SpringREIT

Final Results 2019

Presentation

27 March 2020

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Overview of FY 2019

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- Spring REIT will pay a final distribution of HK 8.9 cents. Total distribution for the Reporting Year amounts to HK 18.9 cents per Unit (FY 2018: HK19.2 cents per Unit).
- Presentation currency changed from US$ to RMB to better reflect the underlying performance.
- Revenue and net property income decreased by 2.2% and 3.2% YoY respectively. Total distributable income rose 10.8% YoY to RMB 232.3 million.
- CCP Property has proven to be resilient and outperformed the Beijing office market, registering an occupancy rate of 95.1% at year-end and an average positive rental reversion of 2.1% for the year.
- The Manager successfully refinanced the US$470 million loan facility due in April 2020. This has substantially strengthened Spring REIT’s capital structure and provided stronger financial means for long-term development.
- The timing of the refinancing could not have been completed at a more opportune time given the rapid deterioration in economic conditions since December 2019, and the Manager believes that in the longer term, Spring REIT will benefit from having Sino-Ocean Group as a strategic partner.

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FY 2019 Results Summary

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- Temporary dip of occupancy at the CCP Property in the first quarter has resulted in a decline in both revenue and net property income.
- Total distributable income increased as a substantial amount of one-off expenses arising from extraordinary events was incurred in FY 2018. DPU, however, decreased slightly as a result of unit issuance from the conversion of the convertible bond.
- Net asset value improved as valuation of our investment properties increased.

Operating Results (in RMB' million)	FY 2019	FY 2018	Change
Revenue	546.59	558.83	*(2.2%)*
Property operating expenses	(139.77)	(138.64)	*0.8%*
Net property income	406.82	420.19	*(3.2%)*
Net property income margin (%)	74.4	75.2	*- 0.8 ppts*
G&A expenses	(67.35)	(118.37)	*(43.1%)*
Cash interest expense	(151.93)	(127.89)	*18.8%*
Total distributable income	232.29	209.68	*10.8%*
DPU (HK cents)	18.9	19.2	*(1.6%)*

Financial Positions (in RMB' million)		FY 2019	FY 2018	Change
Portfolio valuation	CCP Property	9,174.00	9,096.00	*0.9%*
	UK Portfolio	699.27	668.06	*4.7%*
	Total	9,873.27	9,764.06	*1.1%*
Total borrowings		3,704.84	3,654.54	*1.4%*
Net asset value		6,447.77	6,363.44	*1.3%*
Gearing ratio (%)		35.5	35.5	-

FINANCIAL PERFORMANCE

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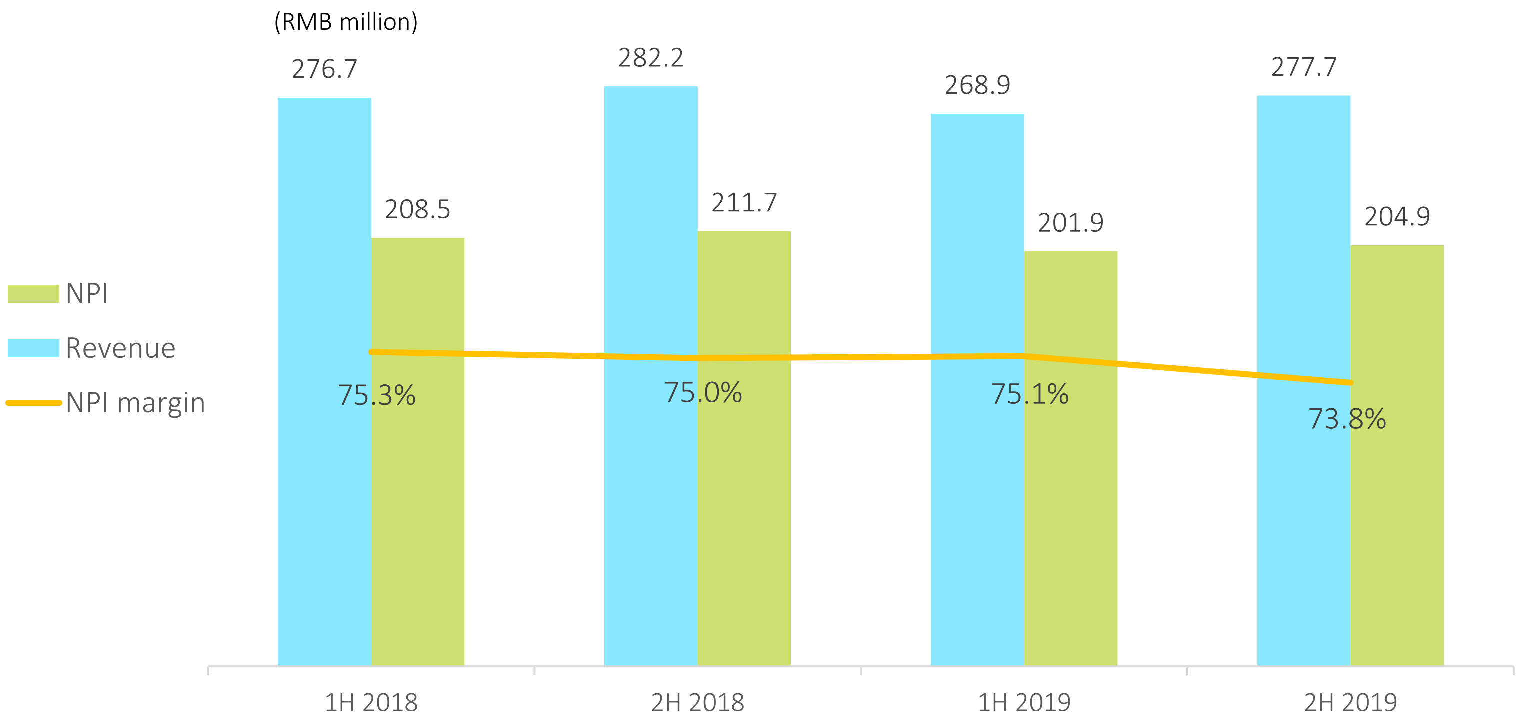
- As the main driver of our profit, CCP Property rental income decreased by 3.0% YoY, as there was a temporary dip in occupancy in the first quarter. Since then, occupancy recovered in a satisfactory manner and reached 95.1% at the end of the year.
- Overall net property income margin maintained at 74.4% (FY 2018: 75.2%).
- Revenue from the UK Portfolio remained stable, contributing around 8% and 10% of the total revenue and NPI respectively, by delivering a 98.3% pass through of revenue.

