

Interim Results 2018 Presentation

23 August 2018

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- 3 CCP OPERATION REVIEW
- 4 UK PORTFOLIO
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OVERVIEW

- Spring REIT will pay a interim distribution of HK 12.0 cents, which represents a 26.3% YoY increase.
- Revenue and net property income increased 21.9% and 24.0% YoY respectively in USD terms, thanks to the strong performance of the CCP Property, contribution from the UK Portfolio and a higher RMB/US\$ exchange rate.
- Thanks to limited office completions in Beijing, both passing rents and occupancy rate improved for the CCP Property.
- The UK Portfolio enhanced Spring REIT's cash flow with a 97 percent pass through of its revenue.
- Capital management initiatives including entering into multiple float-to-fixed interest rate swap ("IRS") contracts has provided Spring REIT additional stability.
- RMB exchange rate remained volatile. A higher average RMB/US\$ exchange rate during the Reporting Period boosted distributable income but a lower RMB/US\$ exchange on 30 June 2018 offset the improved appraised value of the investment properties.





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RESULTS SUMMARY

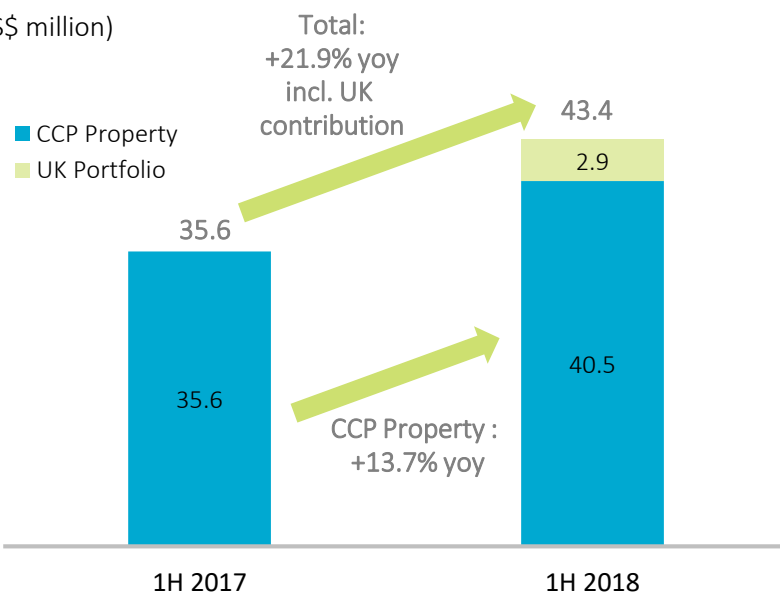
- Stable rental growth from the CCP Property, the contribution of the UK Portfolio and the effects of a stronger RMB/US\$ throughout 1H 2018 plays a part in the improved revenue comparing to first half of 2017.
- Excluding the UK Portfolio, revenue and net property income would still have increased by 13.7% and 13.3% in USD terms YoY respectively.
- Net property income margin improved as the UK Portfolio enhanced our cash flow, with a 96.6 percent pass through of its revenue.
- Total distributable income increased further reflecting a lower interest margin that became effective since July 2017.

Operating Results		1H 2017	1H 2018	Change
Revenue	US\$m	35.60	43.41	+21.9%
Property operating expenses	US\$m	(9.23)	(10.71)	+16.0%
Net property income	US\$m	26.37	32.70	+24.0%
Net property income margin	%	74.1	75.3	+1.2 ppts
G&A Expenses	US\$m	(4.97)	(6.60)	32.8%
Cash Interest Expenses	US\$m	(8.77)	(8.43)	(3.9%)
Total distributable income	US\$m	15.21	20.08	+32.0%

Financial Positions		As at	31 December 2017	30 June 2018	Change
Portfolio valuation	CCP Property	US\$m	1,387.78	1,363.99	(1.7%)
	UK Portfolio	US\$m	100.28	99.76	(0.5%)
	Total	US\$m	1,488.06	1,463.75	(1.6%)
Total borrowing		US\$m	547.48	533.17	(2.6%)
Net asset value		US\$m	1,000.40	975.76	(2.5%)
Gearing ratio		%	34.5	34.4	-0.1 ppts

Revenue

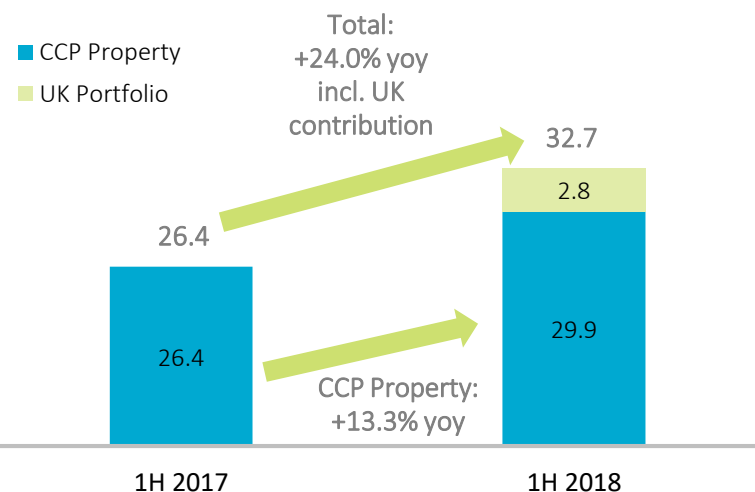
(US\$ million)



- Revenue reflected improved CCP operating performance, contributions from UK properties, and stronger RMB/USD
- For CCP Property, revenue in USD terms up 13.7% YoY.
- Including the contribution from the UK Portfolio, total revenue improved by 21.9% YoY.

