

Interim Results 2021

Presentation

24 August 2021

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Performance Review

- The extreme external events of 2020 and 2021 severely impacted the business environment in which Spring REIT operates. We are therefore pleased to report that Spring REIT still managed to deliver 17.5% growth YoY in distributable income and 13.7% YoY growth in DPU, amounting to RMB147.07 million and HK10.8 cents respectively.
- Total revenue at the CCP Property declined 1.5% HoH and 6.3% YoY to RMB237.09 million while net property income was RMB175.54 million, representing an increase of 0.4% HoH and a decrease of 4.4% YoY. Because both renewals and new leases executed from 2H 2020 took place at a time when rental levels were softening in the overall market, passing rent for the reporting period declined marginally by 1.1% HoH and 1.9% YoY, driven by a negative rental reversion rate of 5.5%. However, the impact of lower passing rent on rental income was to an extent mitigated by an improvement in the occupancy rate, which had recovered to 93.6% by the end of June 2021 from 90.2% on 31 December 2020.
- In addition to the resilience of our property portfolio, our performance was well supported by our prudent balance sheet and risk management strategies. With 74% of our interest rate exposure hedged, we enjoyed a substantial drop in our cash interest expenses of 24.2% HoH and 42.8% YoY respectively. Favourable movement in exchange rate also contributed to the increase in our distributable income.
- The CCP Property was appraised at RMB8,566.00 million as at 30 June 2021, representing a 0.15% increase compared to its valuation as at 31 December 2020 while the UK Portfolio was appraised at GBP74.40 million (equivalent to RMB664.51 million) as at 30 June 2021, representing a 2.1% increase in GBP terms compared to its valuation as at 31 December 2020. As such, gearing ratio remained healthy at 30.8%.
- Since the unit repurchase mandate was approved first in May 2020 and subsequently in May 2021, 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.



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1H 2021 RESULTS SUMMARY

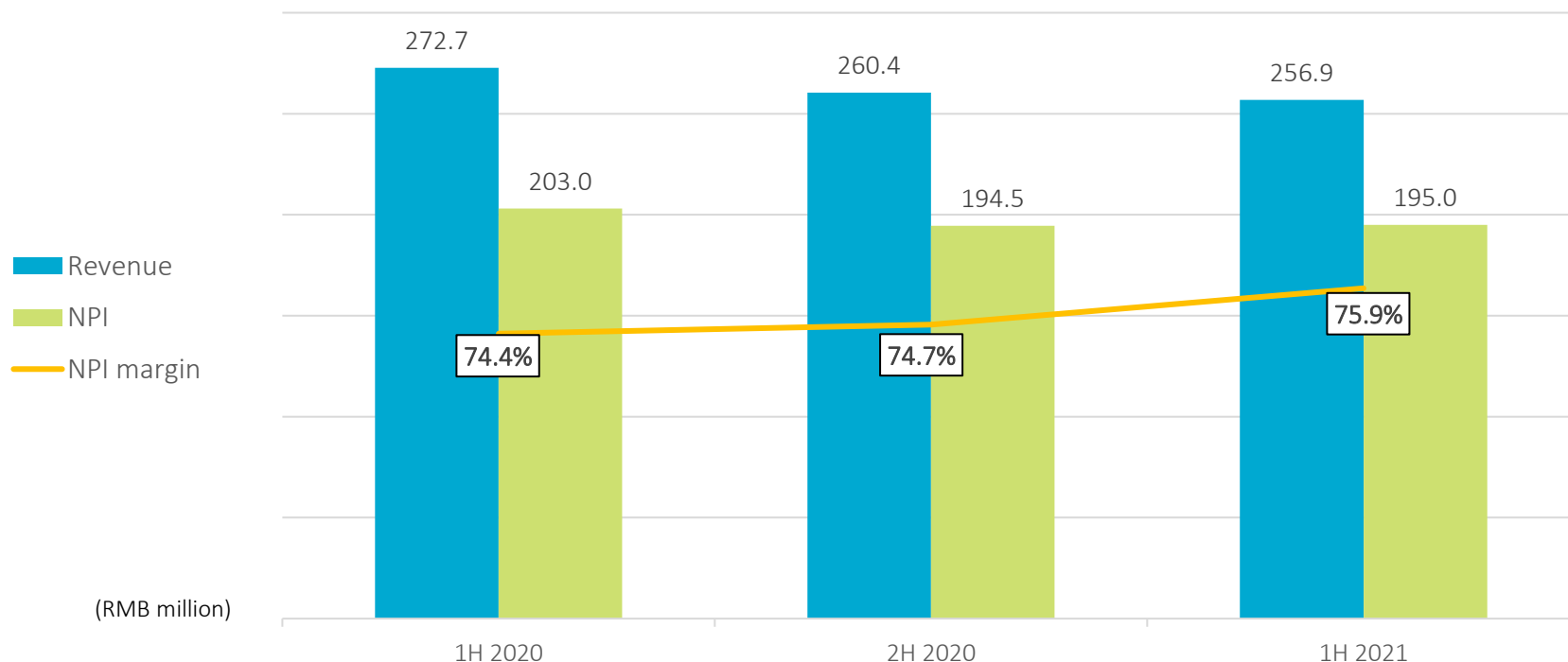
Operating Results (in RMB' million)	1H 2021	HoH Chg	2H 2020	HoH Chg	1H 2020
Revenue	256.93	(1.3%)	260.44	(4.5%)	272.73
Property operating expenses	(61.90)	(6.2%)	(65.97)	(5.4%)	(69.72)
Net property income	195.02	0.3%	194.47	(4.2%)	203.01
Net property income margin	75.9%	+ 1.2 ppts	74.7%	+0.2 ppt	74.4%
G&A expenses	(31.52)	(16.3%)	(37.67)	9.5%	(34.40)
Cash interest expense	(31.22)	(24.2%)	(41.18)	(24.6%)	(54.60)
Total distributable income	147.07	2.5%	143.53	14.6%	125.19
Payout Ratio	90%	- 5.0 ppts	95% ¹	-5.0 ppts	100%
DPU (HK cents)	10.8	2.9%	10.5	10.5%	9.5