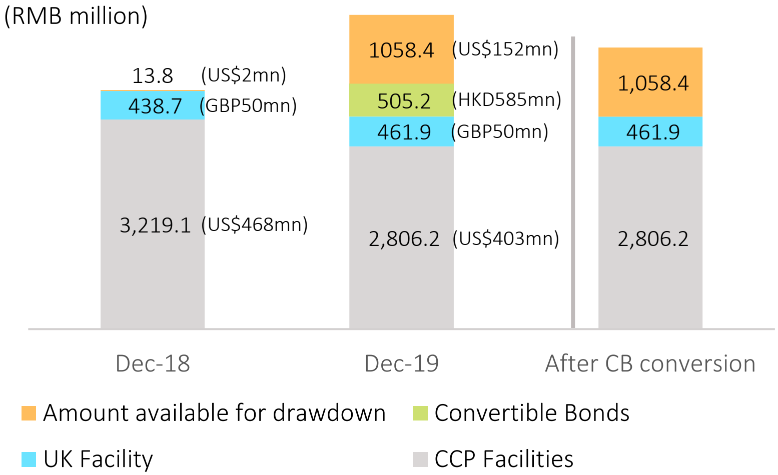


DEBT PROFILE

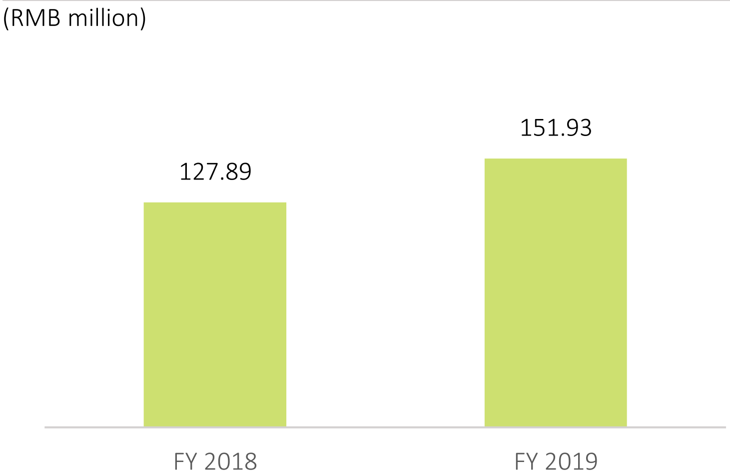
SpringREIT

- The refinancing of the previous CCP facilities was completed in late 2019, through a combination of entering into a new loan facilities and issuance of convertible bonds.
- The refinancing exercise resulted in an overall lower interest cost, diversification of our debt instruments, additional financial resources in the form of undrawn bank loan facilities available for future draw down.
- Subsequently, in February 2020, the convertible bonds were converted, reducing gearing ratio from 35.5% to 30.7%.

Loan Notional



Cash Interest Expenses



Spring REIT's debt facilities:

- US$555mn under CCP Facilities (5-year term, till Dec 2024) :
  (i) Drawndown amount of US$403mn
  (ii) Undrawn amount of US$152mn
- New CCP facilities bear an interest rate of 3-month USD Libor + 1.55% per annum, reducing the margin by 10 basis points.
- GBP50 mil under UK Facility (4-year term, till Jan 2022)
- Gearing ratio at 35.5% (Dec 2018 : 35.5%; After CB conversion:30.7%)

Interest rate exposure and counter-measures:

- Cash interest expense increased by 18.8% YoY due to a higher GBP and US$ Libor rate, further amplified by the depreciation of RMB.
- Float-to-fixed IRS entered during 1H 2018, covering USD150mn of USD loan with an average swap rate of 2.68%, maturing in April 2020.