Net Property Income

(US\$ million)

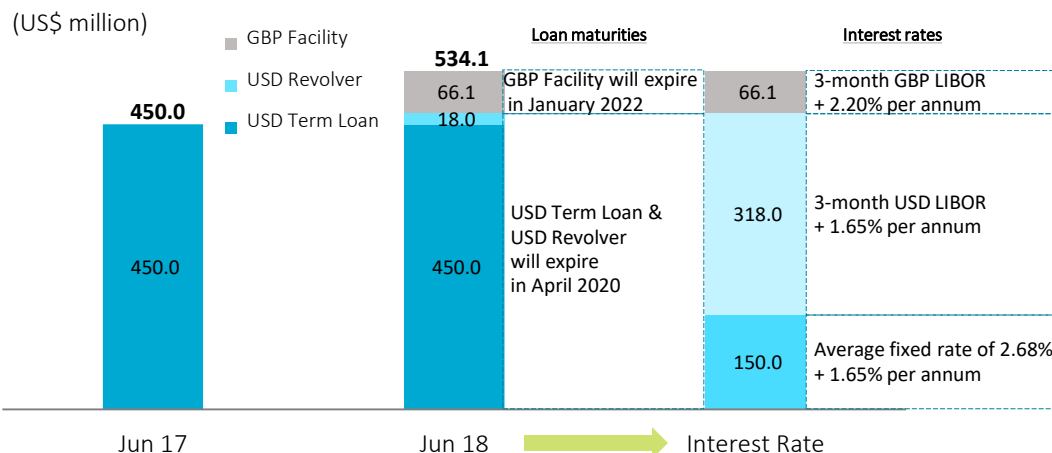


- Net property income is roughly in line with the growth in revenue.
- For CCP Property, NPI in USD terms improved by 13.3% YoY.
- Including the contribution from the UK Portfolio, NPI improved by 24.0% YoY.

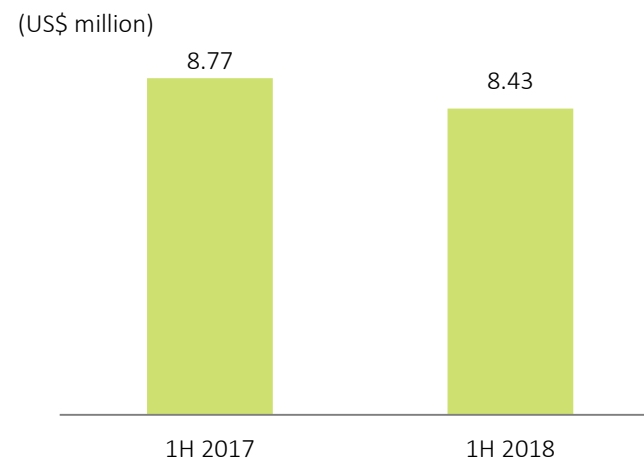
DEBT PROFILE

- In January 2018, Spring REIT fully repaid the two GBP denominated bank borrowings, amounting approximately US\$98.8 mil.
- The repayment was financed by (i) a GBP50 mil new loan facility, (ii) a US\$18 mil revolving facility, and (iii) internal resources.
- To manage the interest rate risk, Spring REIT has entered into three US dollar float-to-fixed IRS contracts, with a weighted average swap rate of 2.68% and maturity at 29 April 2020.

Loan Notional Outstanding



Cash Interest Expenses



Spring REIT's debt facilities:

- US\$468 mil under USD Loan 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\$66.1 mil) under GBP Facility (4-yr term, till Jan 2022)

Gearing ratio at 34.4% (June 2017 : 31.4%)

- Cash interest expenses for 1H 2018 declined 3.8% YoY, thanks to a 110bps reduction in interest margin which offsets a higher USD benchmark rate,
- Some additional interest expenses resulted from the IRS and the extra financing for the acquisition of the UK Portfolio.