Financial Positions (in RMB' million)		30-6-2021	HoH Chg	31-12-2020	HoH Chg	30-6-2020
Portfolio valuation	CCP Property	8,566.00	0.2%	8,553.00	(3.5%)	8,862.00
	UK Portfolio	664.51	2.2%	649.90	1.8%	638.72
	Total	9,230.51	0.3%	9,202.90	(3.1%)	9,500.72
Total borrowings		3,006.47	(0.6%)	3,024.23	(6.0%)	3,218.11
Net asset value		6,515.41	1.3%	6,432.90	(1.9%)	6,555.59
Gearing ratio		30.8%	- 0.3 ppt	31.1%	-1.0 ppt	32.1%

1. Represents the full year payout ratio of 95%.

OPERATING PERFORMANCE

- **Spring REIT:** Overall stable operation despite weakness in the macro environment. Revenue declined by 1.3% HoH while NPI improved 0.3% HoH as NPI margin improved.
- **CCP Property:** As the main driver of our profit, CCP Property's revenue declined by 1.5% HoH while NPI improved by 0.4% HoH respectively, as the overall office leasing market stabilized with signs of bottoming.
- **UK Portfolio:** Operations remained rock solid and financial contributions are hardly affected by the COVID situation in the UK. It continued to deliver satisfactory contribution, accounting for 8% and 10% of the total revenue and NPI respectively.

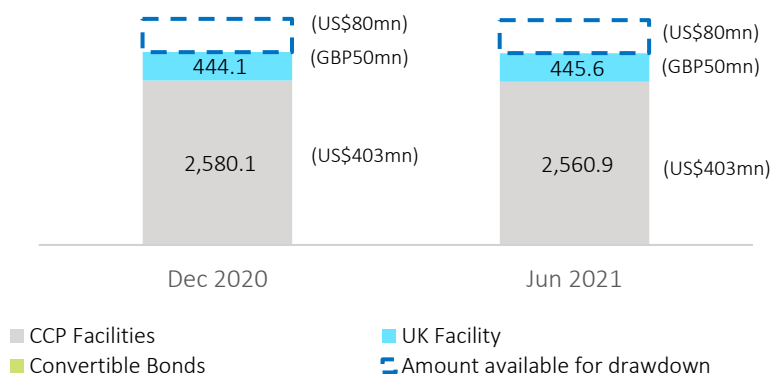


CAPITAL MANAGEMENT

Gearing at 30.8%; Strong balance sheet with debt headroom for growth

Debt Profile (Notional Amounts)

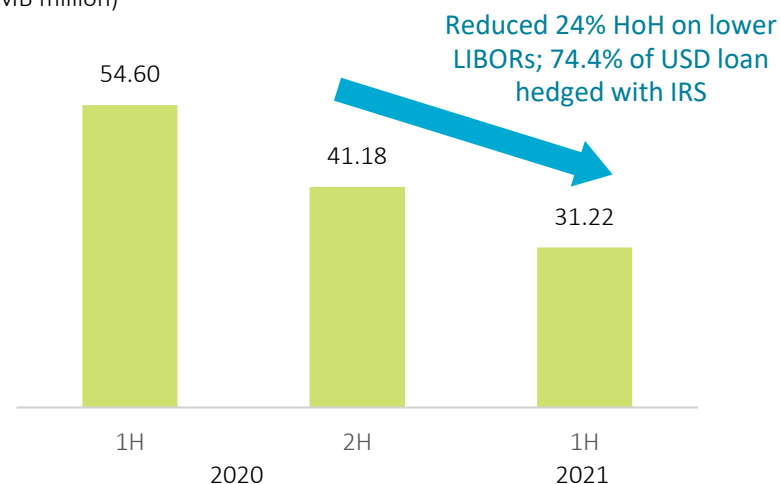
(RMB million)