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LEASING MARKET CONDITION

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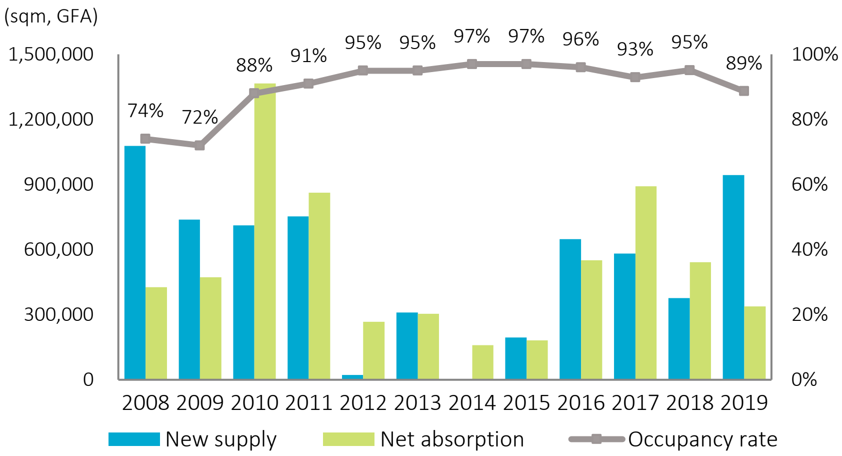
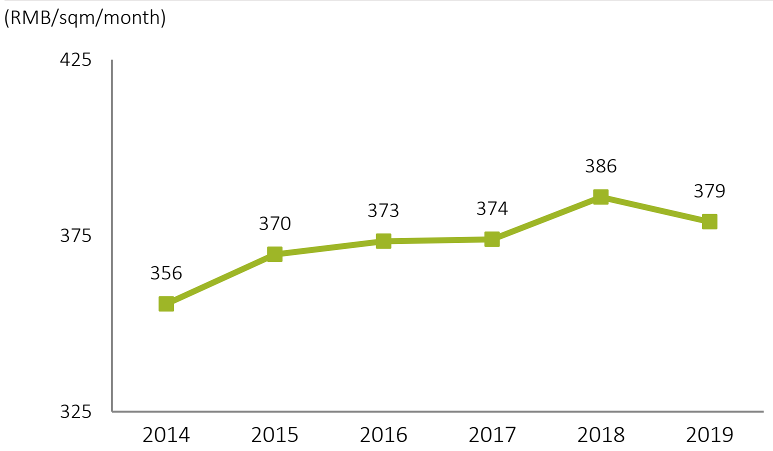
Beijing Overall

