



Interim Results 2017 Presentation

24 August 2017

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1 KEY MESSAGES

2 1H 2017 RESULTS

3 OPERATION REVIEW

4 KWIK FIT ACQUISITION

5 OUTLOOK & STRATEGY

OVERVIEW OF 1H 2017

- Spring REIT registered a modest rebound in RMB terms with the effect of the tax changes and currency depreciation behind us.
- Revenue and net property income (in RMB) rose 0.5% and 1.9% HoH respectively.
- The CCP Property achieved an average occupancy of 93.5% and average rental reversion of 5.8%.
- The valuation of the CCP Property appreciated approximately 0.3% in RMB terms HoH.
- Capital management initiatives reduced gearing ratio to 31.4% from 34.8% 6 months ago.
- Achieved a reduction in loan margin from 2.75% to 1.65% for the USD term loan, effective from 27 June 2017.
- Subsequent to the reporting period, completion of the of the UK acquisition took place on 14 July 2017.





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1H 2017 RESULTS SUMMARY

- RMB/USD movement offset improvement at the CCP Property to produce a flat NPI HoH.
- Total distributable income edged lower HoH primarily due to higher USD LIBOR rate.

Operating Results		1H 2017	Change	2H 2016	Change	1H 2016
Revenue	US\$m	35.60	-1.2%	36.05	-8.5%	39.38
Property operating expenses	US\$m	(9.23)	-4.7%	(9.69)	+8.9%	(8.90)
Net property income	US\$m	26.37	+0.0%	26.36	-13.5%	30.48
Cost-to-income ratio	%	25.9	-1.0 <i>ppts</i>	26.9	+4.3 <i>ppts</i>	22.6
Total distributable income	US\$m	15.21	-1.6%	15.45	-24.3%	20.42

Financial Positions		1H 2017	Change	2H 2016	Change	1H 2016
Portfolio valuation	US\$m	1,331.39	+2.7%	1,296.62	-4.3%	1,354.54
Net asset value	US\$m	940.75	+8.5%	866.68	-6.8%	929.84
Gearing ratio	%	31.4	-3.4 <i>ppts</i>	34.8	+1.6 <i>ppts</i>	33.2

Unit Information		1H 2017	Change	2H 2016	Change	1H 2016
DPU	HK¢	9.5	-5.0%	10.0	-23.1%	13.0
Payout ratio	%	100	+6.0 <i>ppts</i>	94	+2.0 <i>ppts</i>	92
Net asset value per Unit	HK\$	5.87	-1.3%	5.95	-7.2%	6.41
Number of Units outstanding	million	1,251.32	+10.7%	1,130.56	+0.5%	1,125.37

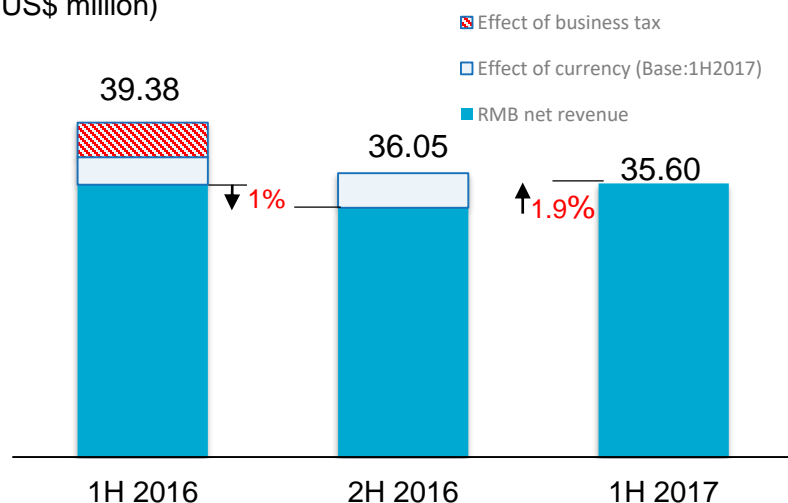
FINANCIAL PERFORMANCE

- RMB/USD average exchange rate adopted was 1.8% lower compared to that in 2H 2016
- Currency movement offset growth in RMB terms which leads to a flat net property income growth HoH in USD terms.

Revenue

(US\$ million)