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

Cash Interest Expenses

(RMB million)

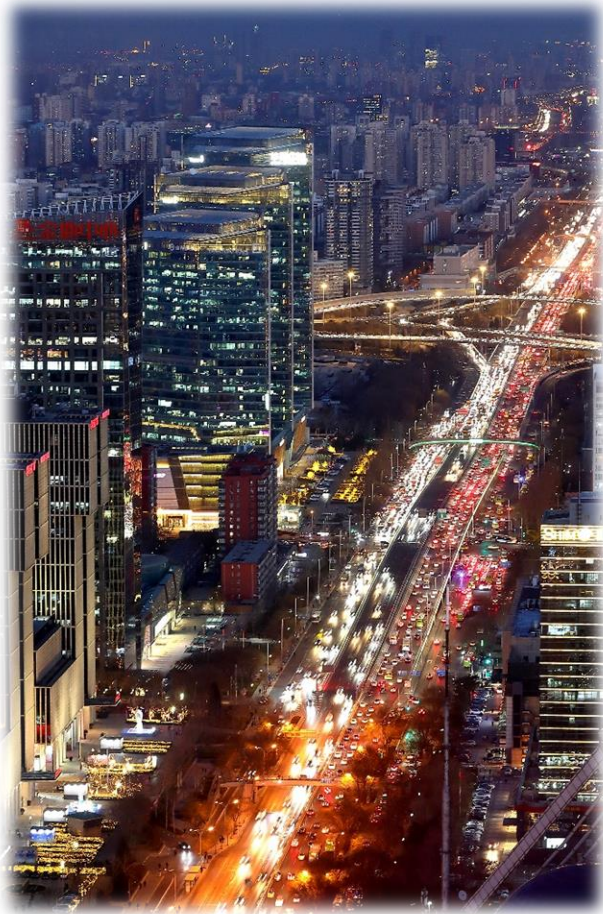


Spring REIT's debt facilities:

- US\$483mn under CCP Facilities (5-year term, till Dec 2024) :
 - (i) 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 30.8% (Dec 20: 31.1%)

Interest rate exposure well managed:

- Cash interest expense continued to decline in 1H 2021 due to lower USD and GBP LIBOR rate, which was amplified by a stronger RMB against USD.
- Float-to-fixed IRS was in place, covering 74.4% of our US\$ denominated loan with an average swap rate of 0.52%.

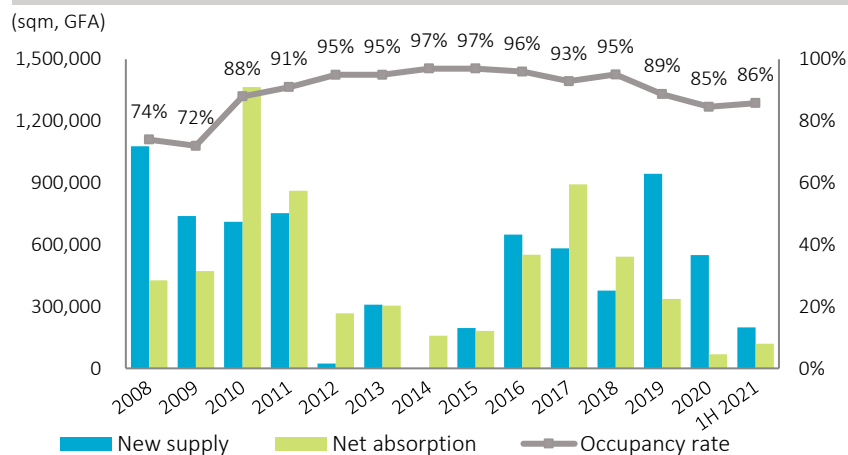


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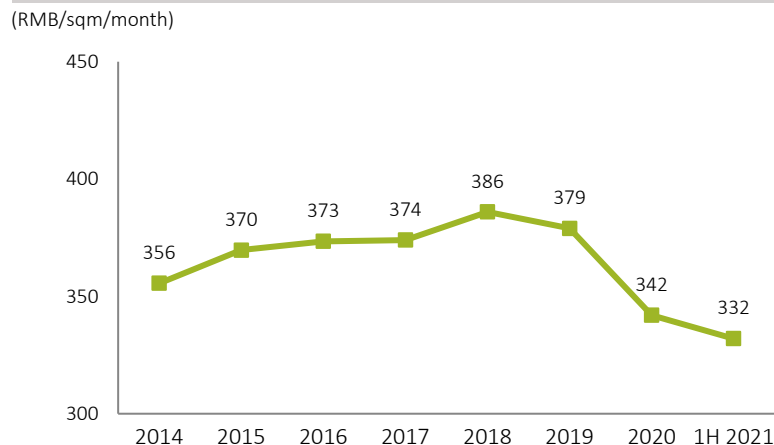
LEASING MARKET CONDITION