Beijing Overall – Supply, Absorption, Occupancy

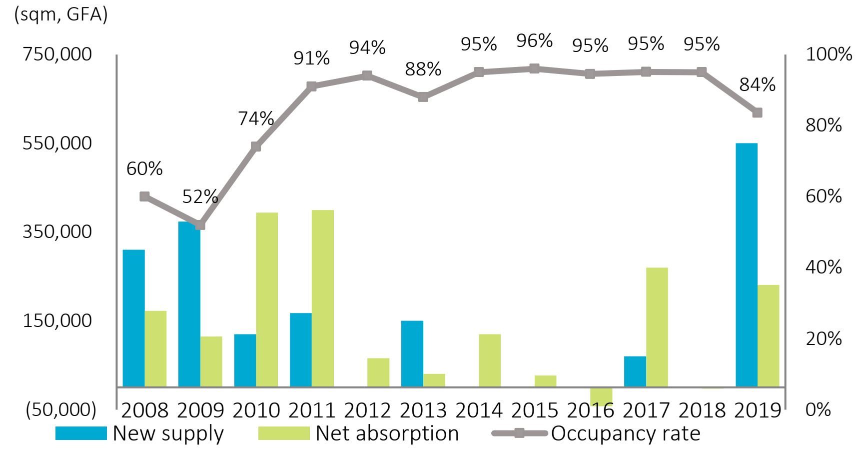


Beijing Overall – Effective Rental Rate

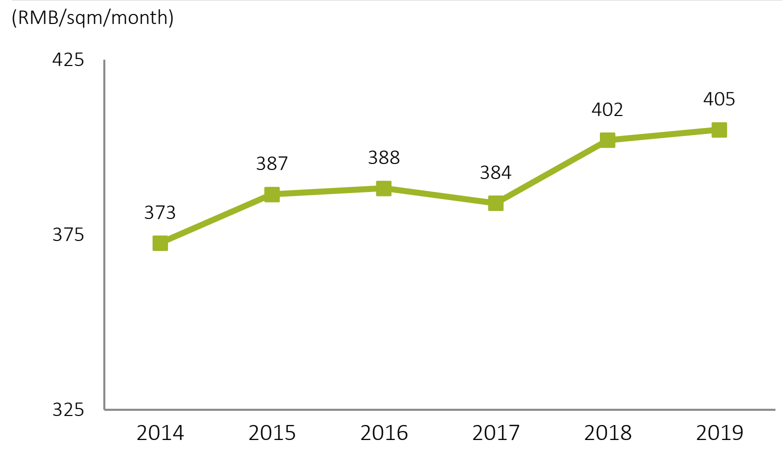


Beijing CBD

Beijing CBD – Supply, Absorption, Occupancy



Beijing CBD – Effective Rental Rate



Source: JLL Research, Dec 2019

FUTURE GRADE-A OFFICE SUPPLY

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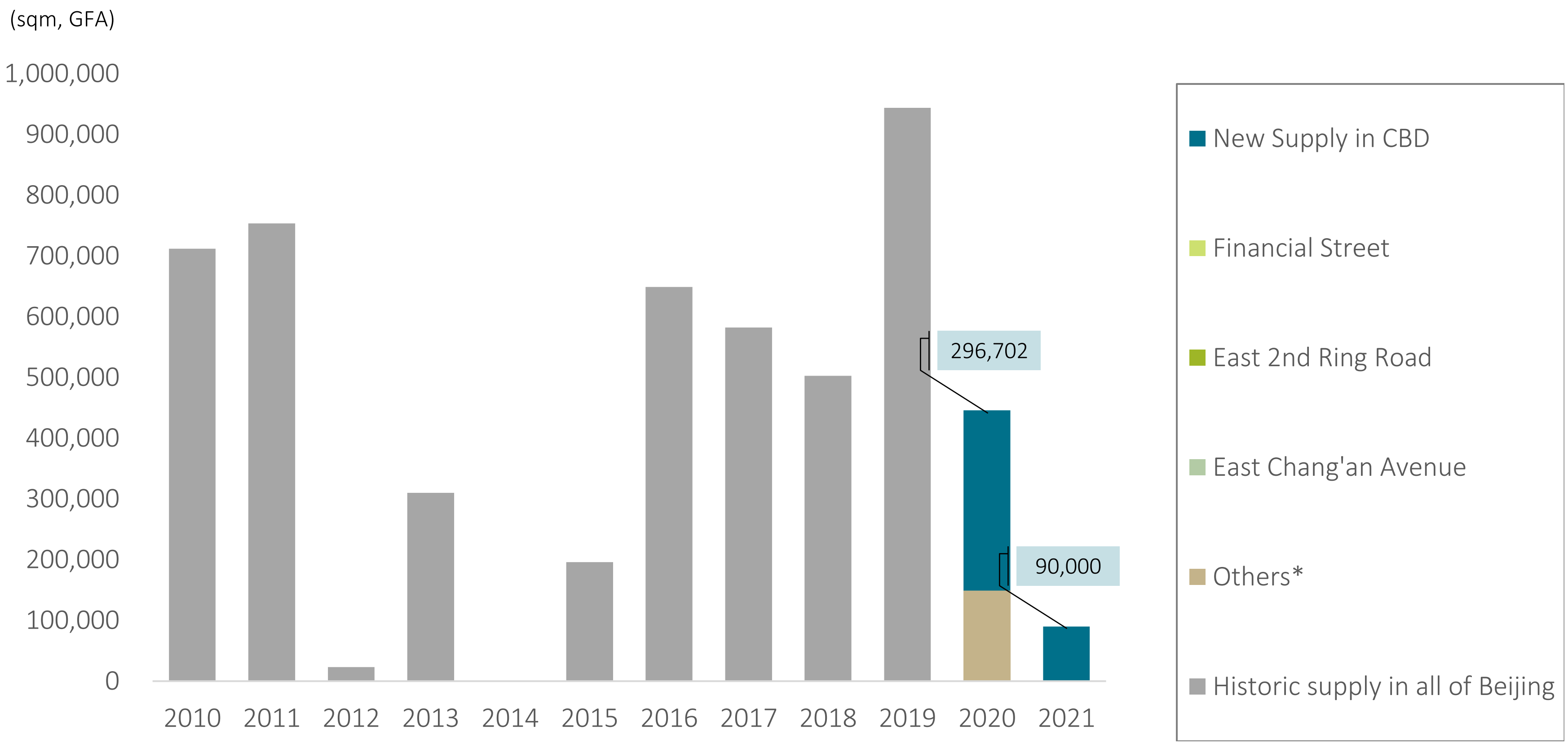
Of the 585,102 sqm GFA of new supply in 2020 and 2021:-

- 66% of the GFA will be located in the CBD area
- Of which, 49% 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 Dec 2019.

