



# **SPRING REIT (1426.HK)**

## **Annual Results Presentation 2013**

18 March 2014

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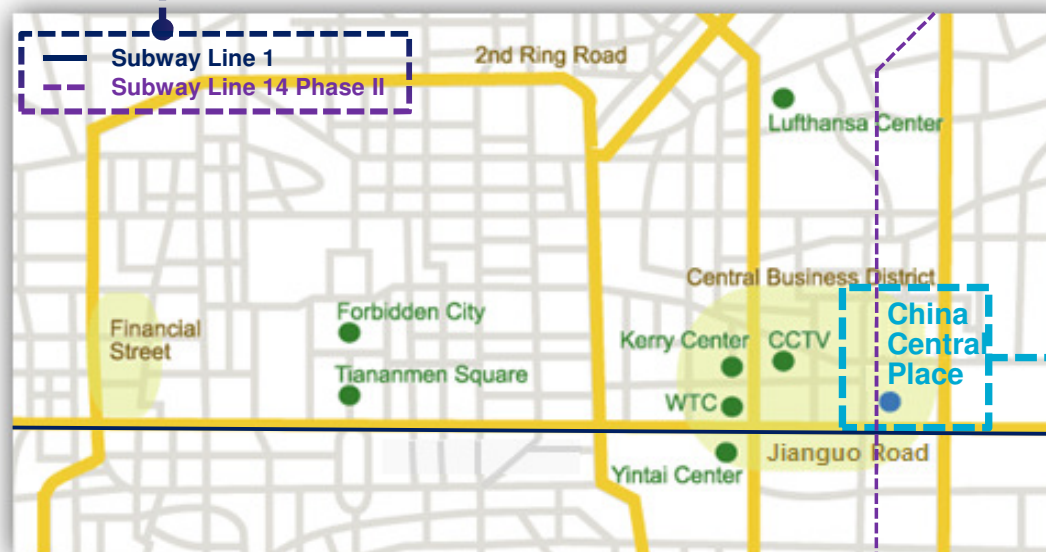
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# The Property

- A part of China Central Place (“CCP”) (华贸中心), a prime mixed-use complex with well-recognized brand hotels and shopping centres
- All office floors of Office Tower 1 and Office Tower 2 in CCP and approximately 600 car parking spaces (the “Property”). Total GFA 145,373 sq.m.<sup>(1)</sup>
- Located at the core area of the expanded CBD at the intersection of Jianguo Road and West Dawang Road, near the Fourth Ring Road
- Direct access to Subway Line 1 through the shopping mall and Subway Line 14 Phase II (currently under construction; is scheduled to open in 2015. )
- Appraised value: RMB7,760 million<sup>(2)</sup> (approximately US\$1,273 million)

(1) Include GFA of 25,127 sq.m. of car parking spaces  
(2) As at 31 December 2013



- 1 **Key Messages**
- 2 **Results Highlight**
- 3 **Outlook**
- 4 **Strategies**

# Key Messages



# Key Messages

## Five Competitive Strengths Hold Strong

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**1** Exposure to Premium Grade office buildings

**2** Part of China Central Place – a prime mixed-use complex in Beijing CBD and a well recognized brand

**3** Maintains high occupancy rate of 96% with a diverse and high quality tenant base

**4** Attractive distribution prospects with positive rental reversion

**5** Transparent and professional management team with proven track record



# Results Highlight

# Results Highlight

## Strong Performance for the Year 2013

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### Strong Operating Performance

- Total revenue **+25.4% YoY** to US\$66.3 mn
- Net property income **+26.1% YoY** to US\$49.5 mn
- Occupancy at **96%** (unchanged since 2011)

2

### Positive Rental Reversion

- 52% of the existing leases were entered into in 2013 (incl. renewals)
- Average monthly spot rental **+13% YoY** to RMB375/sqm<sup>(1)</sup> (vs 2013 average expiring rental at RMB221/sqm)
- Average monthly passing rental **+27.4% YoY** to RMB288/sqm

3

### Results Beats OC Forecast (Listing Date to 31 Dec 2013)

- Total distributable income was US\$2.248 mn, 7.7% above OC Forecast
- Implied regular DPU was HK\$0.214 (annualized), representing a distribution yield of **6.8%**<sup>(2) (3)</sup> (annualized)

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### Special Distribution

- Special DPU HK\$0.07 (equiv. **2.2%** of the unit closing price as at end-2013)

(1) Excluding certain transitional extensions and an exceptional renewal.

