Final Results 2018

Presentation

26 March 2019

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AGENDA

1 OVERVIEW OF FY 2018

2 FY 2018 RESULTS SUMMARY

3 CCP OPERATION REVIEW

4 UK PORTFOLIO OPERATION REVIEW

5 KEY EVENTS

6 OUTLOOK & STRATEGIC PRIORITIES

OVERVIEW OF FY 2018

SpringREIT

- Spring REIT will pay a final distribution of HK 7.2 cents. Total distribution for the Reporting Year amounts to HK 19.2 cents per Unit (2017: HK21.1 cents per Unit).
- DPU for the full year was down by 9.0% YoY, due to the impact of costs associated with various extraordinary events. If these one-off costs are excluded, DPU would have shown an increase of approximately 9.0% YoY.
- Revenue and net property income increased 10.0% and 11.0% YoY respectively in USD terms, thanks largely to the performance of the CCP Property and a full year contribution from the UK Portfolio.
- CCP Property has achieved an average occupancy rate of 95.8% and registered a rental reversion of 4.7%.
- The CCP Property was appraised at RMB9,096 million, representing a 0.7% increase YoY whereas the UK Portfolio was appraised at GBP76.14 million, representing a 2.7% increase YoY.
- Gearing ratio remained stable at 35.5% (31 Dec 2017: 34.5%) despite a weaker RMB against US$ at year-end.

Agenda

1 Overview of FY18

2 **FY 2018 Results Summary**

3 CCP Operation Review

4 UK Portfolio Operation Review

5 Key Events

6 Outlook & Strategic Priorities

FY2018 Results Summary

- Growth at the CCP Property, the effect of a full-year of contribution from the UK Portfolio (which was acquired in July 2017), and to a limited extent, a higher average RMB/US$ exchange rate during the year, attributed to the improvements in both revenue and net property income.
- Total distributable income experienced a decline due to one-off expenses associated with the proposed acquisition and the unsolicited general offer launched by a unitholder. If we exclude these one-off expenses, total distributable income would have increased by 12.3%.
- Net asset value and gearing ratio slightly worsened due to a weaker RMB against US$ at year-end.

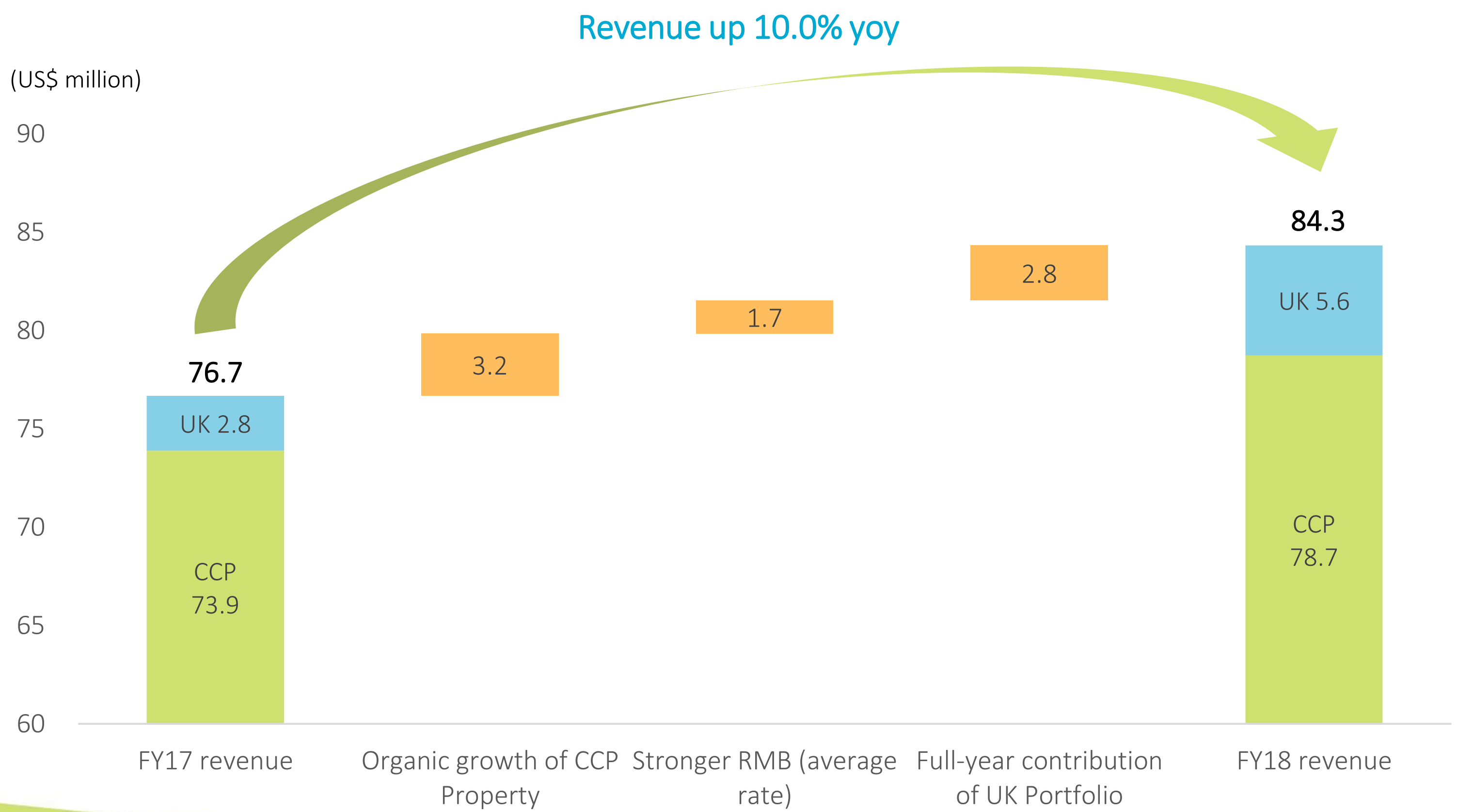
Operating Results		FY 2018	FY 2017	*Change*
Revenue	US$m	**84.34**	76.70	*+10.0%*
Property operating expenses	US$m	**(20.97)**	(19.62)	*+6.9%*
Net property income	US$m	**63.37**	57.08	*+11.0%*
Net property income margin	%	**75.1**	74.4	*+0.7 ppts*
Total distributable income	US$m	**31.82**	33.97	*-6.3%*