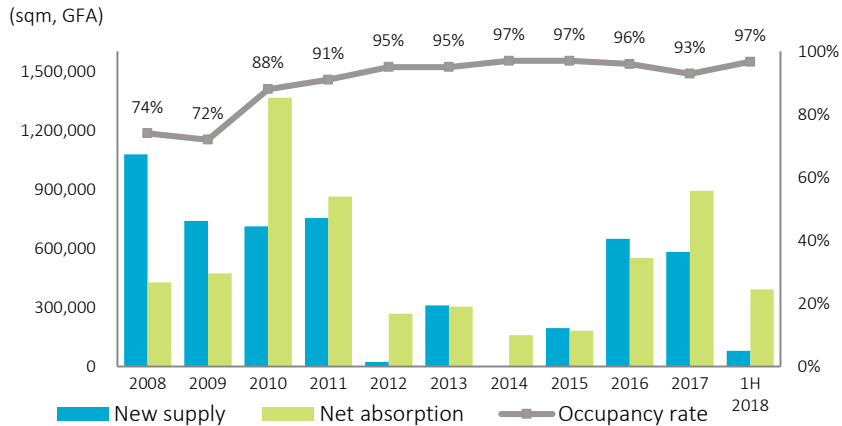


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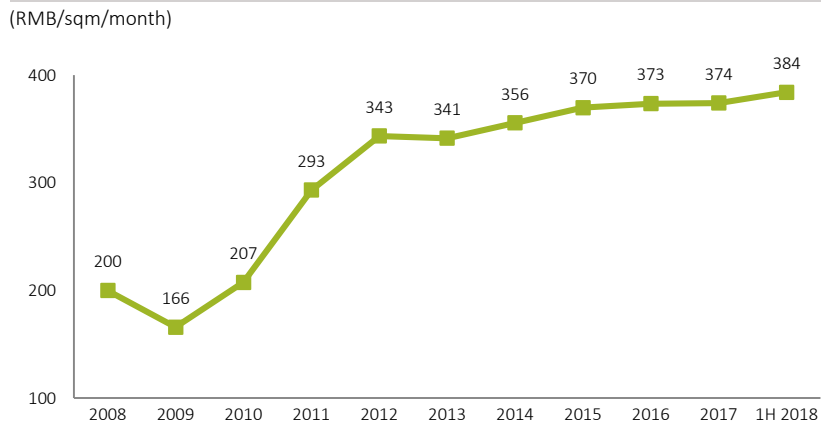
LEASING MARKET CONDITION