(2) As disclosed in the Offering Circular dated 25 November 2013, the final distribution for the year ended 2013 to be paid together with 2014 interim distribution.

(3) Implied annualized distribution yield is estimated based on the closing price of the Units of HK\$3.17 on 31 December 2013.



# Strong Financial Performance

(US\$ '000)

For the Year Ended 31 December 2013	2013	2012	YoY
Total Revenue	66,349	52,903	25.4%
Net Property Income	49,536	39,273	26.1%
Special Distribution per Unit (HK\$) <sup>(1)</sup>	0.070	N/A	N/A

From the Listing Date to 31 December 2013	Actual	OC Forecast	Diff
Total Revenue	5,377	5,143	4.5%
Net Property Income	3,910	3,857	1.4%
Total Distributable Income	2,248	2,088	7.7%
Implied Regular Distribution per Unit (HK\$, annualized) <sup>(2)</sup>	0.214	0.199	7.7%
Implied Regular Distribution Yield (annualized) <sup>(3)</sup>	6.8%	N/A	N/A

For the Year Ended 31 December 2013	2013	2012	YoY
Gearing Ratio	36.0%	37.7%	- 1.7 ppt
Appraised Property Value (US\$'000)	1,272,778	1,186,859	7.2%

- (1) Special distribution per Unit represents 2.2% of the closing price of the Units of HK\$3.17 on 31 December 2013.
- (2) Implied distribution and implied payout ratio are estimated in accordance with the Manager's current policy to distribute 100% of the total distributable income of the Relevant Period.
- (3) Implied annualized distribution yield is estimated based on the closing price of the Units of HK\$3.17 on 31 December 2013.

## Regular Distribution (From Listing Date to 31 December 2013)

- Implied distribution per unit (annualized) of HK\$0.214
- Implied distribution yield (annualized) of **6.8%**<sup>(1)</sup>
- First distribution to be paid together with the distribution for the six months ending 30 June 2014

## Special Distribution

- Special distribution per unit of HK\$0.07
- Ex-date: 3 April 2014
- Record date: 9 April 2014
- Expected payment date: 16 May 2014

## Distribution Policy

- 100% of annual distributable income for each of the period  
(i) from the Listing Date to 31 December 2013; and  
(ii) for the year ending 31 Dec 2014.
- At least 90% of annual distributable income thereafter.

(1) Implied annualized distribution yield is estimated based on the closing price of the Units of HK\$3.17 on 31 December 2013.

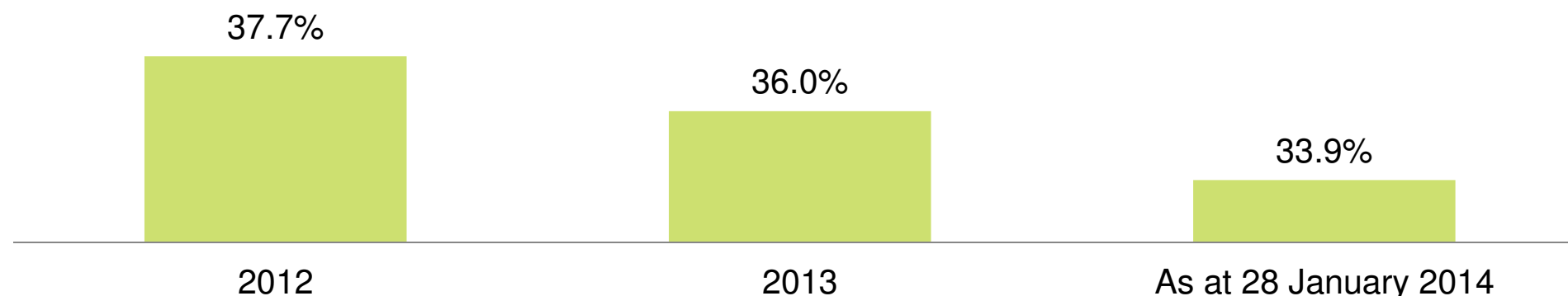
## Secured term loan facility

- Principal amount: US\$515 million
- Borrower: RCA01
- Tenor: 3 years (maturity 27 January 2016, with 1-year extension option)
- Interest rate: 3-month LIBOR + 3.50% per annum
- Interest rate cap LIBOR at 1.3%