Financial Positions			31-Dec-2018	31-Dec-2017	*Change*
Portfolio valuation	CCP Property	US$m	**1,322.38**	1,387.78	*-4.7%*
	UK Portfolio	US$m	**97.13**	100.28	*-3.1%*
	Total	US$m	**1,419.51**	1,488.06	*-4.6%*
Net asset value		US$m	**925.12**	1,000.40	*-7.5%*
Gearing ratio		%	**35.5**	34.5	*+1.0 ppts*

FINANCIAL PERFORMANCE: TOTAL REVENUE

SpringREIT

- As the main driver of our profit, CCP Property revenue increased by 6.5% yoy on the back of moderate improvements in passing rent, stable occupancy rates, and a stronger RMB currency vs USD (average rate).
- With revenue from UK Portfolio doubling thanks to full year contribution, Spring REIT's total revenue grew by 10.0% yoy.



FINANCIAL PERFORMANCE: NPI & TDI

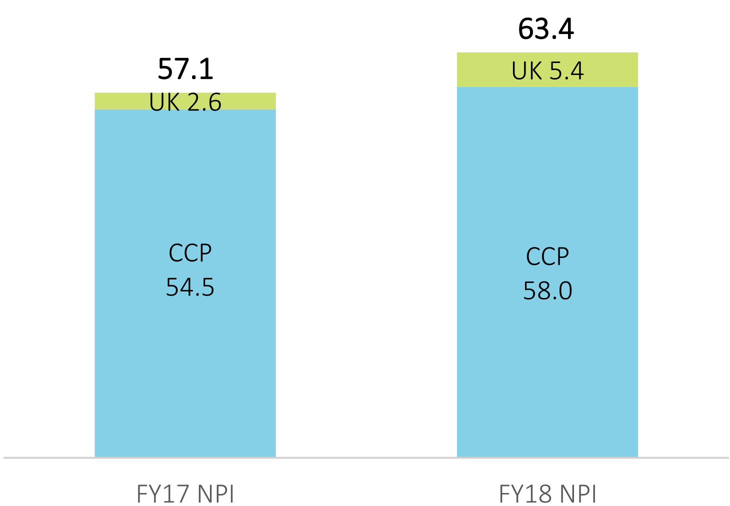
SpringREIT

- Net property income margin remained stable at 75.1% (FY17: 74.4%) while NPI grew by 11.0% yoy
- TDI was down by 6.3% yoy, primarily due to one-off expenses.
- If one-off expenses are excluded, TDI would have increased at 12.3% yoy.

Net Property Income

(US$ million)

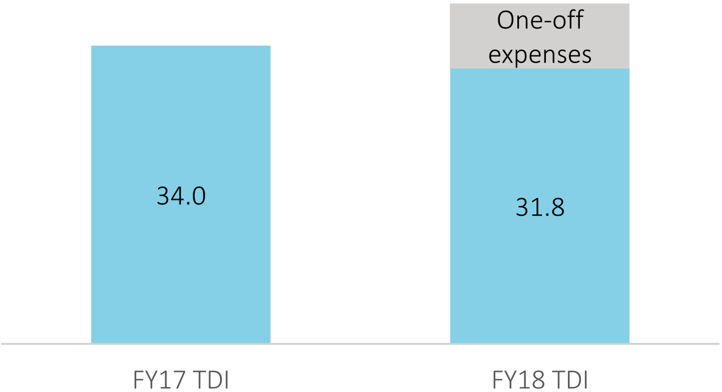
- NPI increased by 11.0% yoy
- Margin remained stable



Total Distributable Income

(US$ million)

- TDI decreased by 6.3% yoy due to one-off expenses.
- Excluding those, TDI would have grown along with NPI