Comparison of Grade-A Office Markets across China

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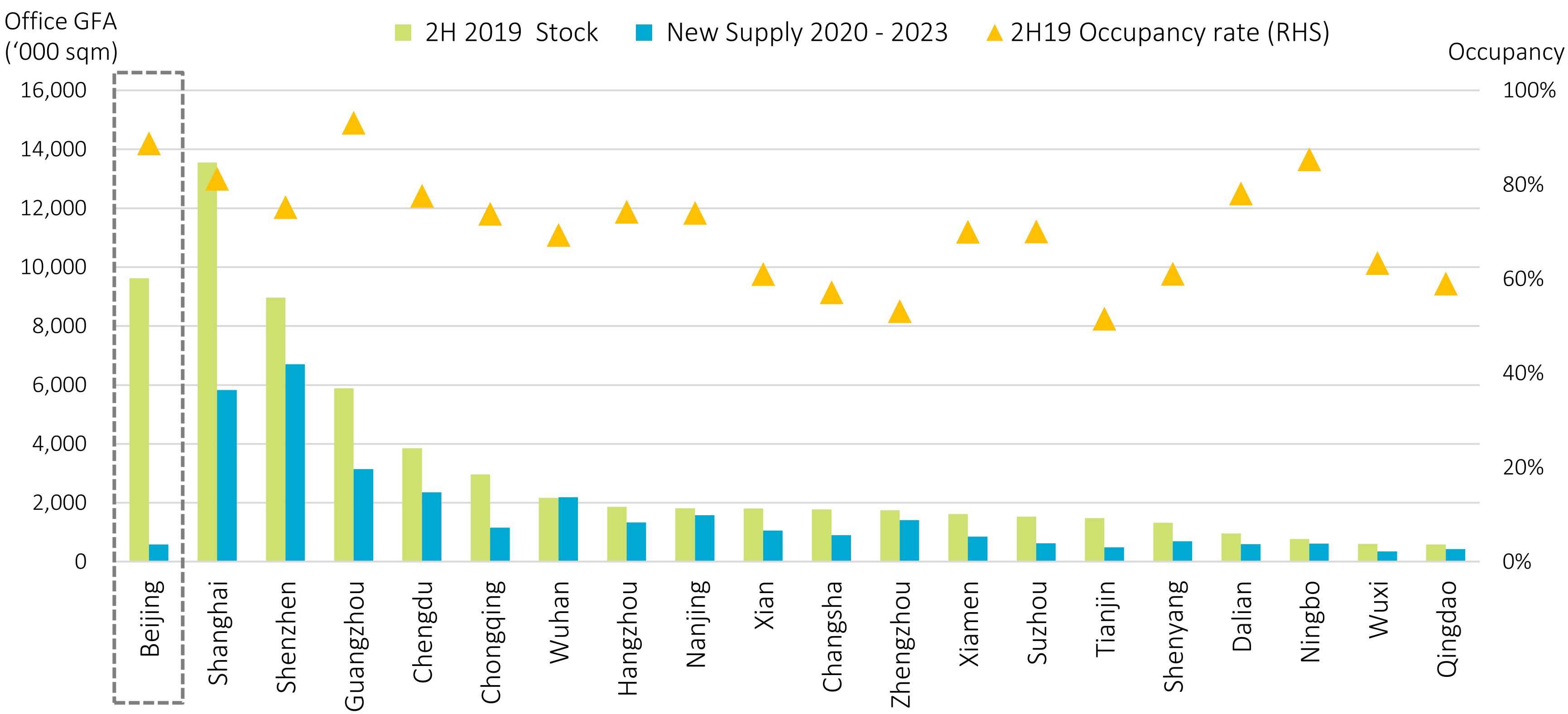
- Beijing and Guangzhou have highest office occupancy of above 89%.
- Low new supply in the next 4 years, only 1.5% p.a. of existing stock (vs avg. 14.6% p.a. of other selected cities)



Source: Jones Lang LaSalle Research, Dec 2019

*Note: Dalian is as of 3Q19, Zhengzhou is as 2Q19, Xiamen and Ningbo are as 1Q19

CCP Property Operations Summary

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- Rental income at CCP Property declined by 3.0% YoY, due to a temporary dip in occupancy in the first quarter.
- Property operating expenses increased by 1.4%, due to higher leasing commission and reinstatement cost.
- Cost structure remained stable, with NPI margin at 72.5% (FY 2018: 73.6%)

	FY 2019	FY 2018	*Change*
(in RMB' million)			
Revenues			
- Rental income	484.10	499.13	*(3.0%)*
- Car park & other income	21.43	21.13	*1.4%*
Total revenue	505.53	520.26	*(2.8%)*
Property Operating Expenses			
- Property management fee	(10.98)	(11.42)	*(3.9%)*
- Property tax	(58.58)	(60.92)	*(3.8%)*
- Withholding tax	(50.33)	(53.05)	*(5.1%)*
- Other taxes	(6.16)	(6.98)	*(11.7%)*
- Leasing commission & others	(13.05)	(4.82)	*170.7%*
Total property expenses	(139.10)	(137.19)	*1.4%*
Net Property Income	366.43	383.07	*(4.3%)*