## Early Partial Repayment of the Term Loan Facility

- US\$50 million repayment made on 28 January 2014
- Notional principal amount reduced to US\$465 million
- Gearing ratio reduced to approximately 33.9%<sup>(1)</sup>

### Debt to Gross Asset Value



(1) Based on the resulting total borrowings to the pro forma total gross asset value



# Occupancy Rates and Tenant Base

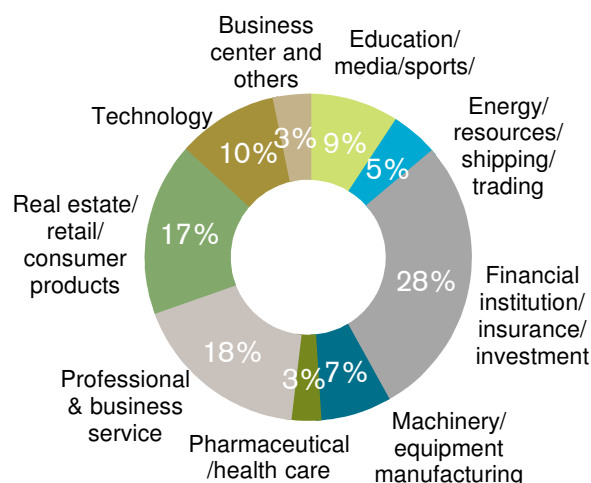
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Diverse and high quality tenant base – 126 tenants under 175 leases<sup>(1)</sup>

## Diversified tenant profile

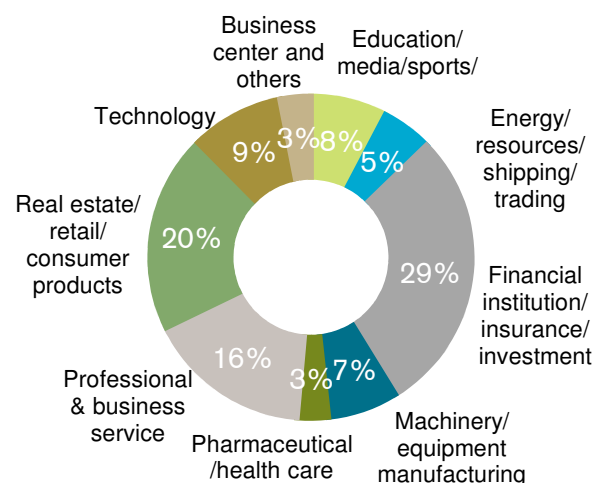
### By leased office GFA

(As of 31 December 2013)



### By monthly rental revenue

(For the month of December 2013)



## High quality tenant base

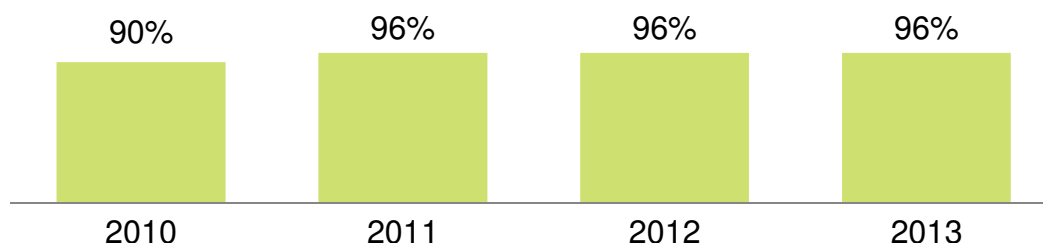
### Top 5 tenants<sup>(1)</sup>

Tenants	% of Total Office GFA
Deutsche Bank	6.2%
SAP AG	6.0%
Condé Nast	4.7%
Zhong De Securities	3.6%
Xinyuan Real Estate	3.2%

**23.7%**

## High occupancy rates maintained

(Average % over the relevant period)



### Other industry-leading tenants

- Global Law Office
- White & Case LLP
- Tesco
- NBA
- Baxter
- Itochu
- AECOM
- Bain & Company
- Brasil Embraer
- Richemont