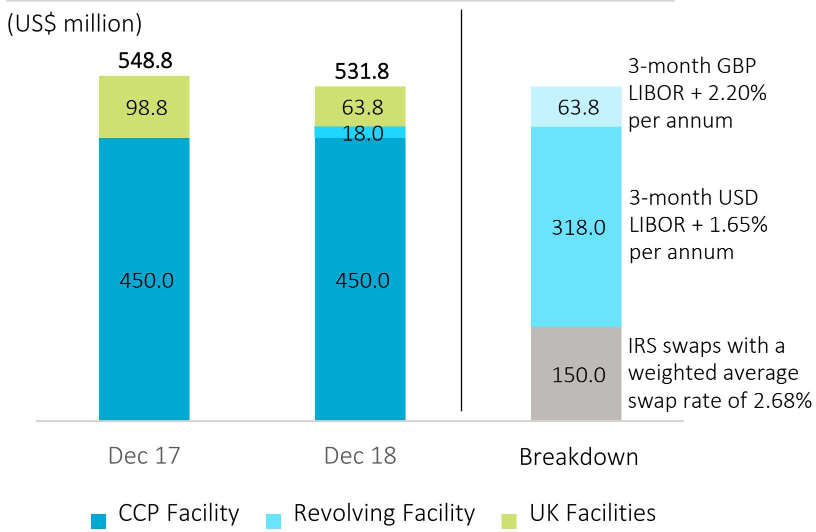


DEBT PROFILE

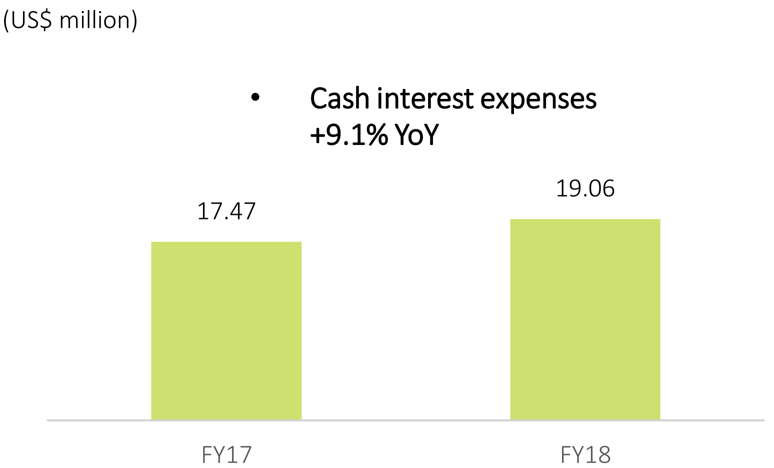
SpringREIT

- Refinancing of UK loans were completed in Jan 2018, resulting in a lower borrowing and more distant loan maturity profile
- The repayment was financed by (i) a GBP50 mil new loan facility, (ii) a US$18 mil USD revolving facility, and (iii) internal resources.
- To mitigate USD interest rate risk, Spring REIT has entered plain vanilla float-to-fixed IRS contracts, covering 32.1% of USD loan amount

Loan Notional Outstanding



Cash Interest Expenses



Spring REIT's debt facilities:

- US$468 mil USD Facility (5-year term, till Apr 2020) :
  (i) USD Term Loan with a notional amount of US$450 mil
  (ii) Revolving facility of US$18 mil (US$2 mil undrawn)
- GBP50 mil (or US$63.8 mil) under GBP Facility (4-yr term, till Jan 2022)
- Gearing ratio at 35.5% (Dec 2017 : 34.5%)

Rising interest rate and counter-measures:

- Higher benchmark rates was partly offset by (a) benefit from a 110bps margin reduction exercise in Jun 2017, and (b) a slightly reduced loan amount since Jan 2018
- Float-to-fixed IRS entered during 1H 2018, covering USD150mn of USD loan with an average swap rate of 2.68% (vs 2.8% at Dec 2018). Maturity same as USD loan.

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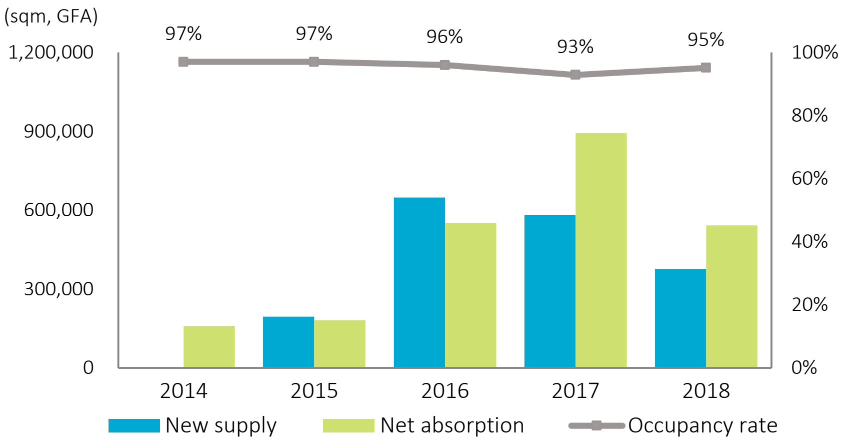
LEASING MARKET CONDITION