For illustration only and not to scale

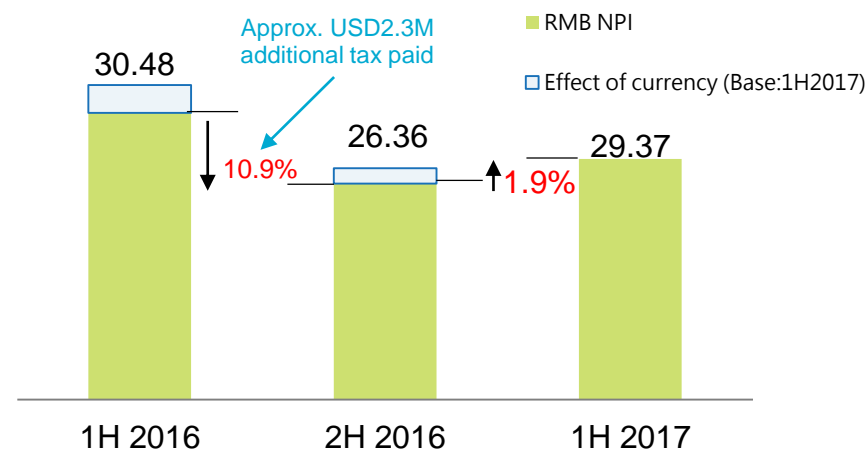


- The YoY fall in revenue from 1H 2016 to 1H 2017 was due to RMB depreciation and the B2V reform.
- Rental income was reported inclusive of business tax (1H 2016) and net of VAT (2H 2016 & 1H 2017).
- Excluding the effect of business tax and RMB depreciation, 1H 2017 revenue was up approximately 0.9% YoY and 1.9% HoH.

Net Property Income

(US\$ million)

For illustration only and not to scale



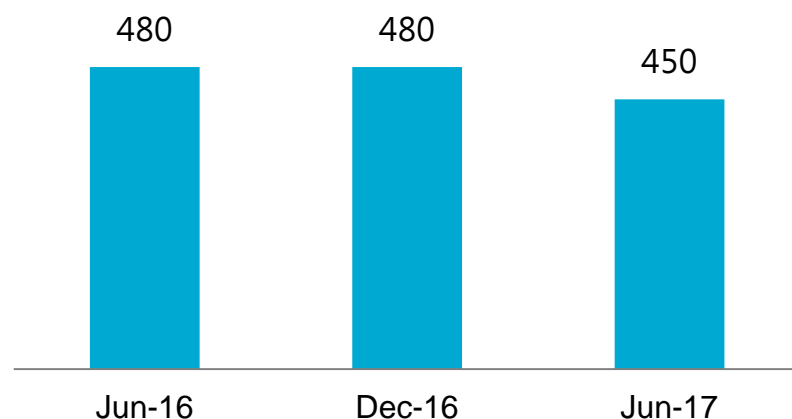
- The fall in NPI from 1H 2016 level was due to a combination of RMB depreciation and the change in the basis of property tax.
- Excluding the effect of RMB depreciation, 1H 2017 NPI decreased approximately 9.0% YoY and increased approximately 1.9% HoH in RMB terms.

DEBT PROFILE

- To manage asset-liability mismatch, Spring REIT raised equity of approx. HK\$373 million (or US\$47.8 million) and part of the proceeds were directed towards partial repayment of the outstanding loan. Gearing reduced to 31.4%.
- The Manager achieved a reduction in the interest margin from 2.75% to 1.65%, effective 27 June 2017, representing an interest saving thereafter of approximately US\$4.95 million annually.

Term Loan Outstanding

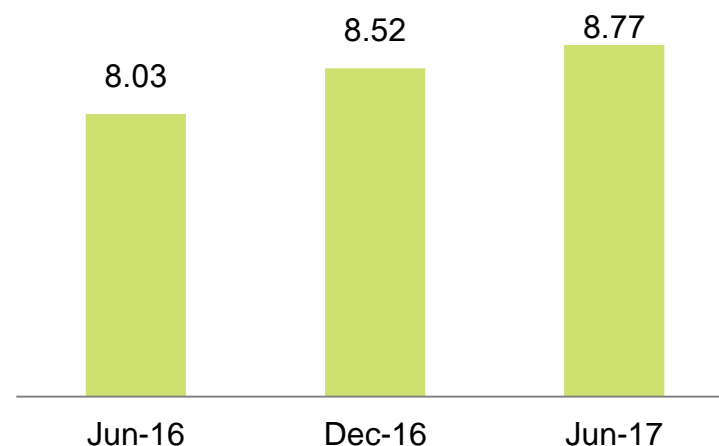
(US\$ million)



- USD 5-yr Term Loan (till 2020)
 - Partial repayment on Apr 17
 - Notional amount at Jun 2017: US\$450 mn
- Gearing ratio at 31.4% (2016 : 34.8%)

Cash Interest Expenses

(US\$ million)



- Cash interest expenses: US\$8.77 mn, +9.2% YoY, due to higher LIBOR
- New margin in place:
 - Before 27 Jun 17: USD LIBOR + 2.75%
 - After 27 Jun 17 : USD LIBOR + 1.65%