(1) As of 31 December 2013

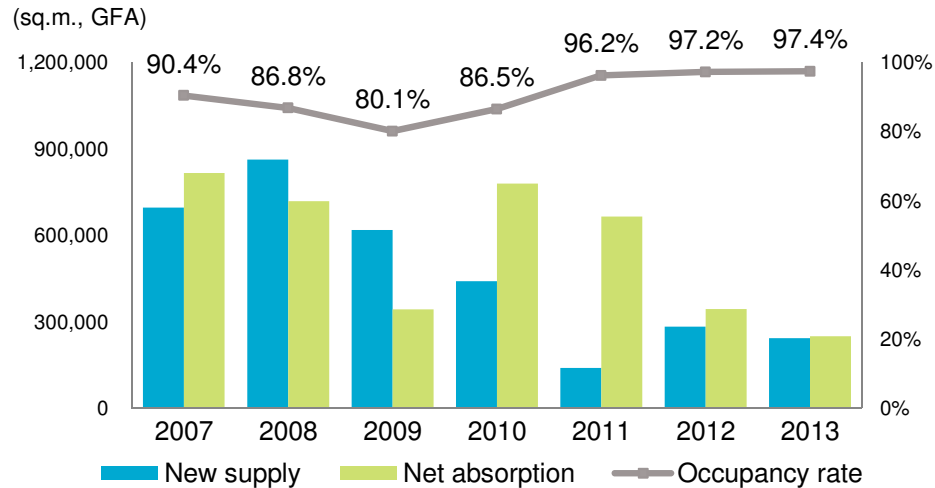
# Outlook

# Current Market Condition

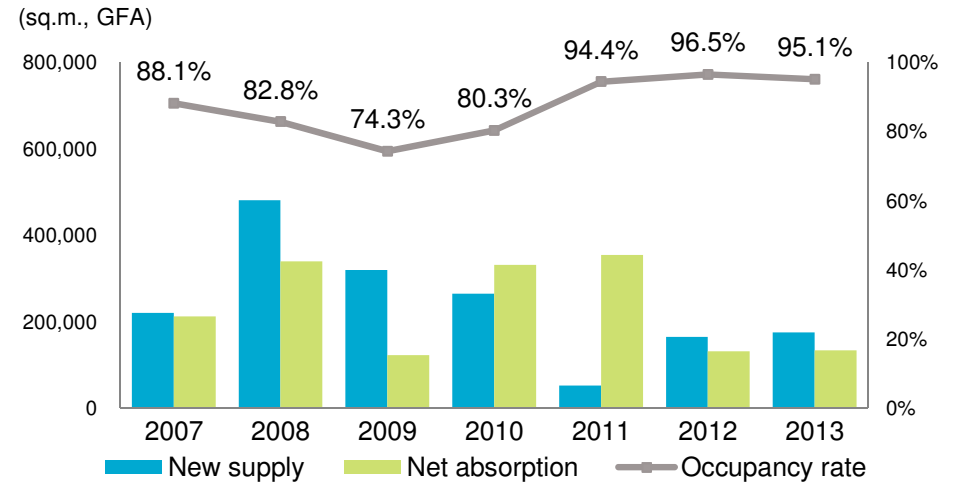
## Favourable Supply-Demand Dynamics

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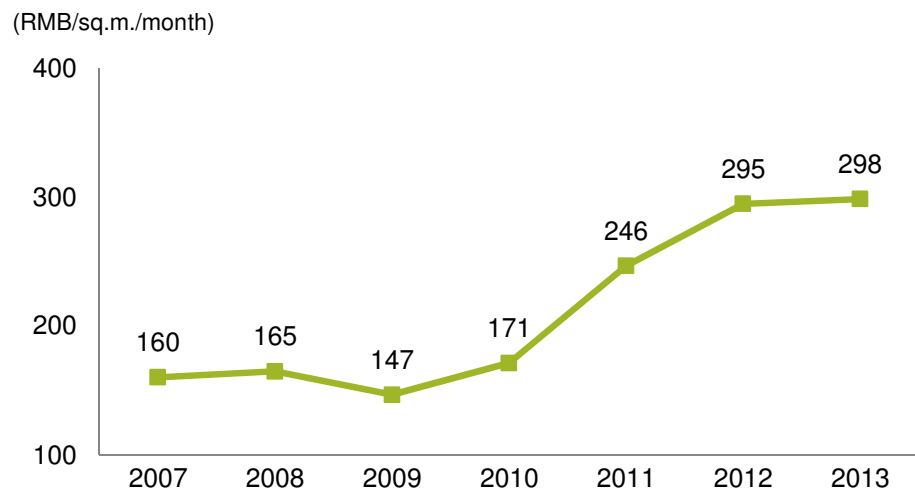
### Grade A office market in Beijing