Beijing Overall

Beijing Overall – Supply, Absorption, Occupancy

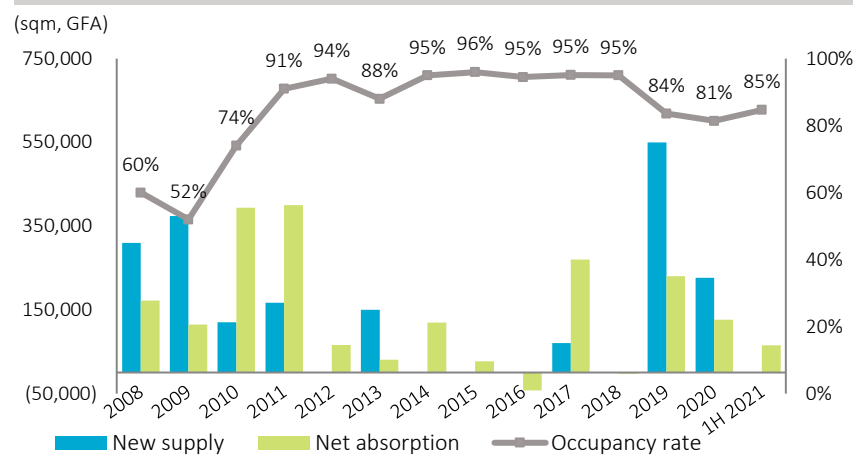


Beijing Overall – Effective Rental Rate

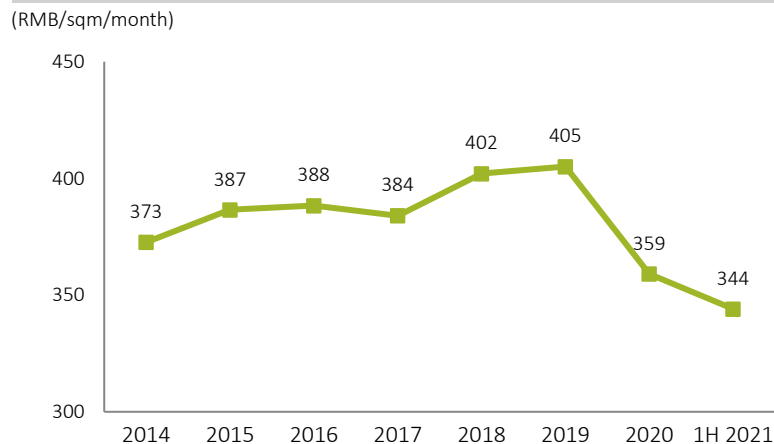


Beijing CBD

Beijing CBD – Supply, Absorption, Occupancy