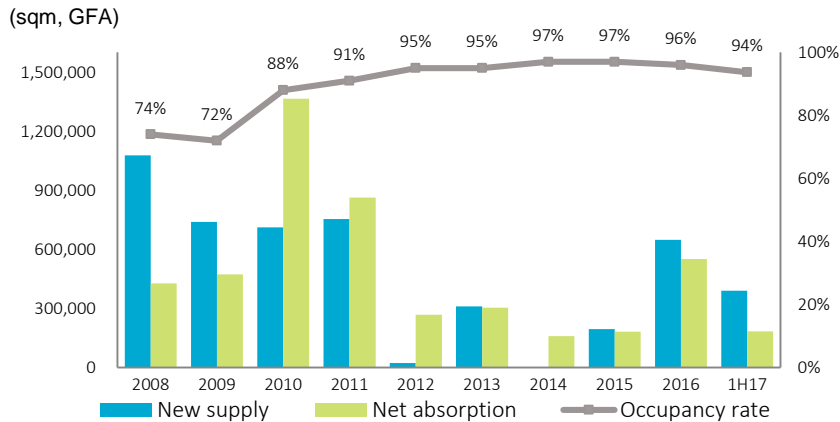


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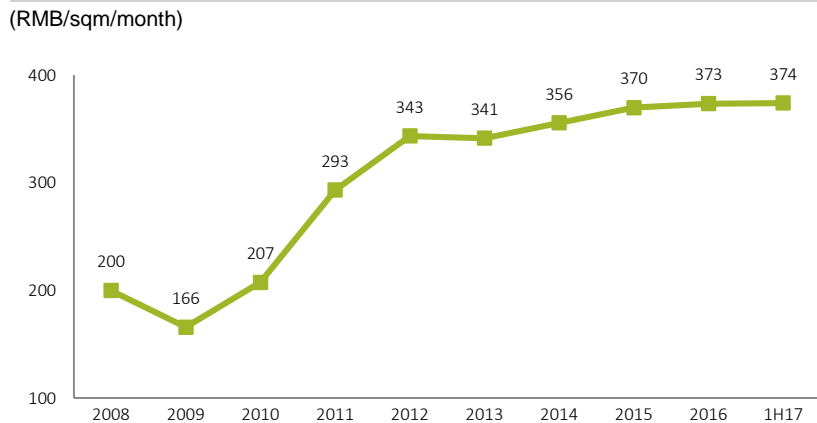
LEASING MARKET CONDITION