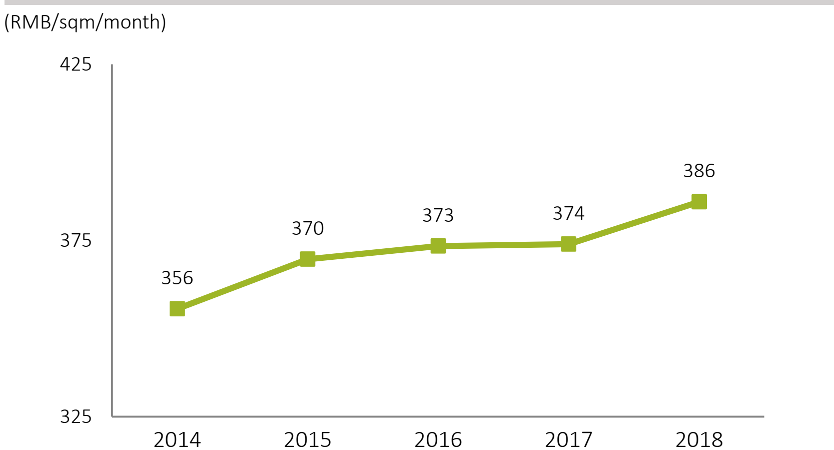
SpringREIT

Beijing Overall

Beijing Overall – Supply, Absorption, Occupancy

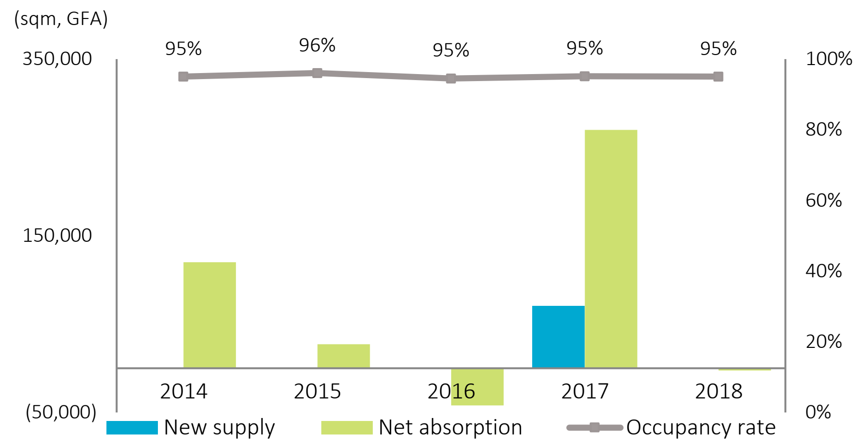


Beijing Overall – Effective Rental Rate

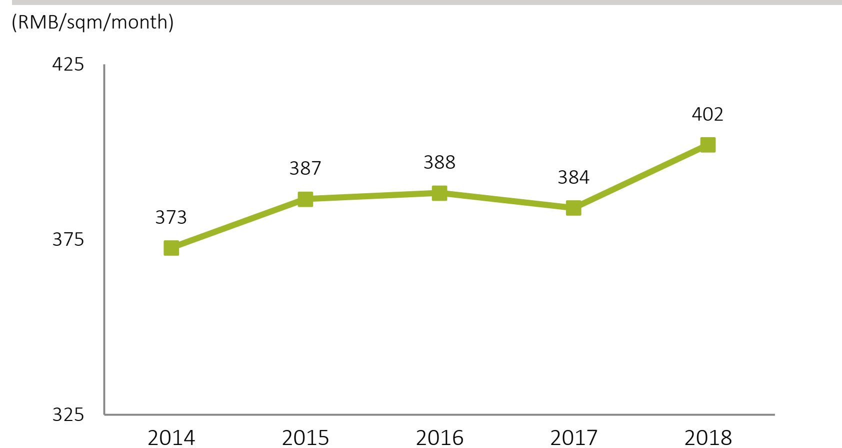


Beijing CBD

Beijing CBD – Supply, Absorption, Occupancy



Beijing CBD – Effective Rental Rate



Source: JLL Research, December 2018

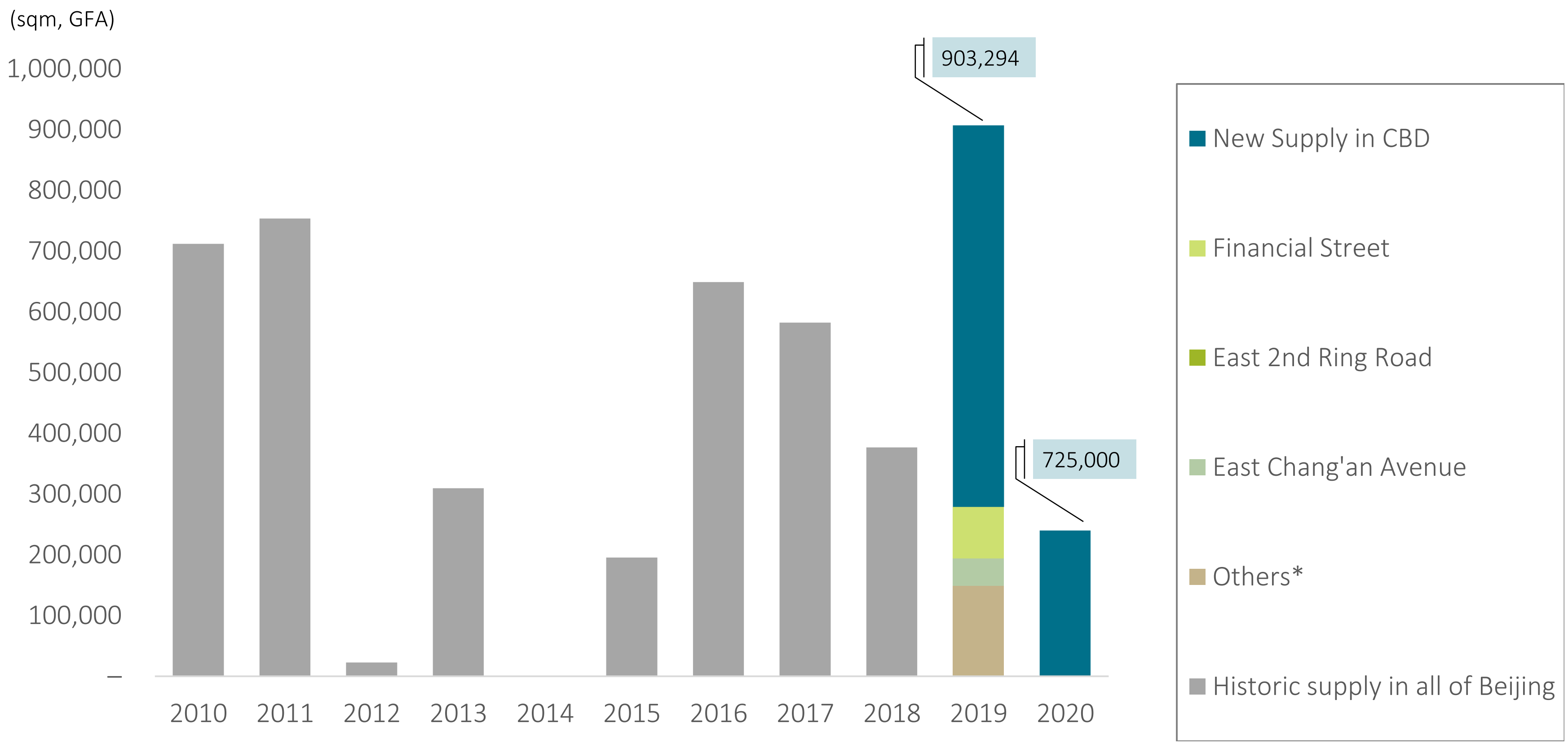
FUTURE GRADE-A OFFICE SUPPLY

SpringREIT

Of the 907,000 sqm GFA of new supply in 2019:-

- 69% of the GFA will be located in the CBD area
- Of which, 57% of the GFA are going to be self-occupied or already pre-committed

Grade-A office supply by year

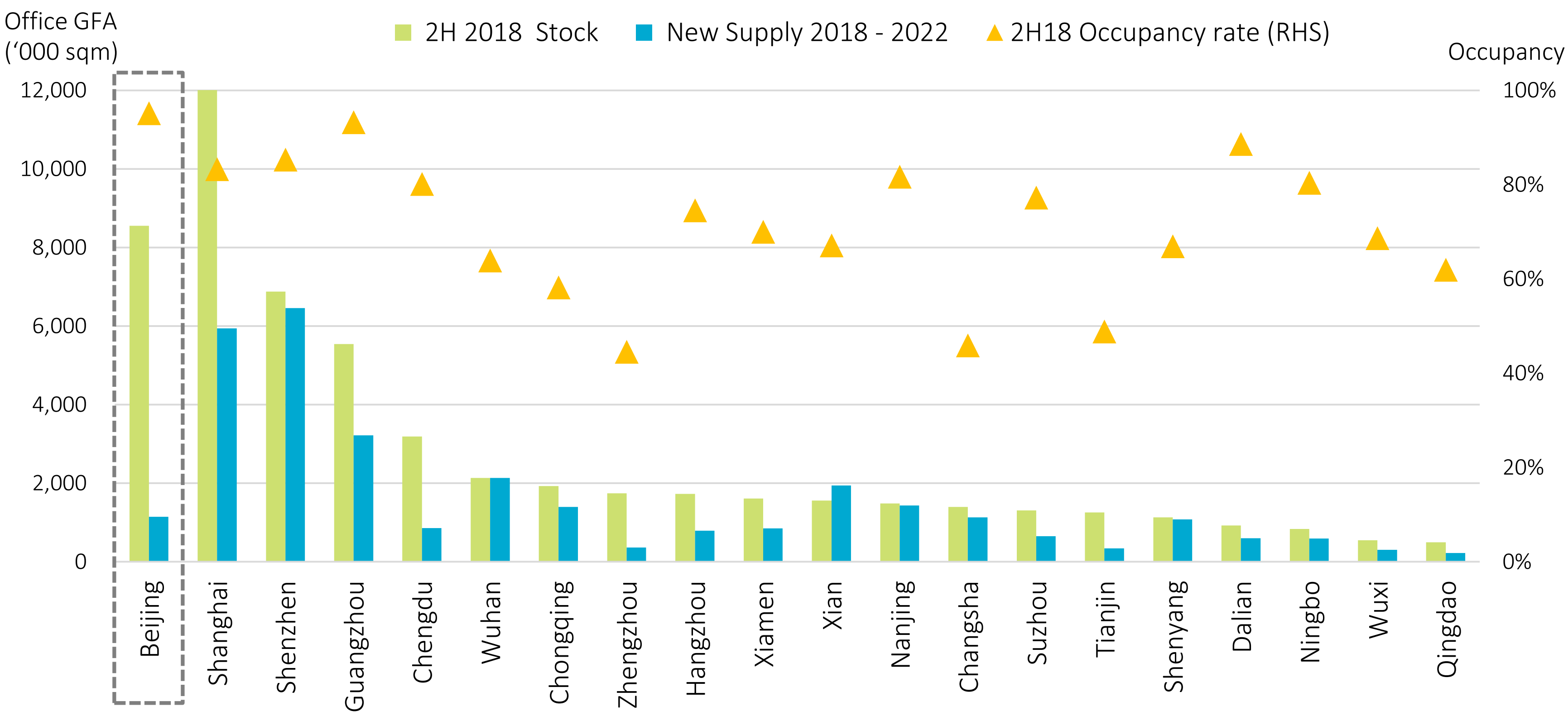


Note:
Others included Wangjing, Lize and Olympic Park
All of the above data are based on JLL Research in December 2018.

COMPARISON OF GRADE-A OFFICE MARKETS ACROSS CHINA

SpringREIT

- Beijing has highest office occupancy of 95%
- Low new supply in the next 4 years, only 3.4% p.a. of existing stock (vs avg. 15.6% p.a. of other selected cities)



Source: Jones Lang LaSalle Research, December 2018

**Note: Ningbo and Wuxi figures are as of 3Q18*

CCP PROPERTY OPERATIONS SUMMARY

SpringREIT

- Rental income at CCP Property recorded a healthy growth of 3.4% yoy, exceeding FY17's yoy growth rate of 1.0%
- Cost structure remained stable, with NPI margin remained the same at 73.6% (FY17: 73.6%)
- Withholding tax increment was slightly bigger due to timing issue. Leasing commission and other expenses are within normal range.