Beijing Overall

Beijing Overall – Supply, Absorption, Occupancy

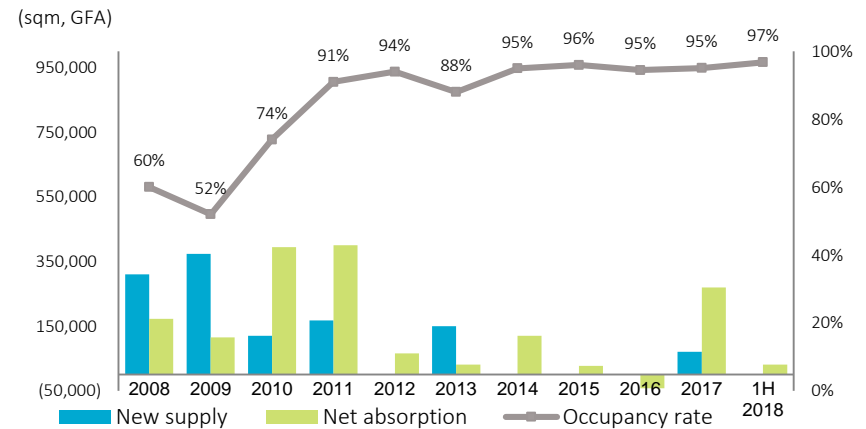


Beijing Overall – Effective Rental Rate

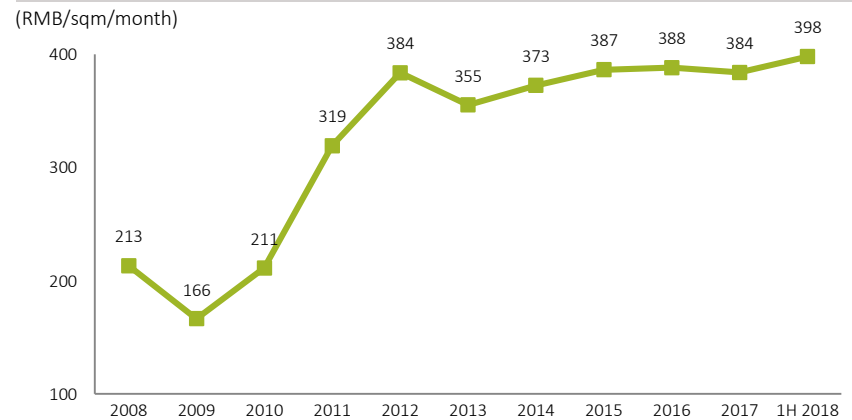


Beijing CBD

Beijing CBD – Supply, Absorption, Occupancy



Beijing CBD – Effective Rental Rate

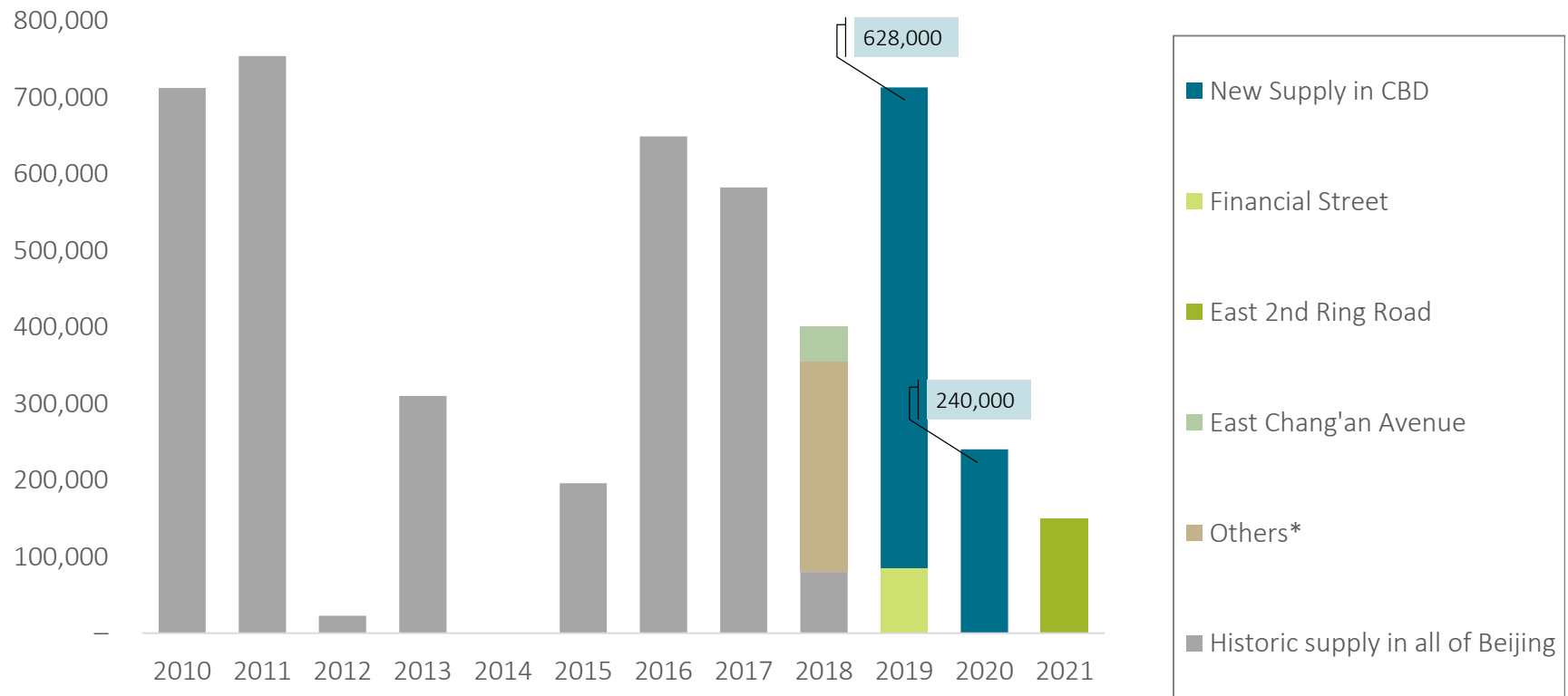


FUTURE GRADE-A OFFICE SUPPLY

Beijing CBD to see more supply in 2019-20

Grade-A office supply by year

(sqm, GFA)