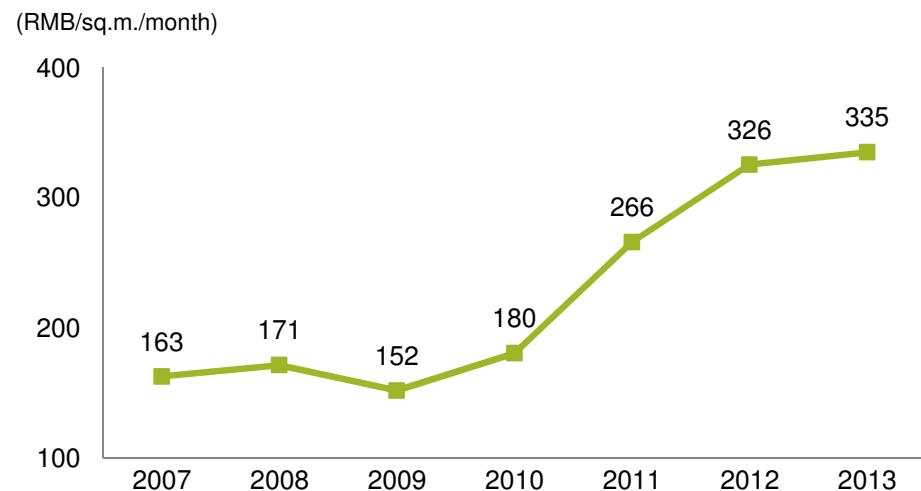
### Grade A office market in Beijing CBD



### Grade A office effective rental rate in Beijing



### Grade A office effective rental rate in Beijing CBD





# Future Grade-A Office Supply

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## List of Future Supply

Property name <sup>(1)</sup>	District	Completion year <sup>(2)</sup>	Approx. GFA available for leases <sup>(3)</sup> (sq.m.)
Ocean International Centre Phase 2	CBD	2014	53,000
<b>Sub-total</b>			<b>53,000</b>
Raycom Info. Tech Park B	Zhongguancun	2015	40,000
Guoson Centre	East 2nd Ring Road	2015	134,000
Lei Shing Hong Plaza 2	Other	2015	120,000
Beijing POSCO Centre	Other	2015	77,000
<b>Sub-total</b>			<b>371,000</b>
Keppel Square	CBD	2016	100,000
China World Tower Phase 3 B	CBD	2016	71,429
WPC Centre Phase 2	Lufthansa	2016	48,957
Huadu Hotel Redevelopment	Lufthansa	2016	80,000
Emperor Group Tower	Jianguomen	2016	55,000
Indigo Phase 2	Other	2016	60,000
<b>Sub-total</b>			<b>415,386</b>

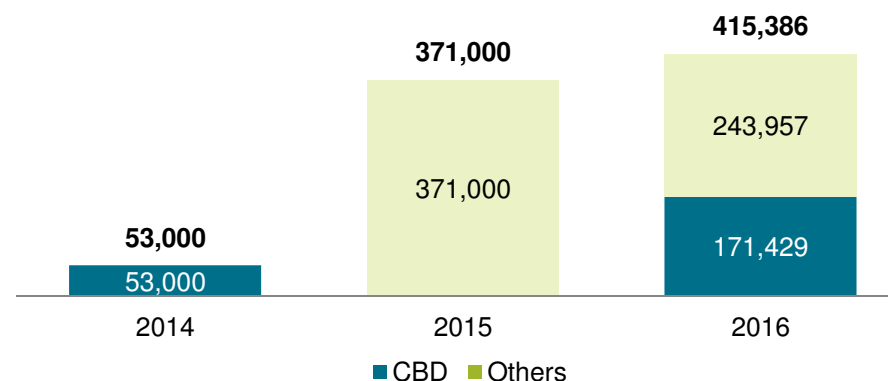
----- Indicates properties located in the CBD area

Source:DTZ Consulting, March 2014

- (1) Completion Year refers to the year when construction of a building is completed and ready for occupation.  
 (2) Does not include those projects with self-occupation area greater than 50% of the project's total office GFA.