Beijing CBD – Effective Rental Rate

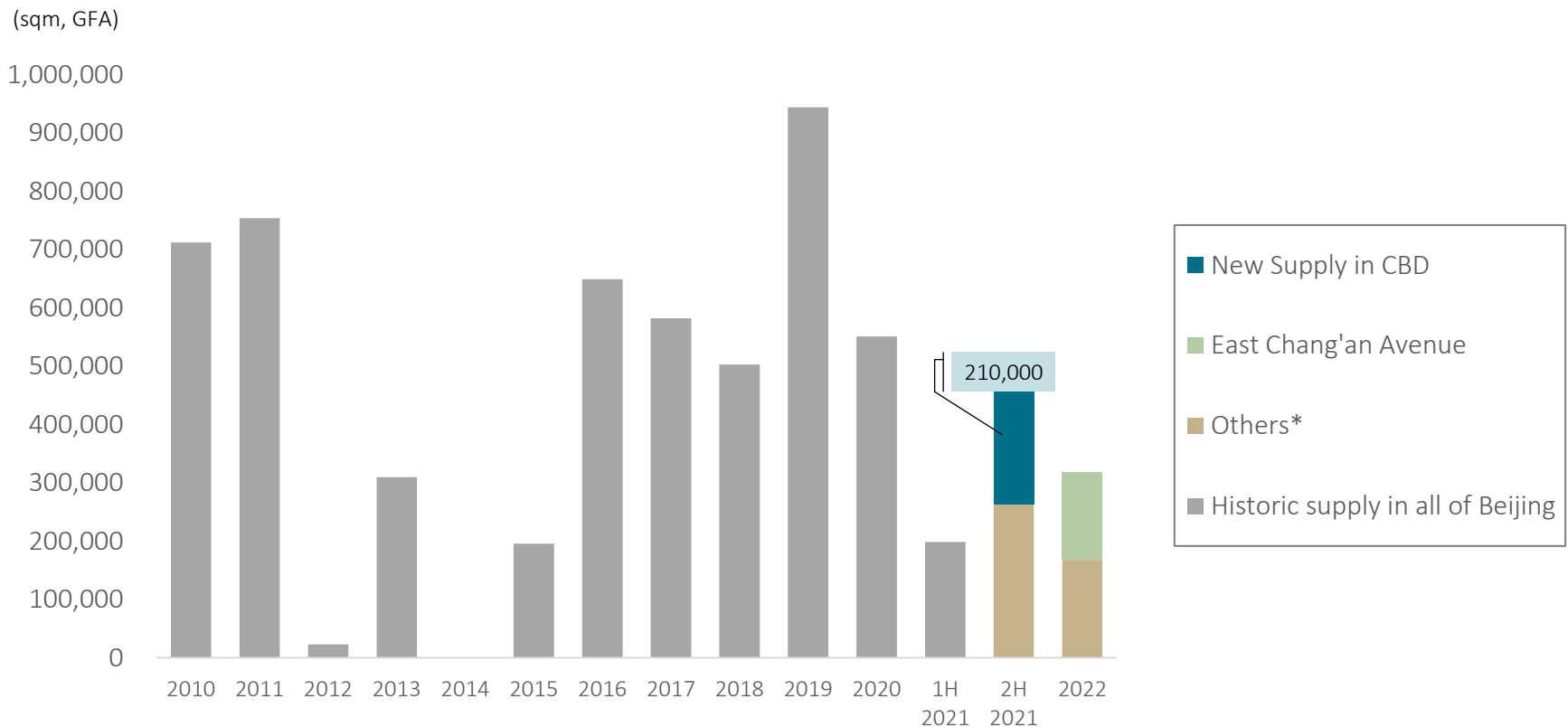


FUTURE GRADE-A OFFICE SUPPLY

Of the 791,000 sqm GFA of new supply in 2H 2021 and 2022:

- 27% 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



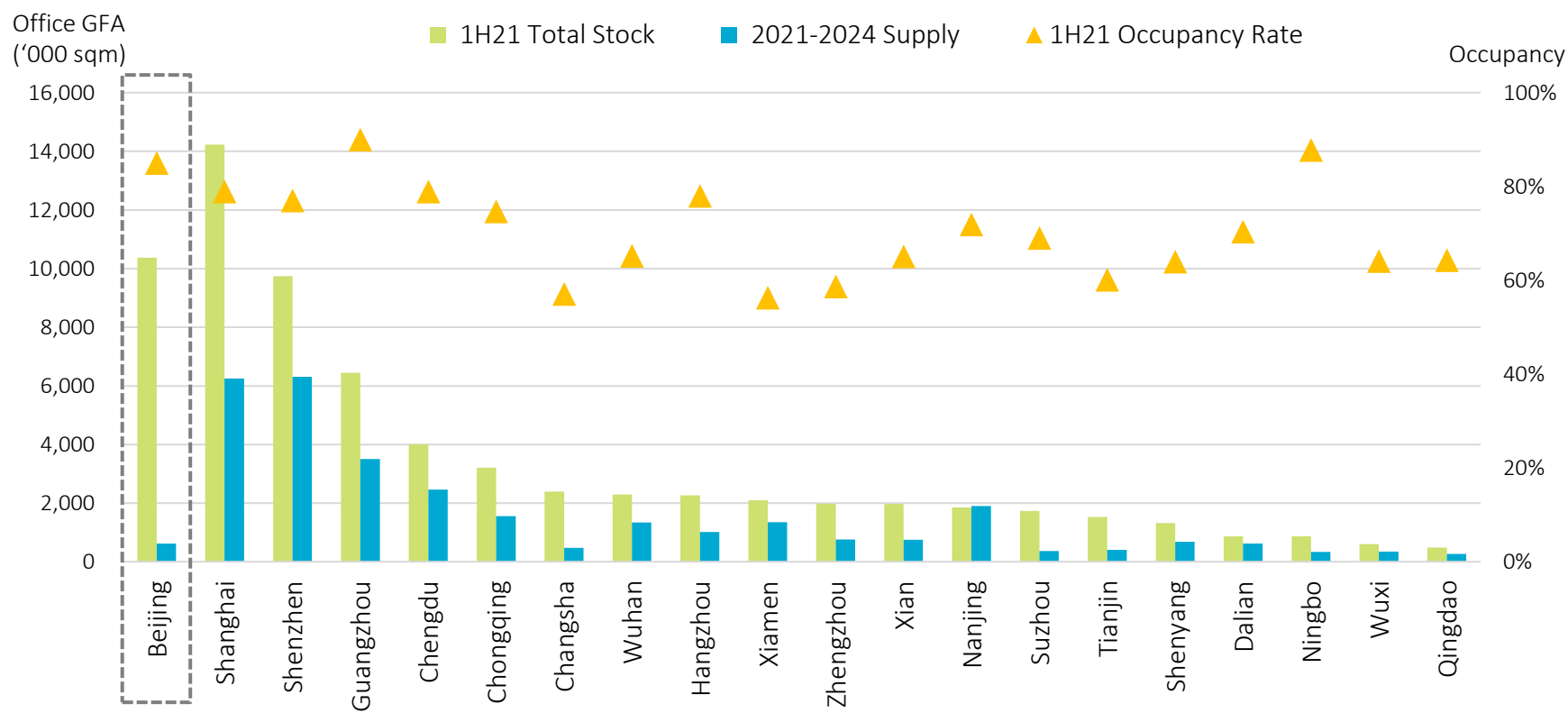
Note:

Others included Wangjing, Lize and Olympic Park

All of the above data are based on JLL Research in Jun 2021.

COMPARISON OF GRADE-A OFFICE MARKETS ACROSS CHINA

- Guangzhou, Ningbo and Beijing have highest office occupancy of above 85%.
- Low new supply in the next 3.5 years, only 1.7 % p.a. of existing stock (vs avg. 14.7% p.a. of other selected cities)



Source: JLL Research, June 2021

CCP PROPERTY: OPERATIONS SUMMARY

- Rental income at CCP Property remained stable. Total revenue was down by 1.5% HoH due to a lower early termination income.
- Property operating expenses declined by 6.3% as other expense such as reinstatement costs decreases along with other revenue-linked expenses.
- Cost structure remained stable, with NPI margin at 74.0% (FY 2020: 72.6%)

(in RMB million)	1H 2021	HoH Chg	2H 2020	HoH Chg	1H 2020
Revenues					
- Rental income	231.48	0.1%	231.25	(5.0%)	245.53
- Car park income	2.81	39.1%	2.02	(28.9%)	2.84
- Other income	2.80	(61.8%)	7.33	9.9%	6.67
Total revenue	237.09	(1.5%)	240.60	(4.9%)	253.04
Property Operating Expenses					
- Property management fee	(5.17)	(4.6%)	(5.42)	1.5%	(5.34)
- Property tax	(28.19)	(3.9%)	(29.33)	(4.0%)	(30.54)
- Withholding tax	(23.60)	(3.2%)	(24.39)	(4.1%)	(25.44)
- Other taxes	(2.92)	(6.4%)	(3.12)	8.7%	(2.87)
- Leasing commission	(1.26)	20.0%	(1.05)	23.5%	(0.85)
- Others	(0.41)	(82.8%)	(2.38)	(45.5%)	(4.37)
Total property expenses	(61.55)	(6.3%)	(65.69)	(5.4%)	(69.41)
Net Property Income	175.54	0.4%	174.91	(4.7%)	183.63

CCP PROPERTY: LEASING PERFORMANCE

- Average passing rent softened by 1.1% HoH, as Beijing landlords concede on pricing to fill up vacant spaces
- Occupancy rate stabilizing and showing signs of bottoming, as sizable new office completions in Beijing coming to an end

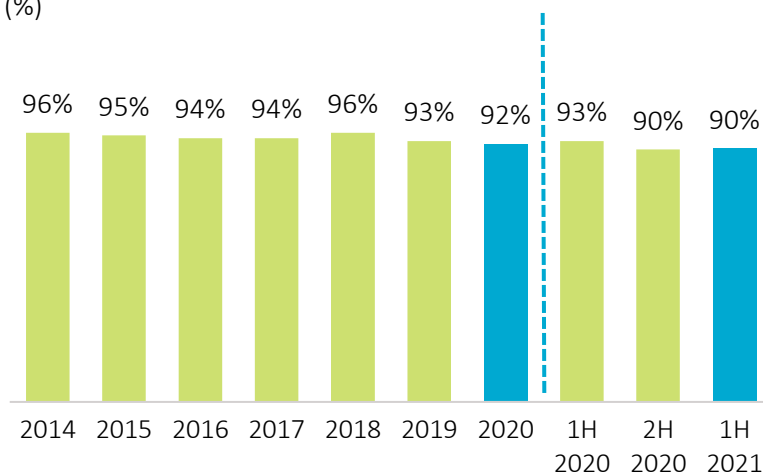
Average Passing Rents

(RMB per sqm per month)