	FY 2018	FY 2017	*Change*
	RMB mn	*RMB mn*	
Revenues			
- Rental income	**499.13**	482.80	*+3.4%*
- Car park and other income	**21.13**	16.55	*+27.7%*
Total revenue	**520.26**	499.35	*+4.2%*
Property Operating Expenses			
- Property management fee	**(11.42)**	(10.93)	*+4.5%*
- Property tax	**(60.92)**	(58.64)	*+3.9%*
- Withholding tax	**(53.05)**	(49.14)	*+8.0%*
- Other taxes	**(6.98)**	(6.94)	*+0.6%*
- Leasing commission & others	**(4.82)**	(6.00)	*-19.7%*
Total property expenses	**(137.19)**	(131.65)	*+4.2%*
Net Property Income	**383.07**	367.70	*+4.2%*

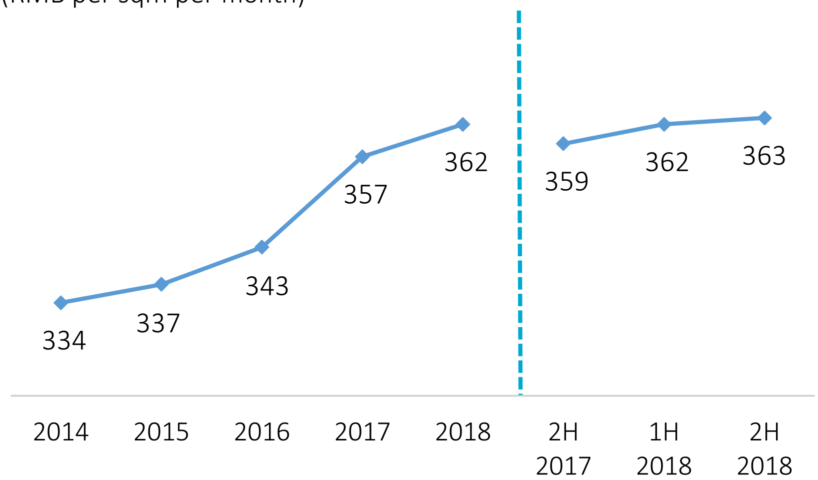
LEASING PERFORMANCE

SpringREIT

Moderate growth in passing rent and stable occupancy rates despite upcoming CBD office supply

Average Passing Rents

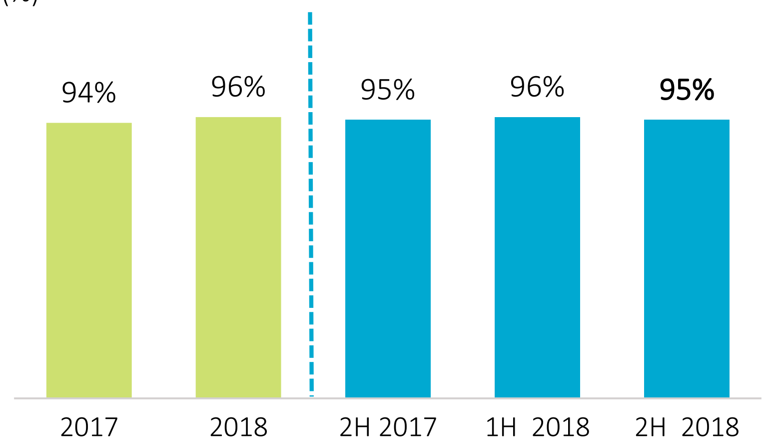
(RMB per sqm per month)



- Net passing rent for FY18 up 1.4% YoY; that for 2H18 up 0.3% HoH
- Positive rental reversion of 4.7% for 2018 (FY17: 5.9%)
- Retention rate 74.7% (FY17: 64.4%)

Average Occupancy Rates

(%)



- Average occupancy consistently above 90% since 2010
- Average occupancy sustained a consistent improvement to 96% for 2018, from 94% in 2017

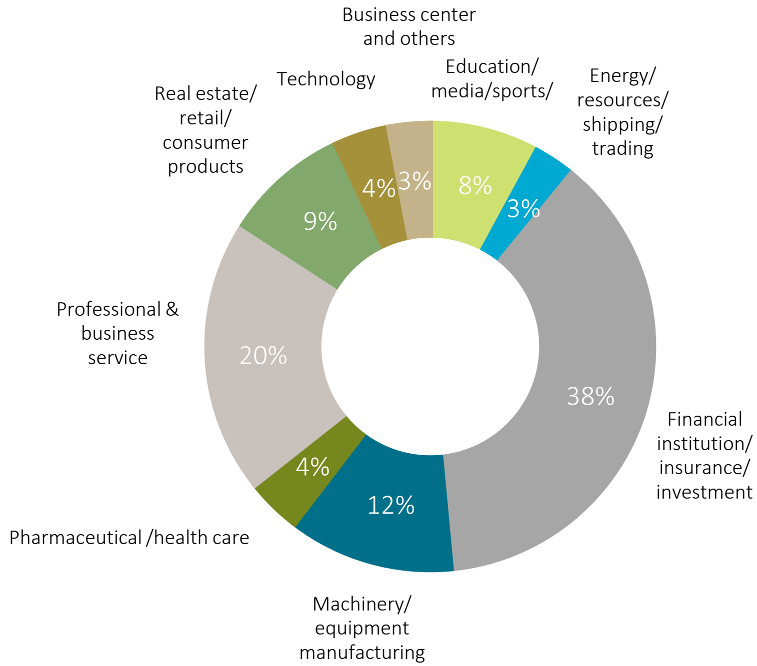
TENANT BASE

Diverse and high quality tenant mix

Tenants by Industry

As % of leased office GFA

(As of 31 December 2018)