## Limited Grade A office supply in next few years

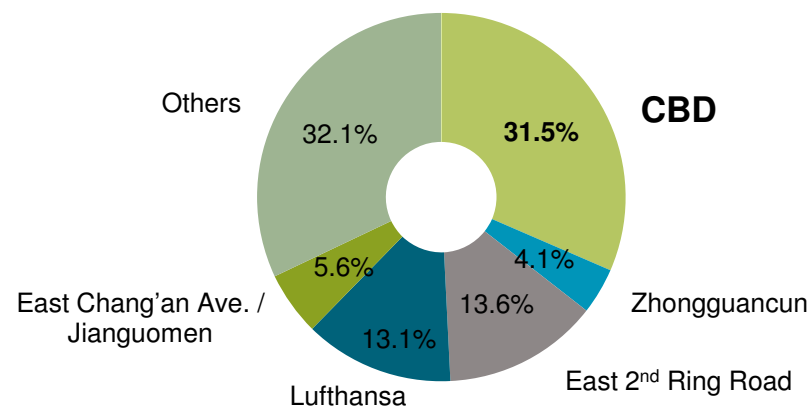
(sq.m., GFA available for leases)



**2014-2016 new supply in CBD of 224k sqm is only 8.6% of total stock at end-2013 of 2.61 mn sqm**

Source: DTZ Consulting, March 2014

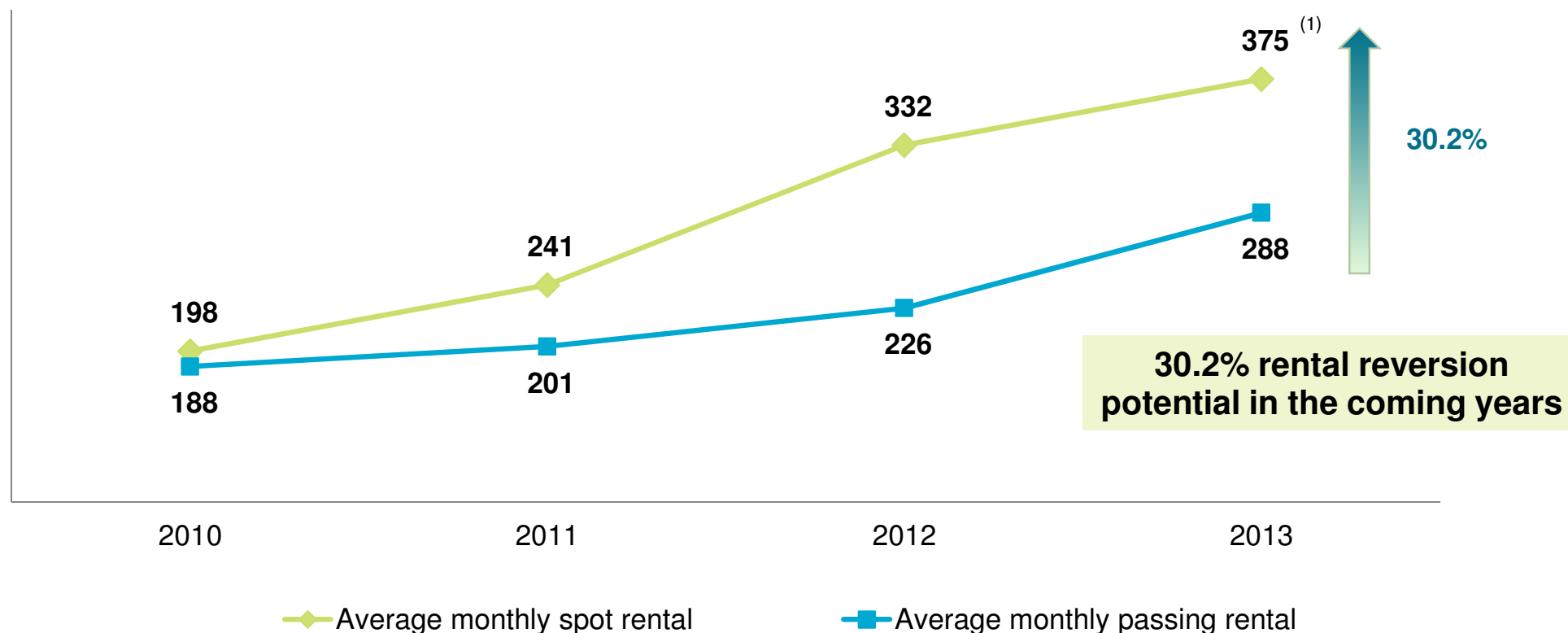
## 2013-2016 Grade-A office supply by region