Leasing Performance

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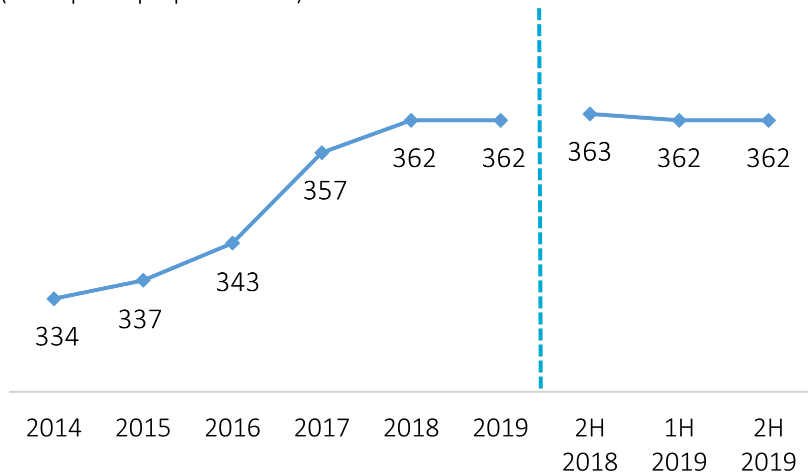
- Stable passing rent and temporary dip in occupancy rates amid upcoming CBD office supply

Average Passing Rents

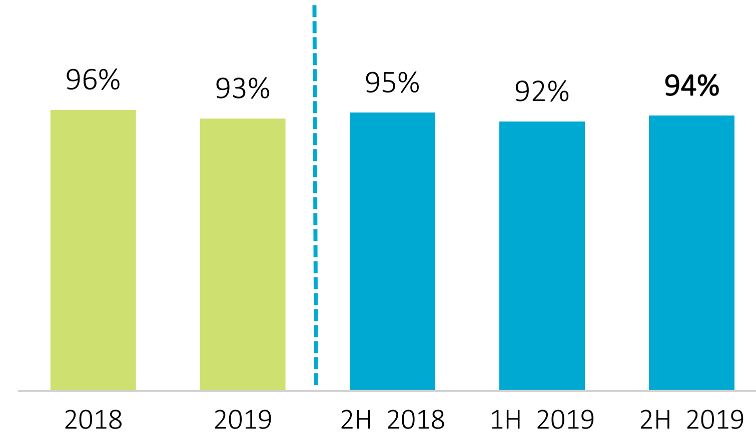
(RMB per sqm per month)



- Net passing rent remains relatively flat
- Positive rental reversion of 2.1% for FY 2019 (FY18: 4.7%)
- Retention rate 66.2% (FY18: 74.7%)

Average Occupancy Rates

(%)



- Average occupancy consistently above 90% since 2010
- Average occupancy rate receded to 92% for 1H 2019, and recovered to 94% in 2H 2019.
- As at 31 December 2019, occupancy had reached to 95%.

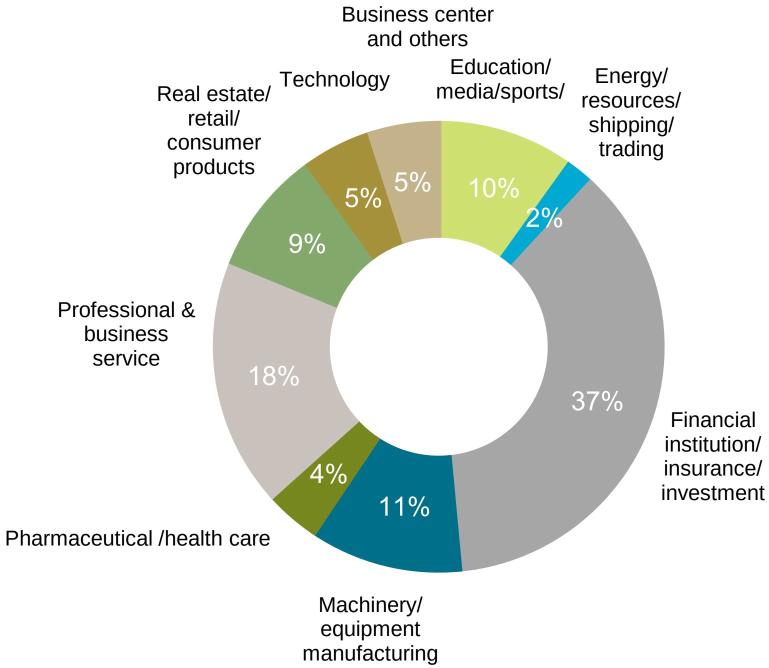
Tenant Base

Diverse and high-quality tenant mix

Tenants by Industry

As % of leased office GFA

(As of 31 December 2019)



Top 5 Tenants

Tenants	% of total leased GFA
Epson	6.4%
Zhong De Securities	4.2%
Deutsche Bank	4.2%
Xinyuan	4.2%
Condé Nast	4.2%