Beijing Overall

Beijing Overall – Supply, Absorption, Occupancy

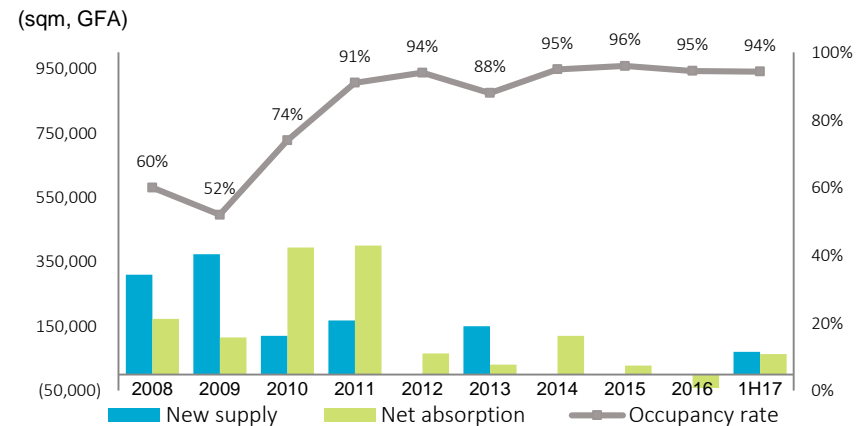


Beijing Overall – Effective Rental Rate

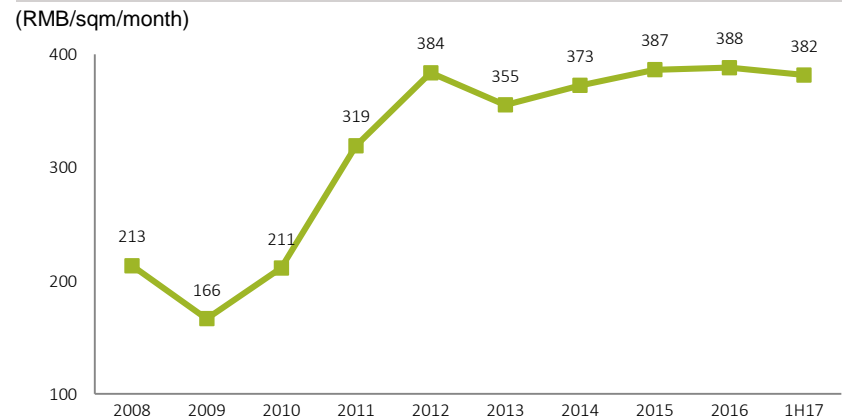


Beijing CBD

Beijing CBD – Supply Absorption, Occupancy



Beijing CBD – Effective Rental Rate

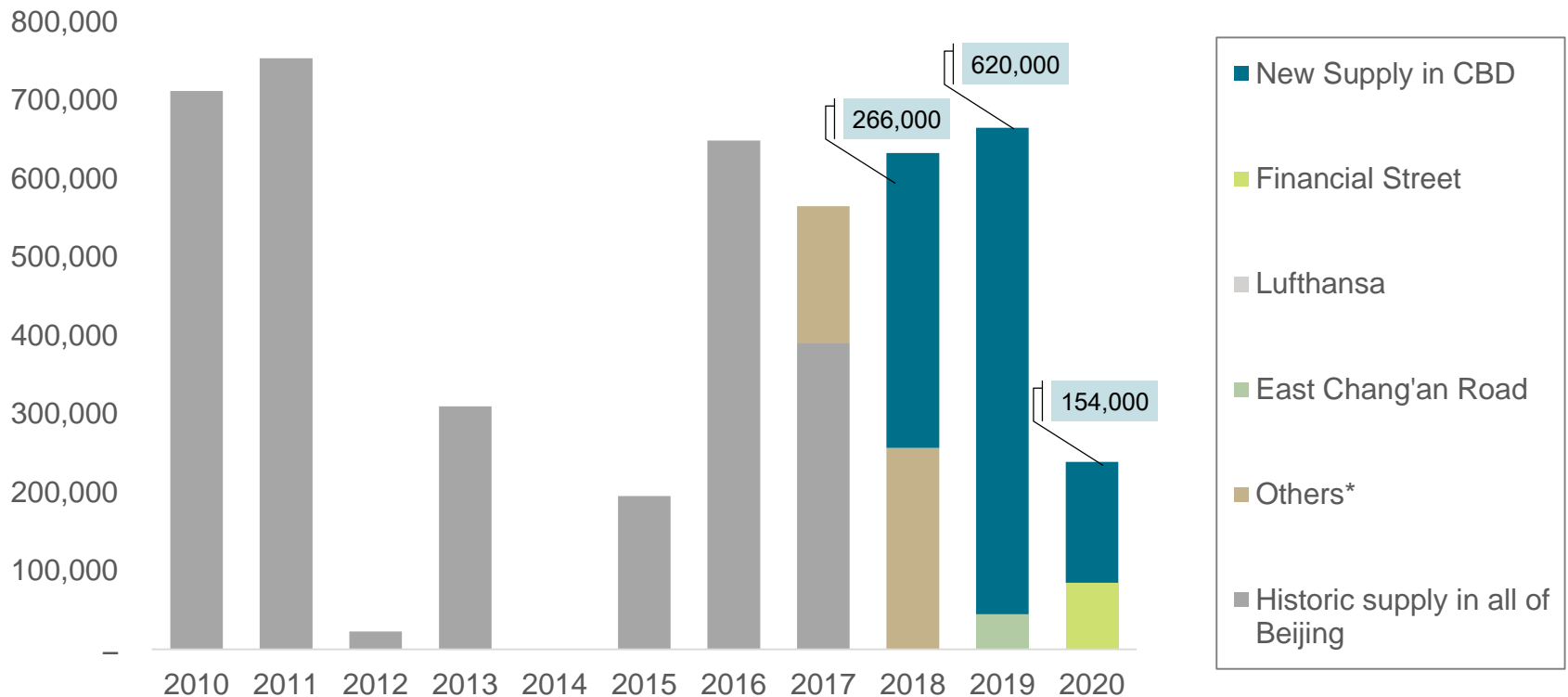


FUTURE GRADE-A OFFICE SUPPLY

Beijing CBD to see more supply in 2019

Grade-A office supply by year

(sqm, GFA)



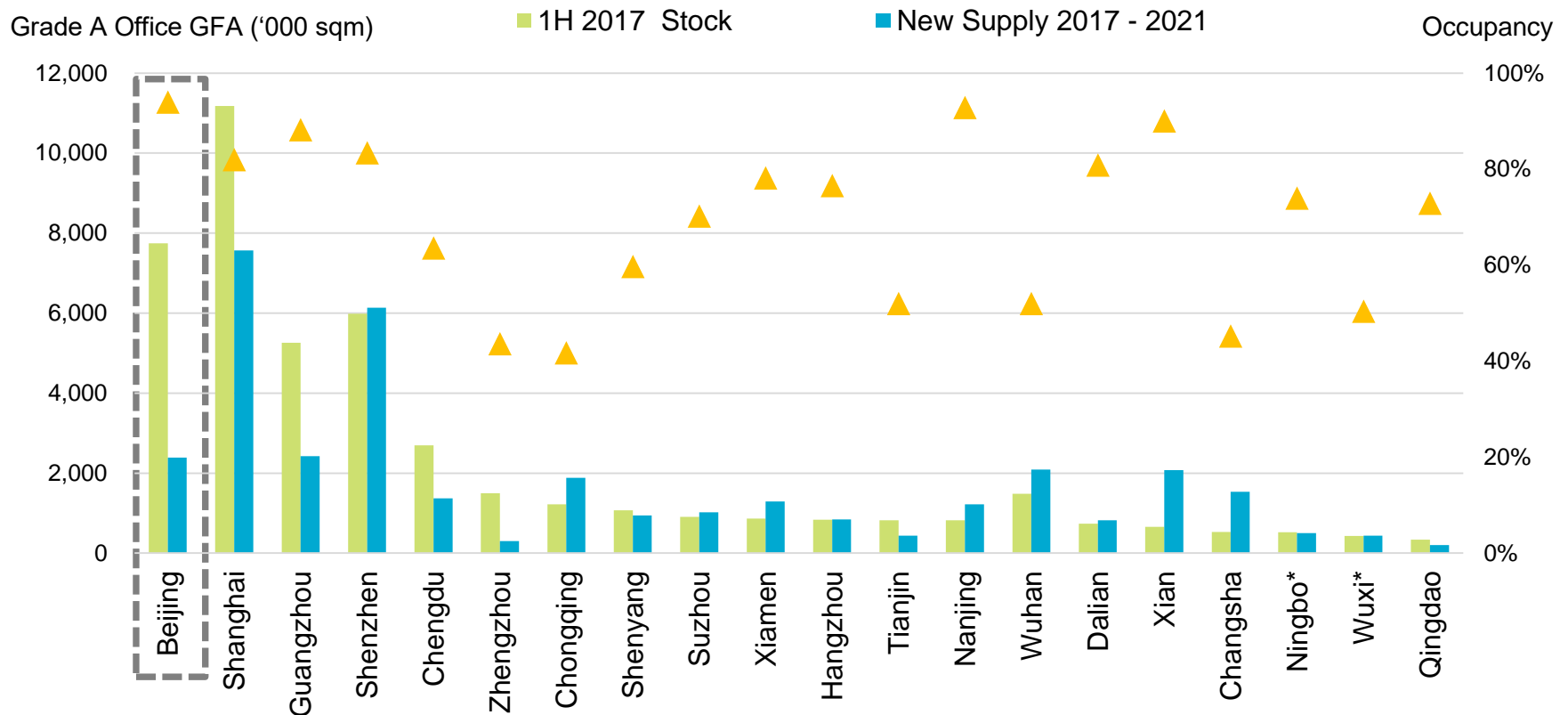
Note:

Others included Wangjing, Lize and Olympic Park

All of the above data are based on JLL Research in June 2017.

COMPARISON OF GRADE-A OFFICE MARKETS ACROSS CHINA

- Beijing has highest office occupancy of 94%
- Low new supply in the next 4.5 years, only 6.9% p.a. of existing stock (vs avg. 19.4% p.a. of selected cities)



Source: Jones Lang LaSalle Research, June 2017

*Note: Ningbo and Wuxi figures are as of 1Q17 & their forecast horizon extends to 2020 only

1H 2017 OPERATIONS SUMMARY

- Spring REIT reported a modest rebound in both revenue and net property income HoH in RMB terms, attributable to the healthy performance at the CCP Property.

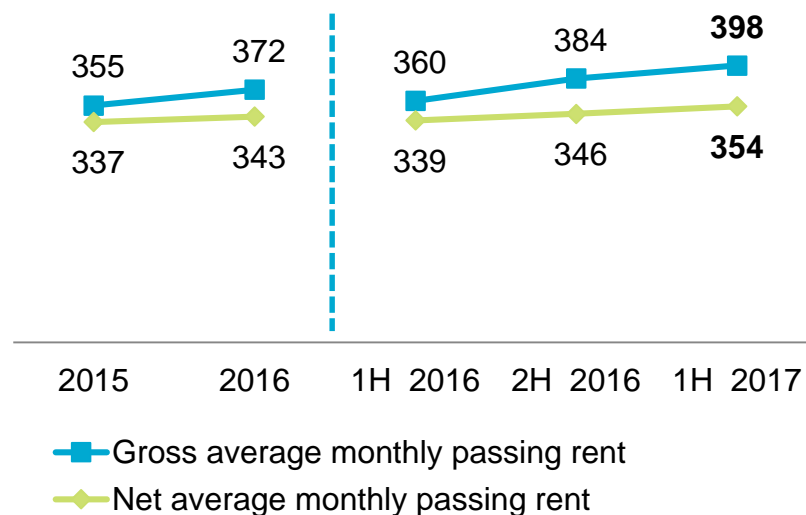
	1H 2017	Change	2H 2016	Change	1H 2016
<i>For the Six Months Ended</i>	<i>RMB mn</i>	<i>%</i>	<i>RMB mn</i>	<i>%</i>	<i>RMB mn</i>
Revenues					
- Rental income	237.81	+1.8%	233.71	-4.3%	244.20
- Car park and other income	7.01	-28.4%	9.79	-25.9%	13.21
Total revenue	244.82	+0.5%	243.50	-5.4%	257.41
Property Operating Expenses					
- Property management fee	(5.39)	-2.7%	(5.54)	+6.3%	(5.21)
- Property tax	(28.92)	-2.7%	(29.72)	+139.3%	(12.42)
- Business and other tax	(3.48)	-6.5%	(3.72)	+68.7%	(11.89)
- Withholding tax	(24.20)	-0.1%	(24.23)	-6.7%	(25.98)
- Leasing commission & others	(1.50)	-35.6%	(2.33)	-12.1%	(2.65)
Total property expenses	(63.49)	-3.1%	(65.54)	+12.7%	(58.15)
Net Property Income	181.33	+1.9%	177.96	-10.7%	199.26