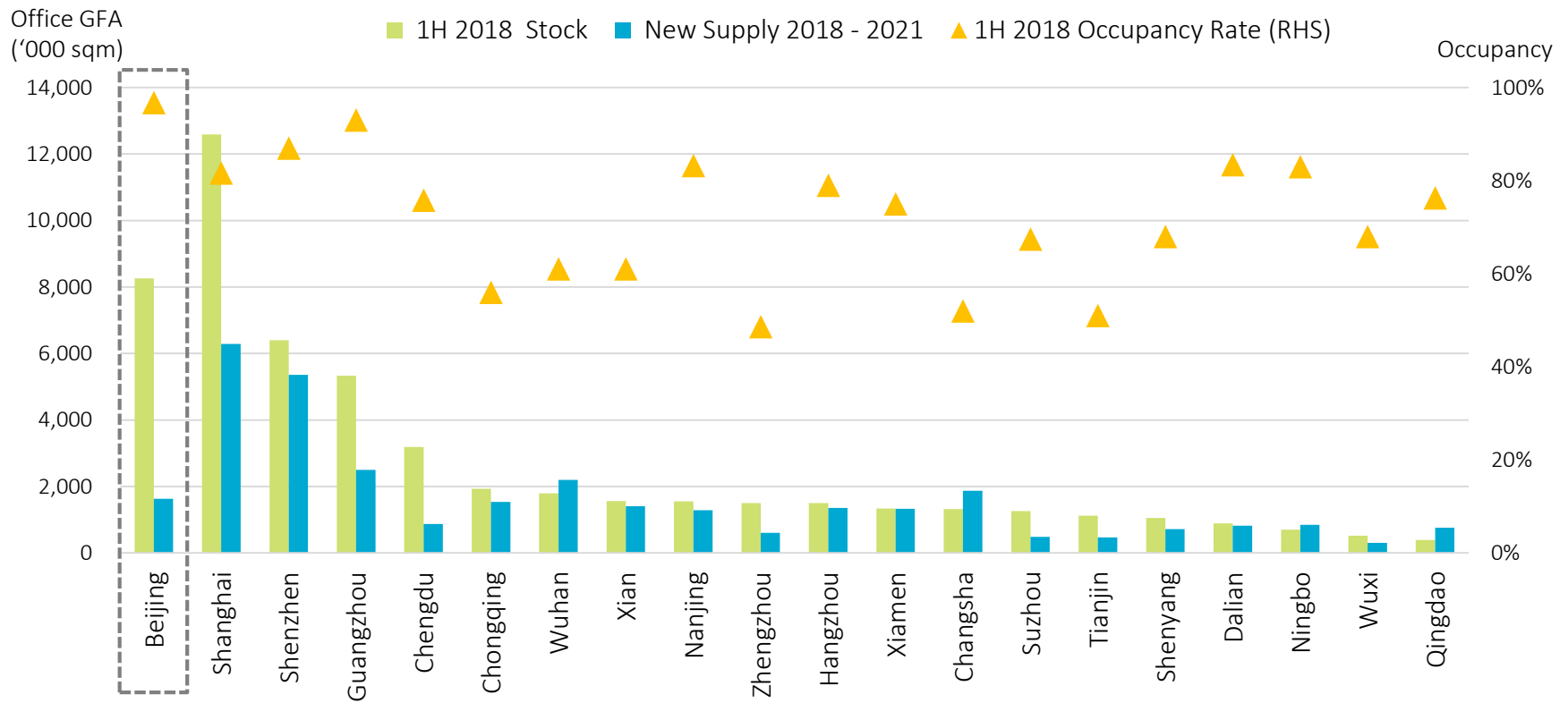
Note:

Others included Wangjing, Lize and Olympic Park

All of the above data are based on JLL Research in June 2018.

COMPARISON OF GRADE-A OFFICE MARKETS ACROSS CHINA

- Beijing has the highest office occupancy of 93%
- Low new supply in the next 4 years, only 6.0% p.a. of existing stock (vs avg. 18.6% p.a. of other selected cities)



Source: Jones Lang LaSalle Research, June 2018

*Note: Ningbo and Wuxi figures are as of 1Q18

CCP PROPERTY OPERATIONS SUMMARY

- Upward momentum continued with revenue rising by 1.3% half-on-half (“HoH”) and by 5.3% YoY.
- After deducting property operating expenses, net property income rose of 2.1% HoH and 4.9% YoY respectively.

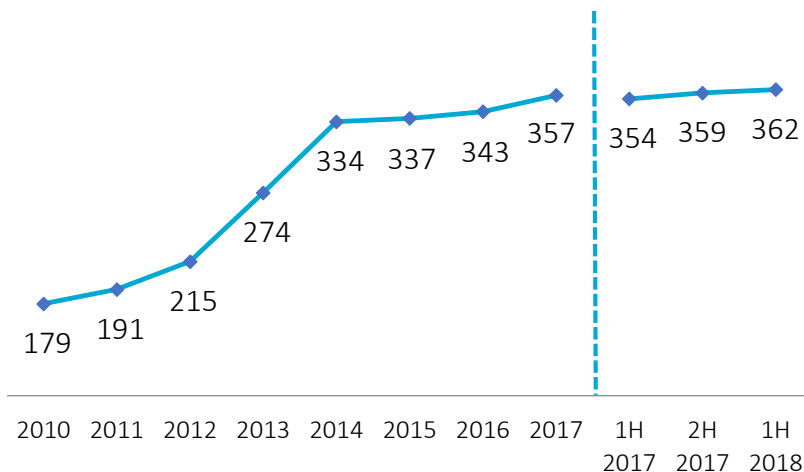
	1H 2017	HoH Change	2H 2017	HoH Change	1H 2018
	<i>RMB mn</i>		<i>RMB mn</i>		<i>RMB mn</i>
Revenues					
- Rental income	237.81	+3.0%	244.99	+2.2%	250.32
- Car park and other income	7.01	+36.2%	9.55	-21.4%	7.51
Total revenue	244.82	+4.0%	254.54	+1.3%	257.83
Property Operating Expenses					
- Property management fee	(5.39)	+2.8%	(5.54)	+2.2%	(5.66)
- Property tax	(28.92)	+2.8%	(29.72)	+1.3%	(30.11)
- Other taxes	(3.48)	-0.6%	(3.46)	+2.9%	(3.56)
- Withholding tax	(24.20)	+3.1%	(24.94)	+6.0%	(26.44)
- Leasing commission & others	(1.50)	+200.0%	(4.50)	-60.0%	(1.80)
Total property expenses	(63.49)	+7.4%	(68.16)	-0.9%	(67.57)
Net Property Income	181.33	+2.8%	186.38	+2.1%	190.26