23.2%

Note: as of 31 December 2019

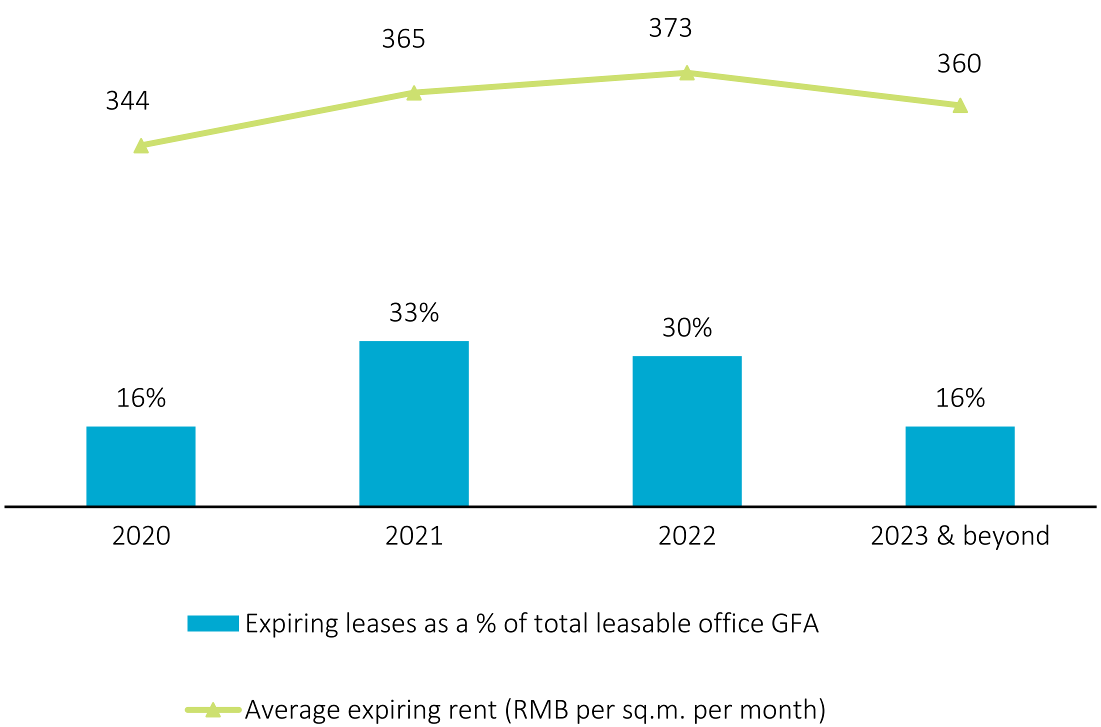
Other industry-leading tenants

- Global Law Office
- White & Case
- Goodman
- Baxter
- Chanel
- AECOM
- Bain & Company
- Richemont
- AIG
- Pandora Jewelry

Note: as of 31 December 2019

EXPIRING LEASE PROFILE

- Average lease expiry of existing leases (in GFA terms) as of 31 December 2019 was 740 days.
- Lease expiries in 2020 – about 5% and 11% in the first and second half of 2020, with an average expiring rental rate of RMB386 per sqm and RMB325 per sqm respectively



COST STRUCTURE OF CCP PROPERTY

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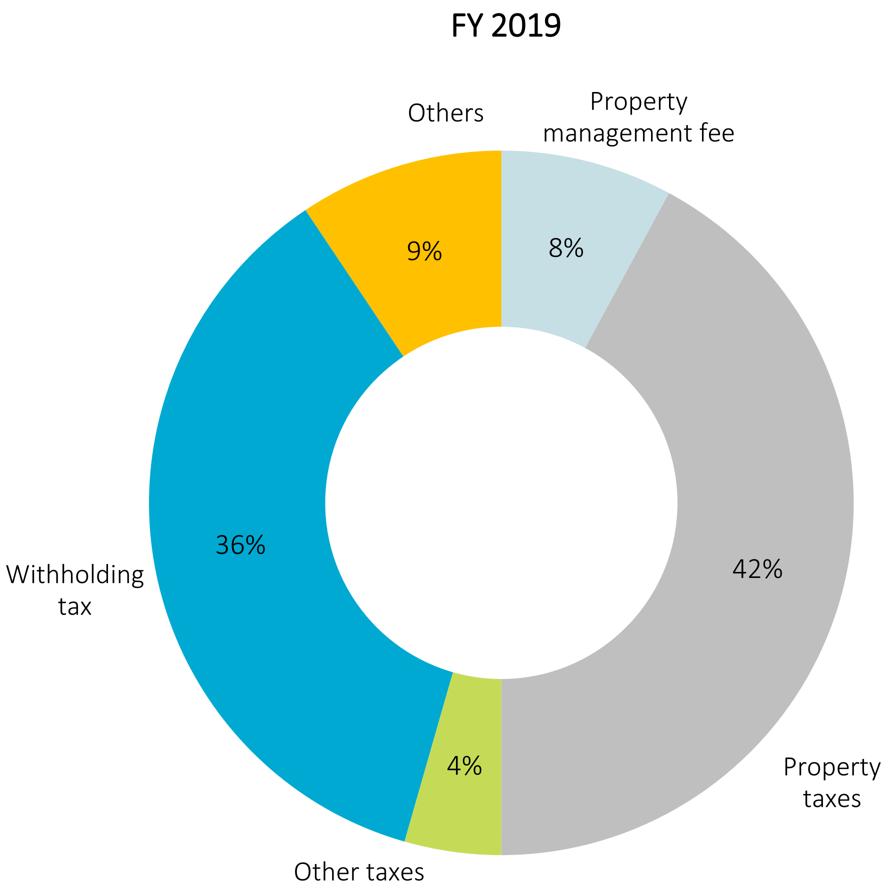
Most property expenses are revenue-linked or fixed

