REVIEW

4 UK PORTFOLIO OPERATION REVIEW

5 OUTLOOK & STRATEGIC PRIORITIES

Outlook & Strategic Priorities

SpringREIT

- With a slow global economic recovery, and time to adapt to Chinese policies promoting balanced and healthy growth in strategic sectors, we expect to see continuing volatility in the Chinese economy.
- Nonetheless, market sentiment in Beijing has stabilized as new office supply in the CBD has almost come to an end and the CBD area has limited land supply for future office development. Meanwhile, stiff market competition to fill up existing vacancies is expected to temporarily weigh on rental levels in the short term. However, the Manager remains cautiously optimistic that the dynamics of the Beijing office market will gradually improve.
- Most of the major leases at Spring REIT’s Beijing Property that were due to expire in the first half of 2022 have been secured for renewal. In the longer term, the Manager will look to further enhance the quality of its tenant base, while integrating a greater focus on sustainable development into its leasing and operation strategy.
- In terms of capital management, the manager is expecting a rise in global interest rates to combat heightened inflation. Thanks to our earlier initiative to implement float-to-fixed interest rate hedges covering about 75% of the USD loan amounts, we have substantially mitigated the REIT’s interest rate exposure going forward. The other area that the Manager has been focusing on is to manage the risks and cost implications around the global transition of interbank offered rates (IBORs) to their risk-free rate (RFR) counterparts. The Manager has been exploring various options to ensure a smooth transition, including the potential of switching Spring REIT’s USD debt exposure to HKD.
- In 2022, we intend to extend our buyback mandate in order to retain the flexibility to repurchase our units as and when the opportunities arise.
- Our enhanced strategic relationships with Sino-Ocean Group Holding Limited and Huamao Property Holdings Ltd. remain crucial for us identifying high-quality investment opportunities in the years ahead, and we will ensure that any new acquisitions live up to the standards of quality and reliability of our existing assets.