LEASING PERFORMANCE

Solid performance despite growing CBD supply in the pipeline

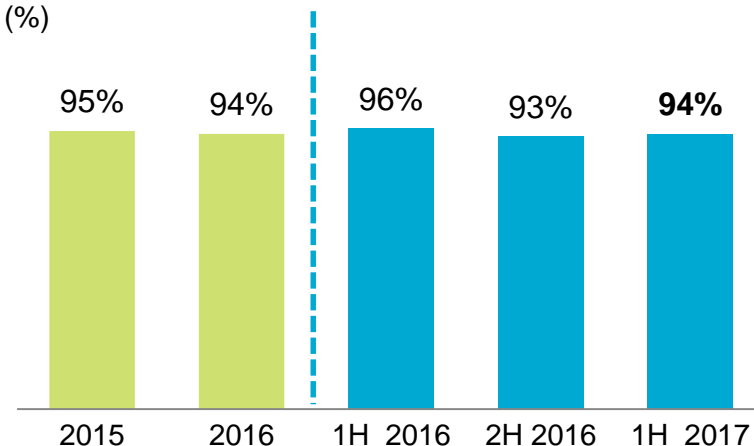
Average Passing Rents

(RMB per sqm per month)



Average Occupancy Rates

(%)



- Net passing rent up 4.4% YoY and 2.3% HoH
- Positive rental reversion of 5.8% (1H 2016: 7.5% & 2H 2016: 7.4%)
- Retention rate 67.9%

- Average occupancy consistently above 90% since 2010
- Average occupancy remained resilient at 93.5% in 1H17

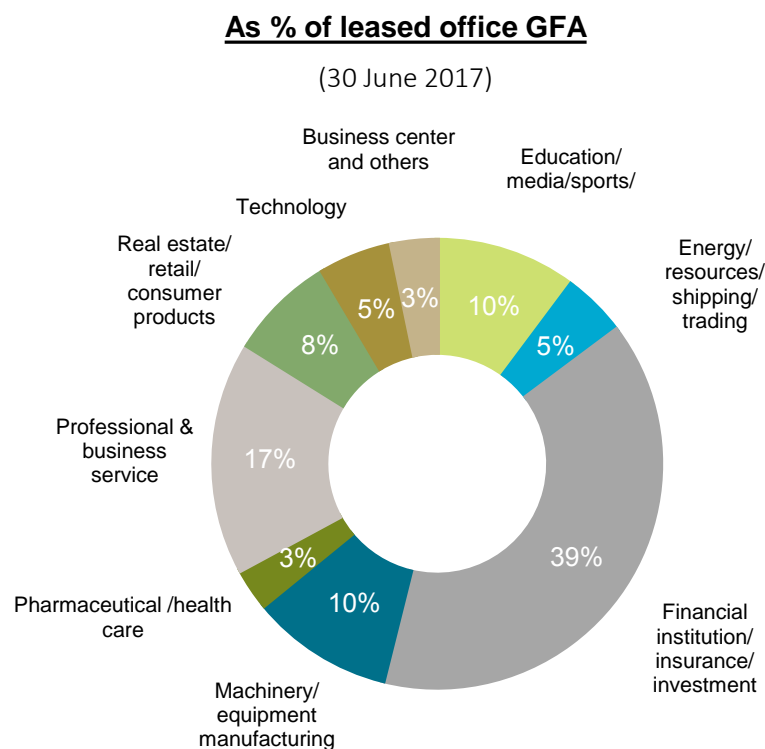
Notes:

- 1) Gross passing rent represents effective rent on a gross basis, inclusive of BT or VAT, as applicable.
- 2) Net passing rent represents effective rent on a net basis, exclusive of BT or VAT, as applicable.

TENANT BASE

Diverse and high quality tenant mix

Tenants by Industry



Top 5 Tenants

Tenants	% of total leased GFA
EPSON	5.9%
Delsk	5.3%
Condé Nast	4.8%
Zhong De Securities	4.2%
Deutsche Bank	4.2%