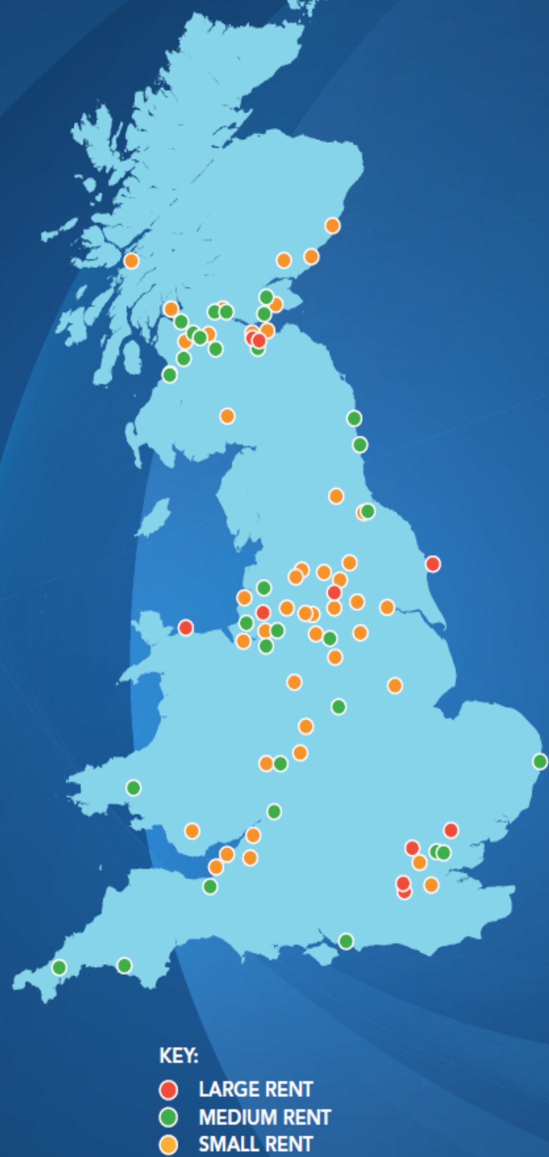


- Property taxes
  - Includes real estate tax and land use tax
  - Starting from 2H 2016, real estate tax calculated based on 12% of revenue for leased area, and 1.2% of the residual value of vacant area
  - Land use tax based on the site area of the development
- Withholding tax
  - 10% of revenues received from rental operations
- Other taxes
  - 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

AGENDA


Kwik Fit
Kwik Fit
SERVICING
WHEEL ALIGNMENT
SUSPENSION
20
ZONE

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

SpringREIT

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

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 (acquisition completed in July 2017)
3. **Initial gross rental yield:** 6.1% (unleveraged)
4. **Rental revisions:** Upward-only rental adjustment every five year
5. **Lease terms:** All but one leases expire in 2032; no break clause; the tenant has an option to extend for an additional 15 years
6. **Annual contract rental income:** approximately GBP 4.55 million
7. **NPI margin:** 98.3% pass through of its revenue
8. **Single tenant:** Kwik-Fit (GB) Limited

AGENDA

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Outlook & Strategic Priorities

SpringREIT

- As we enter 2020, there has been no sign of improvement of the China-US trade relation nor is there optimism in the real estate market due to the impact of COVID-19. While the aftermath of either events remain unclear, the impact to our businesses thus far has remained manageable. Given the weak economic backdrop, the Manager remains cautious about prospects for 2020. Analysts predicts weak demand for office space in Beijing in the current environment with higher vacancy rates and downward pressure on rents.
- At the time of writing, CCP Property has registered a mildly postive rental reversion since the beginning of the year, however, it is hard to predict the leasing performance for the rest of the year given the macro uncertainties.
- Since the onset of COVID-19, we have seen central banks around the world adopting aggressive monetary easing in support of the capital markets and the real economy, which will put Spring REIT in a more favorable interest rate environment and translate into lower interest cost thus benefitting our unitholder directly.
- The refinancing exercise, in hindsight, couldn't have been done with a better timing. The new capital structure has put Spring REIT on a strong footing, on which the Manager will further consider to strengthen Spring REIT's current debt structure by taking advantage of low policy rates and to lock in lower cost of funds.
- Subsequently, upon the bond conversion in February 2020, Sino-Ocean led consortium became a strategic partner to the platform and the Manager intends to leverage on its experience in commercial space and strong portfolio in China.
- Further, in light of recent stock market volatility as COVID-19 outbreak continued, the Manager will seek unitholders' approval in the upcoming Annual General Meeting tentatively scheduled in May for a general mandate to repurchase Spring REIT units as and when appropriate.
- It is the Manager's strong belief that the steps taken in 2019 to enhance Spring REIT's financial stability and partner with Sino-Ocean are delivering significant enhancements to our future prospects. Despite a complex macro environment, we are entering 2020 with quiet confidence that our quality office premises, enhanced capital structure and new strategic partner will together open new doors for portfolio enhancement and growth in the future, while enabling Spring REIT to continue to deliver stable distributions to its Unitholders.