CCP LEASING PERFORMANCE

- Operating performance was encouraging, with an average occupancy of 96.1% (2H 2017: 95.0%; 1H 2017: 93.5%).
- The monthly average passing rent (net of VAT) stood at RMB362 per sqm, up 0.8% HoH and 2.3% YoY on the back of a respectable average rental reversion of 4.5% (2H 2017: 5.8%; 1H 2017: 6.0%).

Net Average Passing Rents

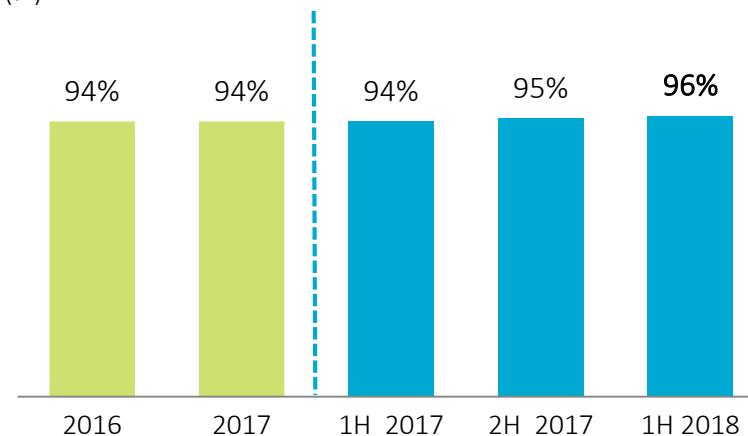
(RMB per sqm per month)



- Net passing rent of 1H 2018 up 2.3% YoY and 0.8% HoH
- Positive rental reversion of 4.5% for 1H 2018 (2017: 5.8%)
- Retention rate is approx. 77%

Average Occupancy Rates

(%)

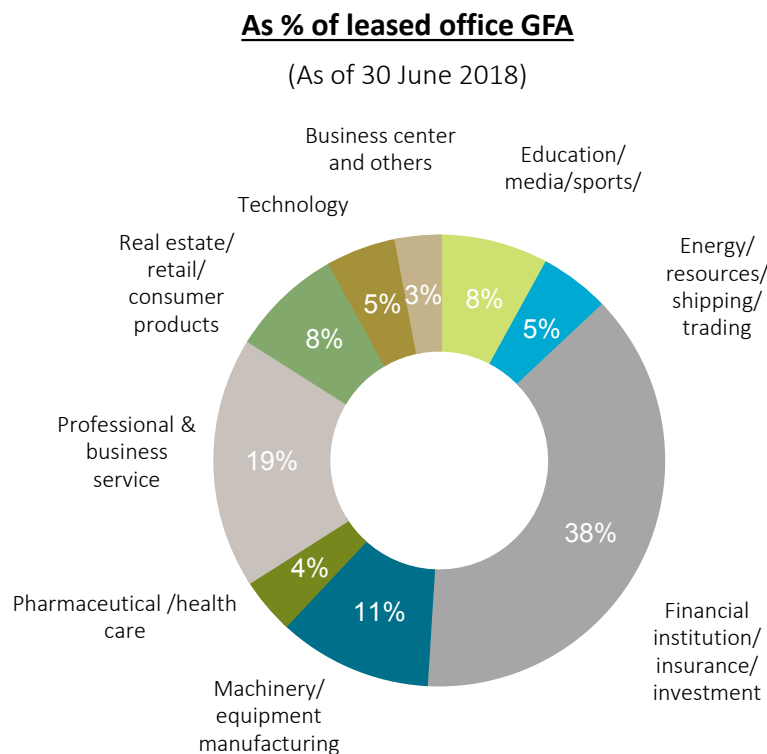


- Average occupancy consistently above 90% since 2010
- Average occupancy sustained a consistent improvement to 96% for 1H 2018

CCP TENANT BASE

- CCP Property had a total of 192 tenancies as at 30 June 2018.
- The top five tenants accounted for 21.0% of total revenue for the Reporting Period and occupied 22.8% of the total GFA as at 30 June 2018

Tenants by Industry



Top 5 Tenants

Tenants	% of total leased GFA
Epson	5.7%
Delsk	4.8%
Condé Nast	4.1%
Zhong De Securities	4.1%
Deutsche Bank	4.1%