24.4%

Note: as of 30 June 2017

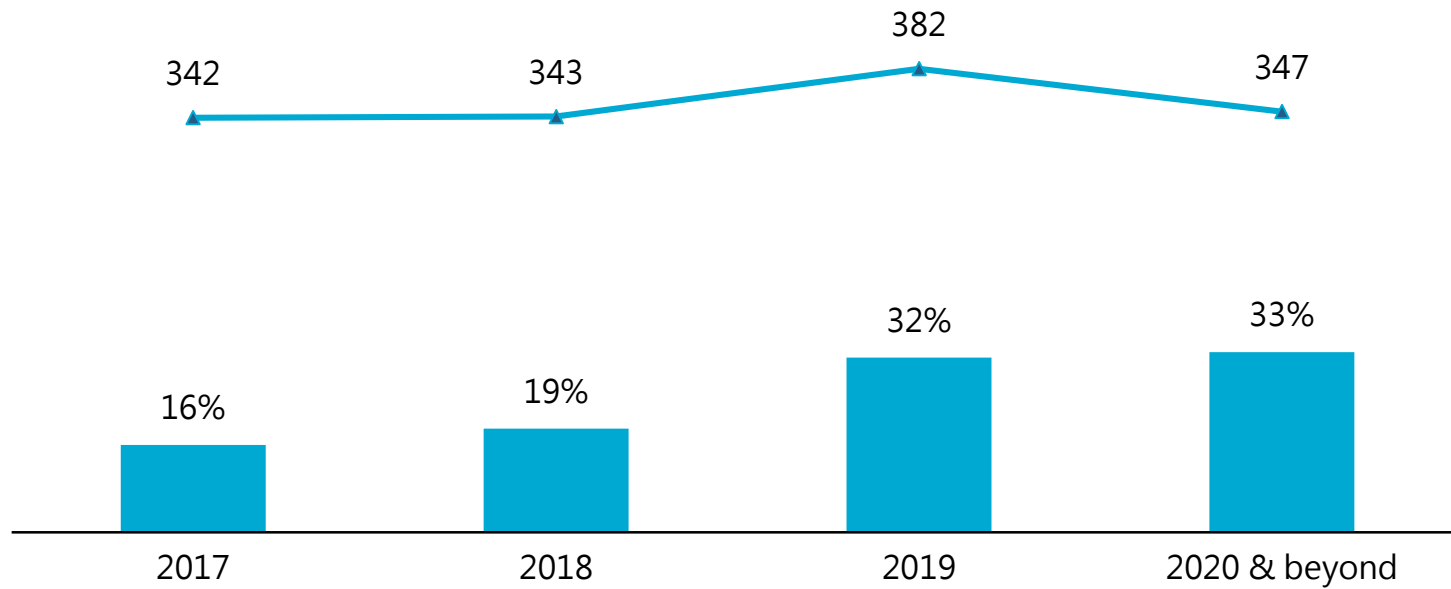
Other industry-leading tenants

- Global Law Office
- White & Case
- Johnson & Johnson
- NBA
- Baxter
- Itochu
- AECOM
- Bain & Company
- Brazil Embraer
- Richemont

Note: as of 30 June 2017

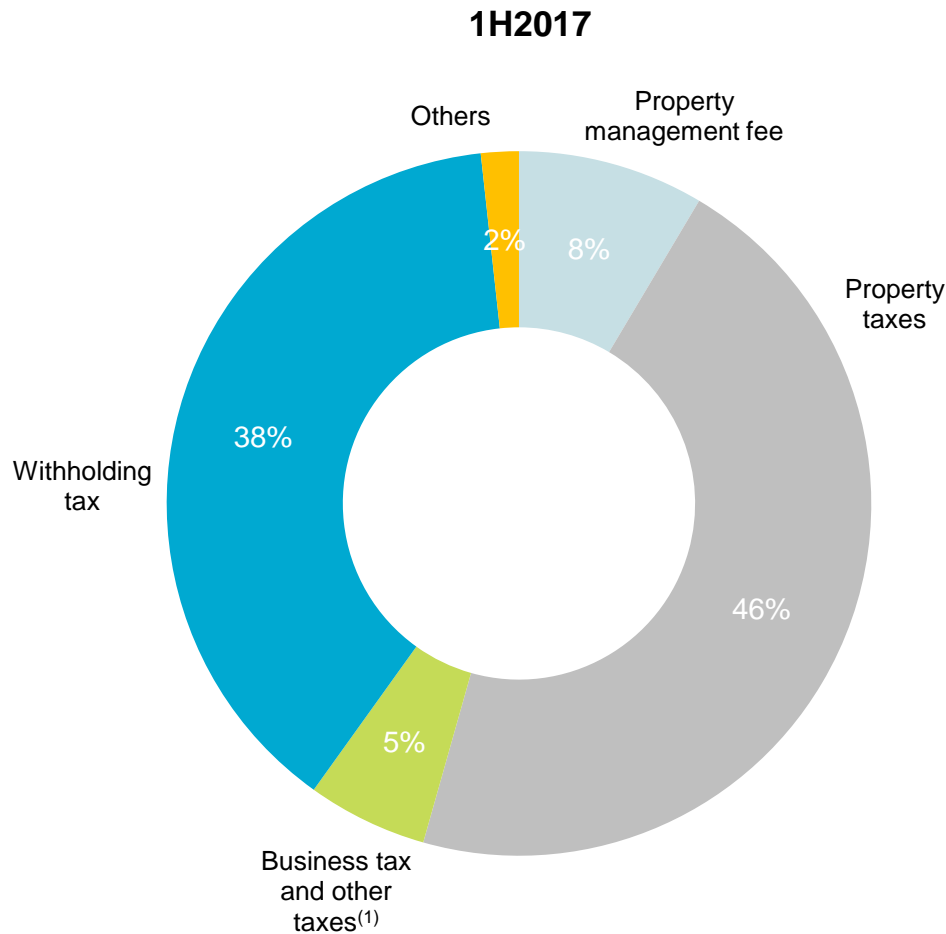
EXPIRING LEASE PROFILE

- Average lease expiry of existing leases (in GFA terms) as of 30 Jun 2017 was 1,107 days.
- Good progress on negotiations with upcoming expiries.