Average Occupancy Rates

(%)



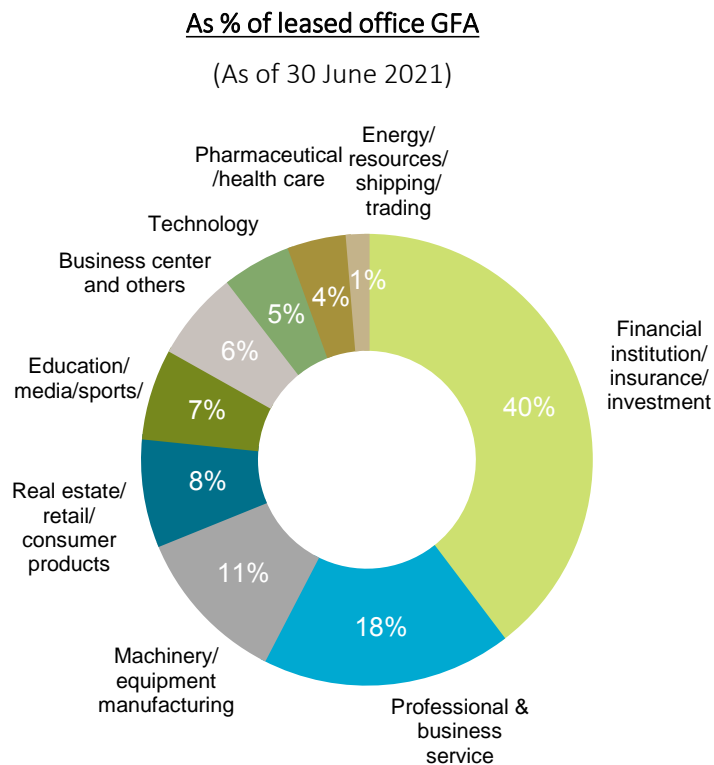
- Passing rent continued to trend downward with the market
- Negative rental reversion of 5.5% for 1H 2021 (FY20: 0.7%)
- Retention rate 78.6% (FY20: 47.9%)

- Average occupancy rate remained unchanged HoH for 1H 2021.
- As at 30 June 2021, occupancy rate recovered to 94%.

CCP PROPERTY: TENANT BASE

Diverse and high-quality tenant mix

Tenants by Industry



Top 5 Tenants

Tenants	% of total leased GFA	
Epson	5.9%	22.9%
Deutsche Bank	4.3%	
Zhong De Securities	4.3%	
Xinyuan	4.2%	
Global Law Office	4.2%	