22.8%

Note: as of 30 June 2018

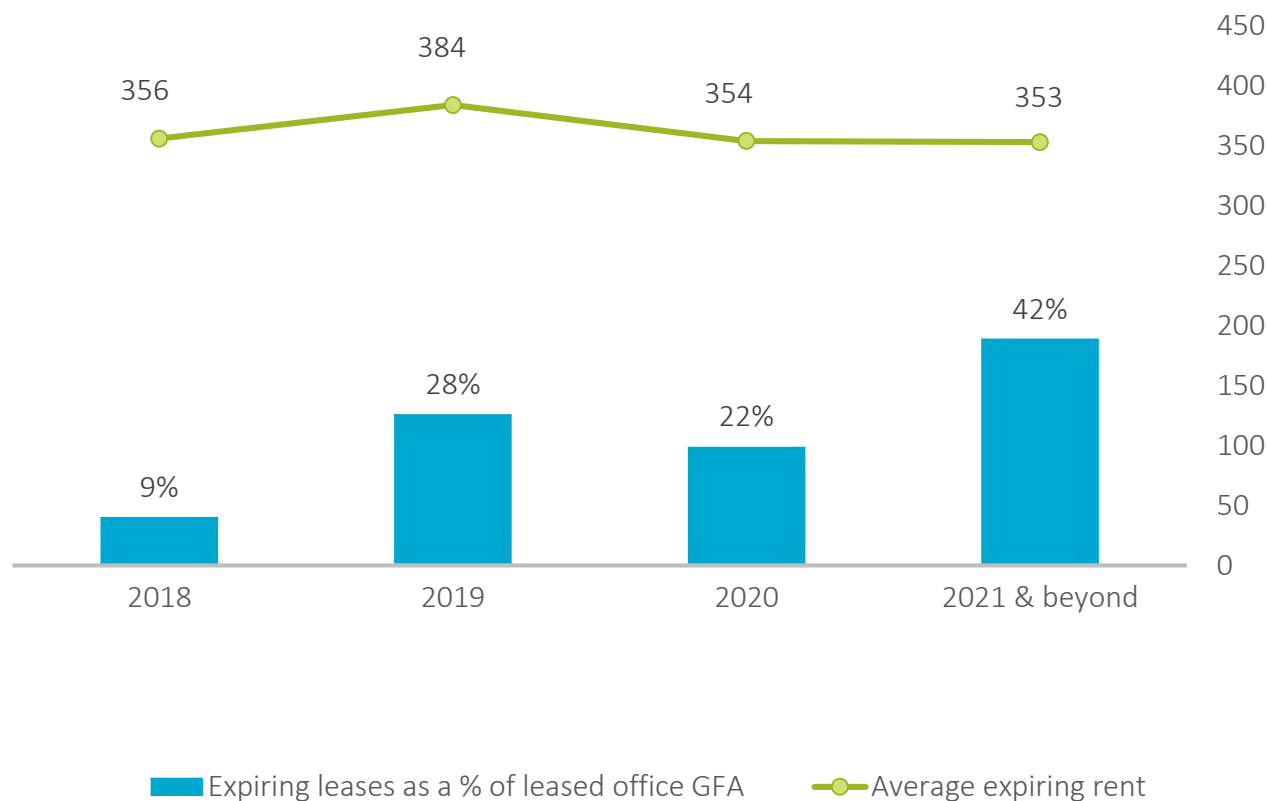
Other industry-leading tenants

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

Note: as of 30 June 2018

CCP EXPIRING LEASE PROFILE

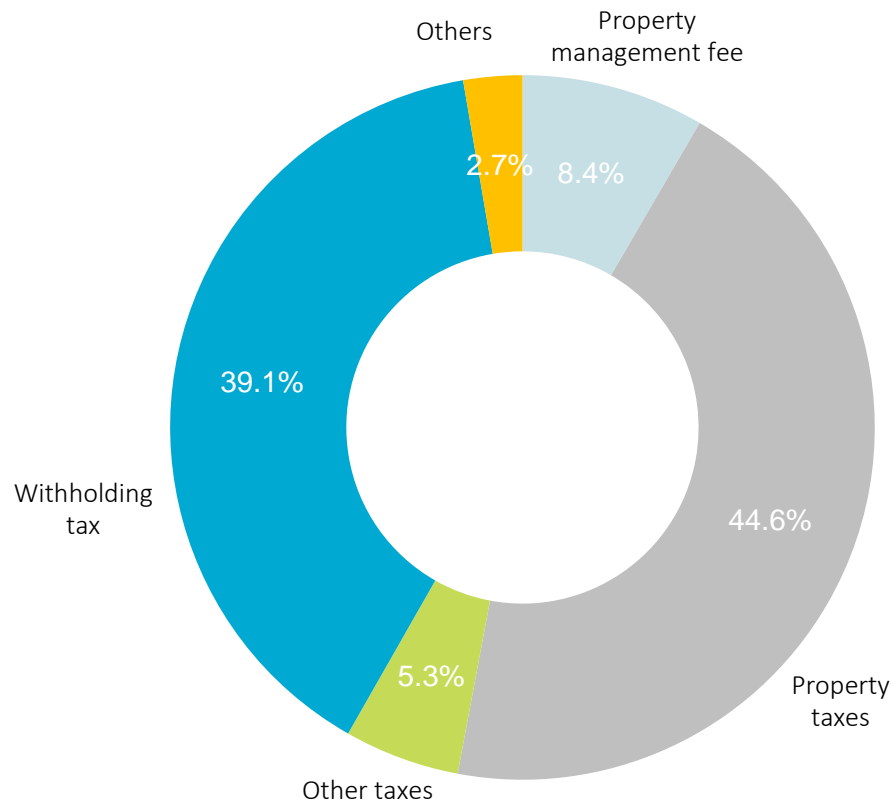
- As at 30 June 2018, average lease expiry in terms of GFA was 771 days. Leases expiring in the second half of 2018 and in the year ending 31 December 2019 accounted for 9% and 28% of the total leased GFA respectively, and the average unit rents for the expiring leases were RMB356 per sqm and RMB384 per sqm respectively..