COST STRUCTURE

More than 98% of property expenses are revenue-linked or fixed



■ Withholding tax

- 10% of revenues received from rental operations

■ Business tax and other taxes⁽¹⁾

- Business tax, 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 taxes

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

■ Property management fee

- 2% of the total revenue

Notes:

- 1) Business tax is no longer applicable since 1 May 2016. It is transitioned into Value-Added Tax, which according to IFRS would not be listed as an expense but would be excluded from revenue instead.



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Location of the properties



KEY:

- LARGE RENT
- MEDIUM RENT
- SMALL RENT

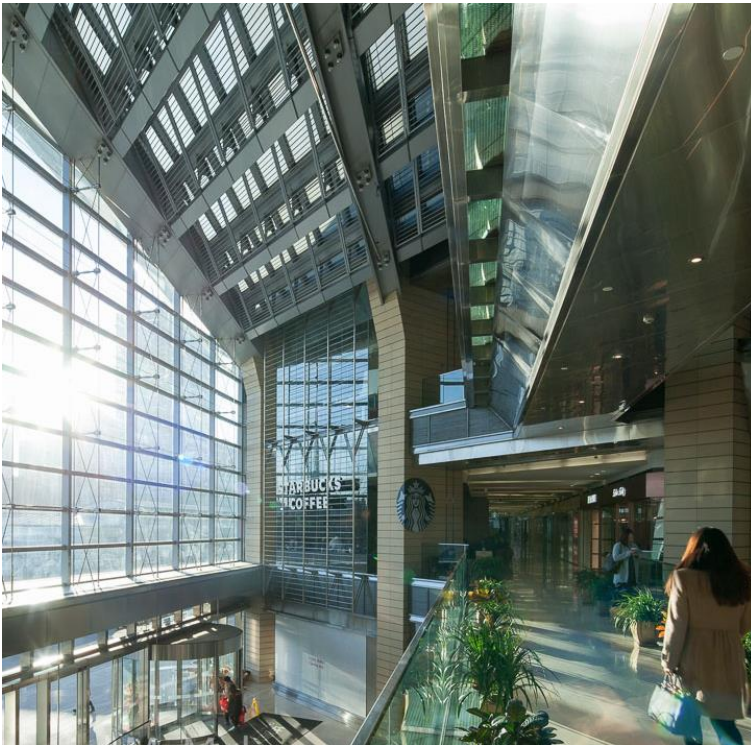
TRADING NAME	TOWN	ADDRESS	POSTCODE
Kwik Fit	Chelmsford	103 New London Road	CM2 0PP
Kwik Fit	South Croydon	453 Brighton Road	CR2 6EW
Kwik Fit	Tottenham	32 Monument Way	N17 9NX
Kwik Fit	Bridlington	32-36 St Johns Street	YO16 7JS
Kwik Fit	Chapel Allerton	Leeds, 232 Harrogate Road	LS7 4QD
Kwik Fit	Edinburgh	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

THE ACQUISITION

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

1. **Status:** The UK acquisition was completed on 14 July 2017.
2. **The portfolio:** 84 separate commercial properties in the UK, with a total gross internal area of approx. 500,000 sq.ft.
3. **Purchase price:** £73,500,000 in line with appraised value of £73,566,000, funded by debt.
4. **Initial gross rental yield:** 6.1% (unleveraged)
5. **Rental revisions:** Only upward rental adjustment every five year
6. **Lease terms:** 15 years, no break clause; with option to extend for an additional 15 years
7. **Single tenant:** Kwik-Fit (GB) Limited
 - 100% owned subsidiary of Itochu Corporation
 - Market leader in the servicing of cars and automotive parts and the provision of safety tests on vehicles that are required by the relevant laws of the UK.
 - Kwik-Fit Holdings Ltd, a 100% subsidiary of Itochu (rated A- by S&P), guarantees all future rental



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Outlook in 2017

- CCP Property expected to register modest improvement in FY2017 in RMB terms.
- Reduction in the loan margin from 2.75% to 1.65% for the term loan facility will contribute from the second half of FY 2017 onwards.
- Spring REIT's financial results will be further supported by the completion of the acquisition of the UK Portfolio. As the transaction was funded by debt, gross rental yield of 6.1% (before expenses) will make the transaction will be immediately accretive.
- Barring unforeseen circumstances, the Manager believes the outlook for Spring REIT will improve as the strategic initiatives undertaken during the Reporting Period begin to take effect.
- Less depreciation pressure on the RMB bodes well for Spring REIT

Strategic Priorities

- We remain committed to diversification and growth with a core focus in commercial properties in China along with certain “non-core” exposure such as the UK Portfolio.
- Sourcing, timing, pricing, market conditions and operating efficiency are all important factors when assessing a target. Accretion and quality of cash flow remain the key considerations.
- The Manager will continue to pursue strategies in order to alleviate the adverse effect caused by asset and liability mismatch. We have successfully reduced the gearing ratio during the reporting period but we will continue to be vigilant.

Q&A