Note: as of 30 June 2021

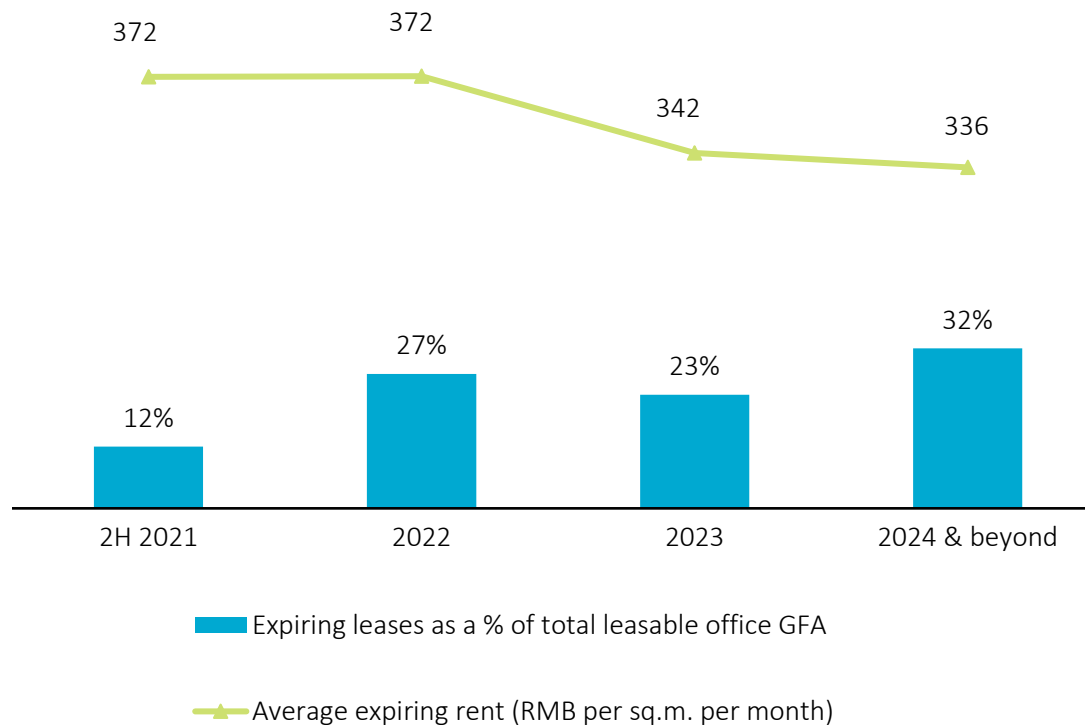
Other industry-leading tenants

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

Note: as of 30 June 2021

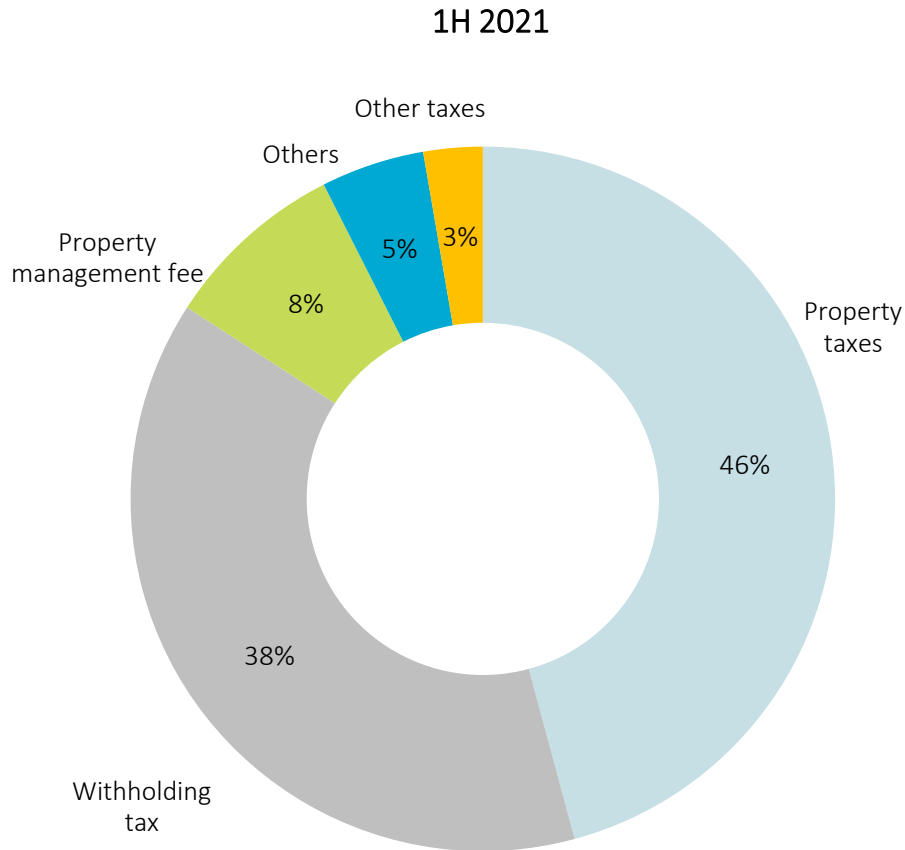
CCP PROPERTY: EXPIRING LEASE PROFILE

- Average lease expiry of existing leases (in GFA terms) as of 30 June 2021 was 780 days.
- Lease expiries in 2H 2021 – 12% of the leasable GFA, with an average expiring rental rate of RMB372 per sqm.
- Most of major expiries in 2H 2021 already 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
- 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



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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

- 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.
- 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 RMB151,000.



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- Market sentiment in Beijing has improved as the slew of new office supply has almost come to an end, and there is limited land supply for future office development in the CBD area. The volume of tenant enquiries has risen, driven by businesses looking to trade up their premises to take advantage of attractive rental levels.
- Although tighter regulation by the Chinese government over technology companies is expected to temporarily weigh on rental levels in the short term, the Manager remains cautiously optimistic that the dynamics of the Beijing office market will continue to improve given the positive underlying market trends.
- For Spring REIT, most of the major leases due to expire in the second half of 2021 have been secured for renewal. While rental reversion was negative during the reporting period, reflecting softened rental rates in the broader market, the Manager is optimistic that occupancy will continue to improve in the second half as leasing activities return. In the meantime, the Manager will remain vigilant in its approach to Spring REIT's leasing operations.
- 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.
- Our enhanced strategic relationships with Sino Ocean Group and Huamao Property are also paving the way for potential high-quality investment opportunities in the years ahead. Spring REIT will be focused on ensuring that any new acquisitions live up to the standards of quality and reliability of its existing assets.
- The Manager is firmly committed to steering Spring REIT safely through the challenging macro-economic environment, and unitholders can be assured of our unwavering determination to deliver long-term and sustainable growth in distributions.