Top 5 Tenants

Tenants	% of total leased GFA
Epson	5.9%
Delsk	4.5%
Condé Nast	4.2%
Zhong De Securities	4.2%
Deutsche Bank	4.2%

23.0%

Note: as of 31 December 2018

Other industry-leading tenants

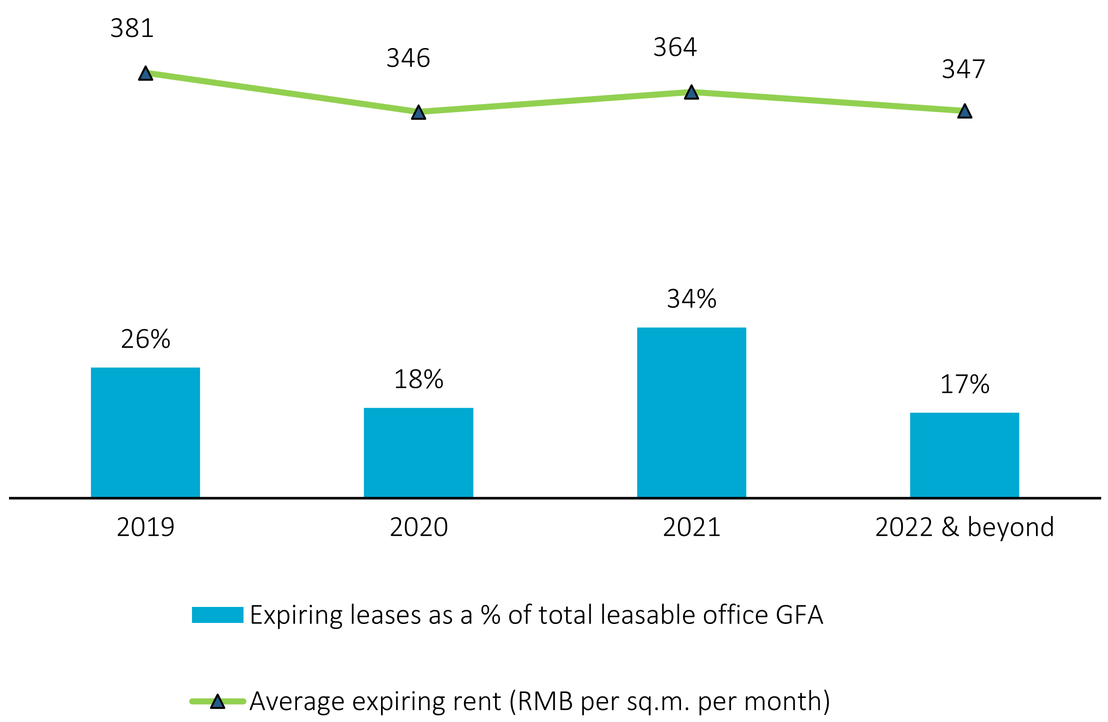
- Global Law Office
- White & Case
- Goodman
- Baxter
- AECOM
- Bain & Company
- Richemont

Note: as of 31 December 2018

EXPIRING LEASE PROFILE

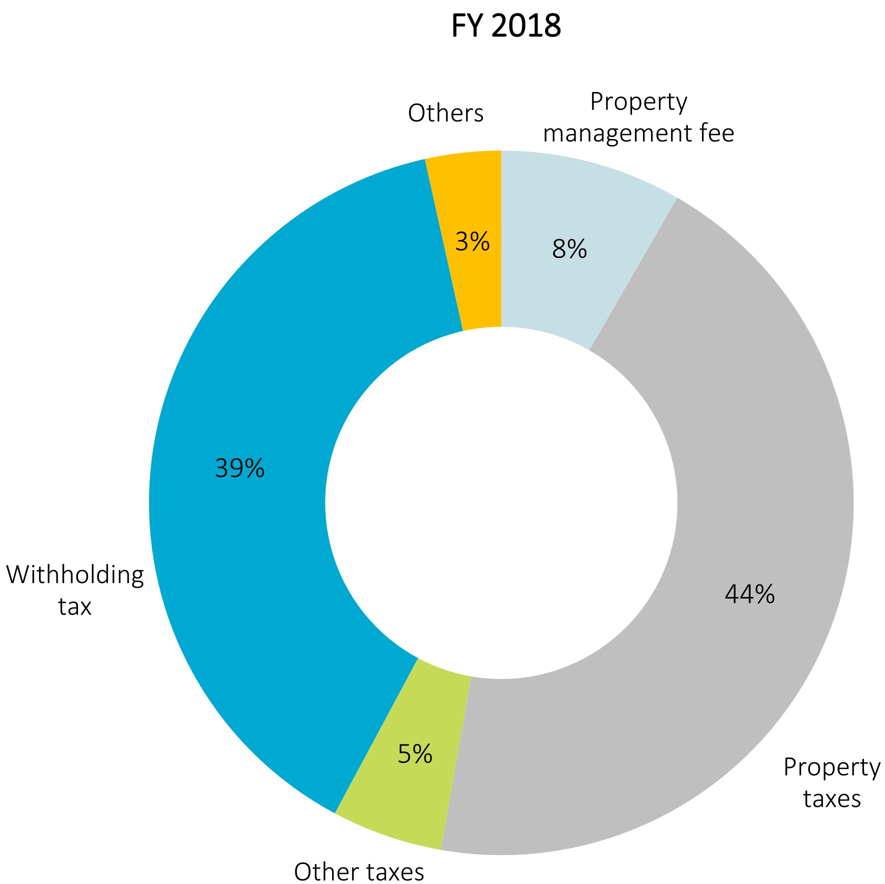
SpringREIT

- Average lease expiry of existing leases (in GFA terms) as of 31 December 2018 was 715 days.
- Lease expiries in 2019 – about 14.9% and 10.7% of the leasable GFA at CCP Property expiring in the first and second half of 2019 respectively, with an average expiring rental rate of RMB382 per sqm and RMB380 per sqm