COST STRUCTURE OF CCP PROPERTY

- A 0.9% HoH decrease in property operating expenses was seen during the Reporting Period.
- This was primarily due to a 70.9% HoH decrease in leasing commission, which helped lower operating expenses despite increases in tax expenses and in the property management fee during the Reporting Period.

1H 2018



■ 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 taxes

- Includes real estate tax and land use tax
- 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

■ Property management fee

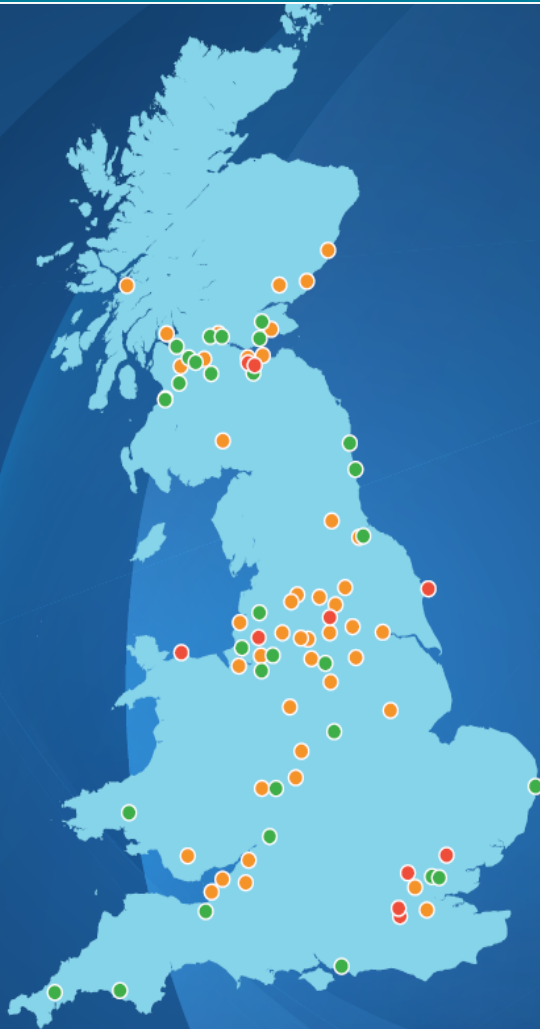
- 2% of the total revenue



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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

THE UK ACQUISITION AND OPERATION SUMMARY

SpringREIT

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

	1H 2018
	GBP
Revenues	
- Rental income	2,193,404
Expenditure	
- Head rents on leasehold properties	(43,845)
- Property management fees	(31,500)
Net Property Income	2,118,059

Portfolio Highlights

1. **The portfolio:** 84 separate commercial properties in the UK, with a total gross internal area of approx. 500,000 sq.ft.
2. **Purchase price:** £73,500,000 in line with appraised value of £73,566,000, funded by debt.
3. **Initial gross rental yield:** 6.1% (unleveraged)
4. **Rental revisions:** Only upward rental adjustment every five year
5. **Lease terms:** All but one of the leases expiring in March 2032, 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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Outlook in 2H 2018

- Our CCP Property continued its healthy organic growth with a respectable rental reversion of 4.5% and improved occupancy rate. Barring unforeseen circumstances, we expect a steady leasing operation for CCP Property in 2H 2018 as we are seeing delays in a number of projects in the CBD area that are now scheduled to be completed in 2019 and 2020.
- Leases expiring in the second half of 2018 accounts for 9% of the total leased GFA, with the average unit rent at RMB356 per sqm.
- At the end of last year, the Manager emphasized on managing the interest rate risk. Thus far, we have entered into three IRS contracts, effectively locking up the interest rate for 32.1% of the USD loans of Spring REIT.
- Going forward, the Manager will put more emphasis in managing currency risk as the RMB became more volatile and has depreciated noticeable since mid-June. The downward trend in the RMB exchange rate may negatively impact the performance of the CCP Property in US\$ terms to the extent that DPU in the second half of 2018 may be lower than the 2018 interim distribution.
- We will continue to seek potential acquisitions, with priority on properties that provide solid cash flow. 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.