Cost Structure of CCP Property

More than 95% of 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
  - Under 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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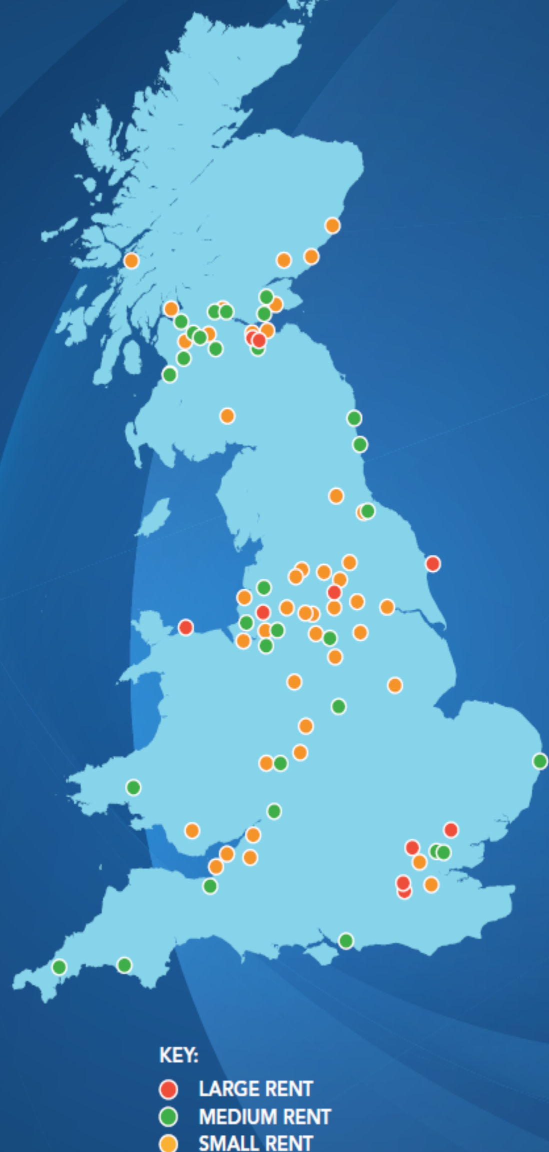
Location of the properties



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

	FY 2018
	GBP
Revenues	
- Rental income	4,423,162
Expenditure	
- Head rents on leasehold properties	(101,429)
- Property management fees	(63,000)
Net Property Income	4,258,733

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
3. **Initial gross rental yield:** 6.1% (unleveraged)
4. **Rental revisions:** Only upward rental adjustment every five year
5. **Lease terms:** 15 years, no break clause; the tenant has an option to extend for an additional 15 years
6. **Single tenant:** Kwik-Fit (GB) Limited

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SpringREIT

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KEY EVENTS

SpringREIT

19 Sep 2018

Spring REIT entered into a SPD to acquire a commercial property in Huizhou (“**Huizhou Transaction**”)

26 Sep 2018

An unsolicited general offer (the “**Offer**”) is made by a significant shareholder (the “**Offeror**”)

29 Oct 2018

Initial closing date of the Offer; minimum acceptance condition was not met. Subsequently, the Offeror made a Revised Offer

28 Nov 2018

The Revised Offer has lapsed as the minimum acceptance condition was not satisfied

Unanticipated offer and acquisition expenses: US$3.1 million

11 Dec 2018

The parties to the SPD agreed on a 1 month extension for the satisfaction of Unitholder’s approval condition

31 Dec 2018

The parties to the SPD cannot agree on a further extension and hence the Huizhou Transaction is terminated.

Anticipated acquisition fees and expenses: US$3.2 million

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SpringREIT

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OUTLOOK & STRATEGIC PRIORITIES

SpringREIT

Outlook in 2019

- The market is at a critical juncture as a large supply of new offices is expected to come onto Beijing market in 2019, coupled with uncertainty in global political and economic environment. However, we do not anticipate a serious oversupply for a number of reasons:
  - The general outlook for China corporate activity remains strong, with the ongoing pent-up demand coming primarily from domestic corporations and the high-tech industry.
  - 56.5% of the new supply in 2019 is either self-used by the landlord or pre-committed.
- From Spring REIT's perspective, our high-quality property remains a prime location for corporations looking for central, prestigious and quality premises in Beijing. As at 31 December 2018, we have 14.9% and 10.7% of the total leasable GFA at CCP Property expiring in the first and second half of 2019, with an average expiring rental rate of RMB382 per sqm and RMB380 per sqm respectively. We remain vigilant with a view to deliver sustainable performance in the context of the Beijing market in 2019.
- Spring REIT's US$-denominated term loan facility expires in April 2020, and in 2019 we will be looking closely at refinancing options. We may look at fine-tuning the extent of our interest and currency rate hedging exposure in a way that better serves the interests of Spring REIT.
- We remain committed to growth with a core focus in commercial properties in China, supplemented by non-core diversified exposures such as the UK Portfolio. Sourcing, timing, pricing, market conditions and operating efficiency are all important factors when assessing a target. DPU accretion and quality of cash flow remain the key considerations.