# Positive Rental Reversion Potential

## Average Monthly Spot Rental vs Average Monthly Passing Rental

(RMB per sq.m. per month)



(1) Except certain transitional extensions and an exceptional renewal

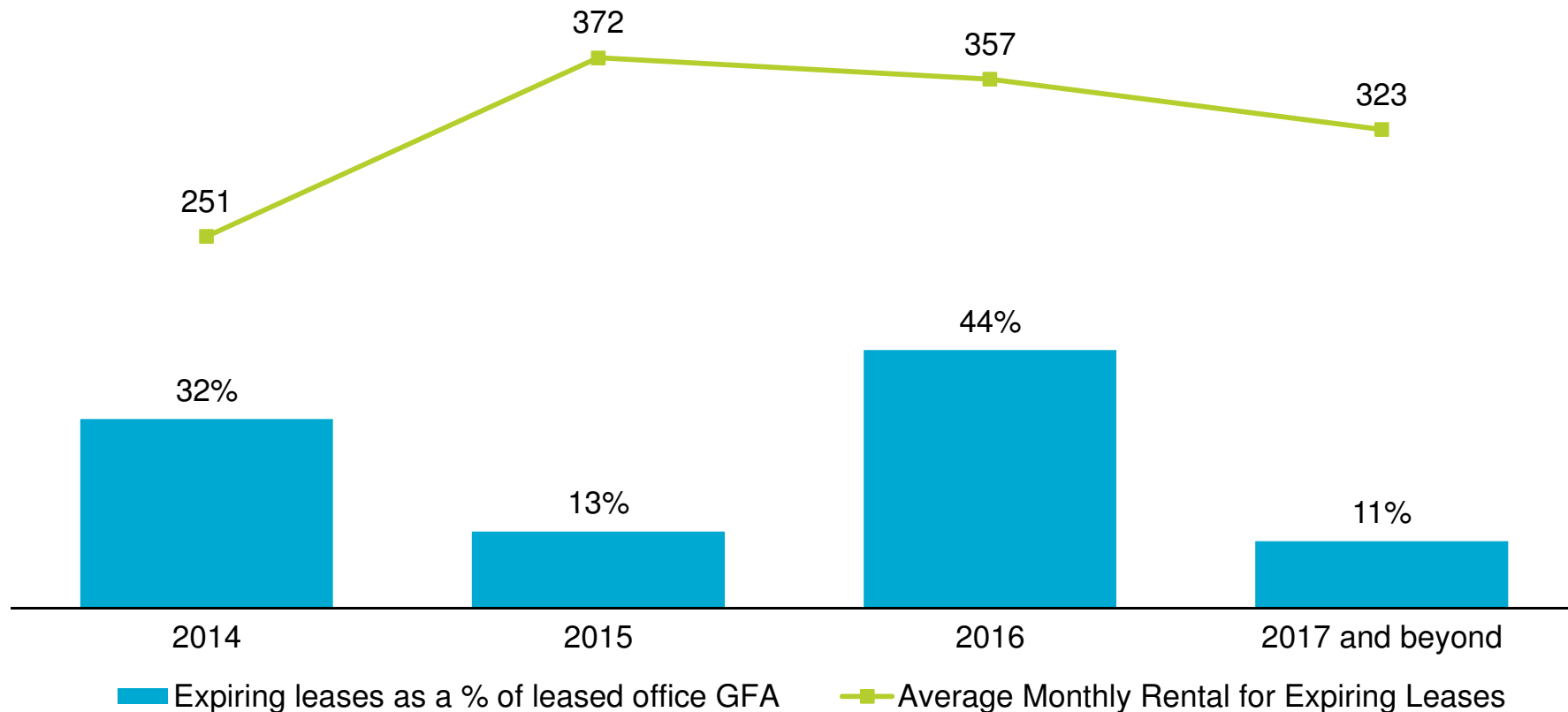
# Expiring Lease Profile

## Strong Rental Reversion in 2014

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### Expiring profile and expiring rent

(Rent in RMB per sqm per month)





# Strategies

## 1. Asset Management Strategy

- Maintain high occupancy rates
- Optimize tenant mix
- Control property expenses
- Increase returns through asset enhancement

## 2. Capital and Risk Management Strategy

- Prudent financial and capital management policy

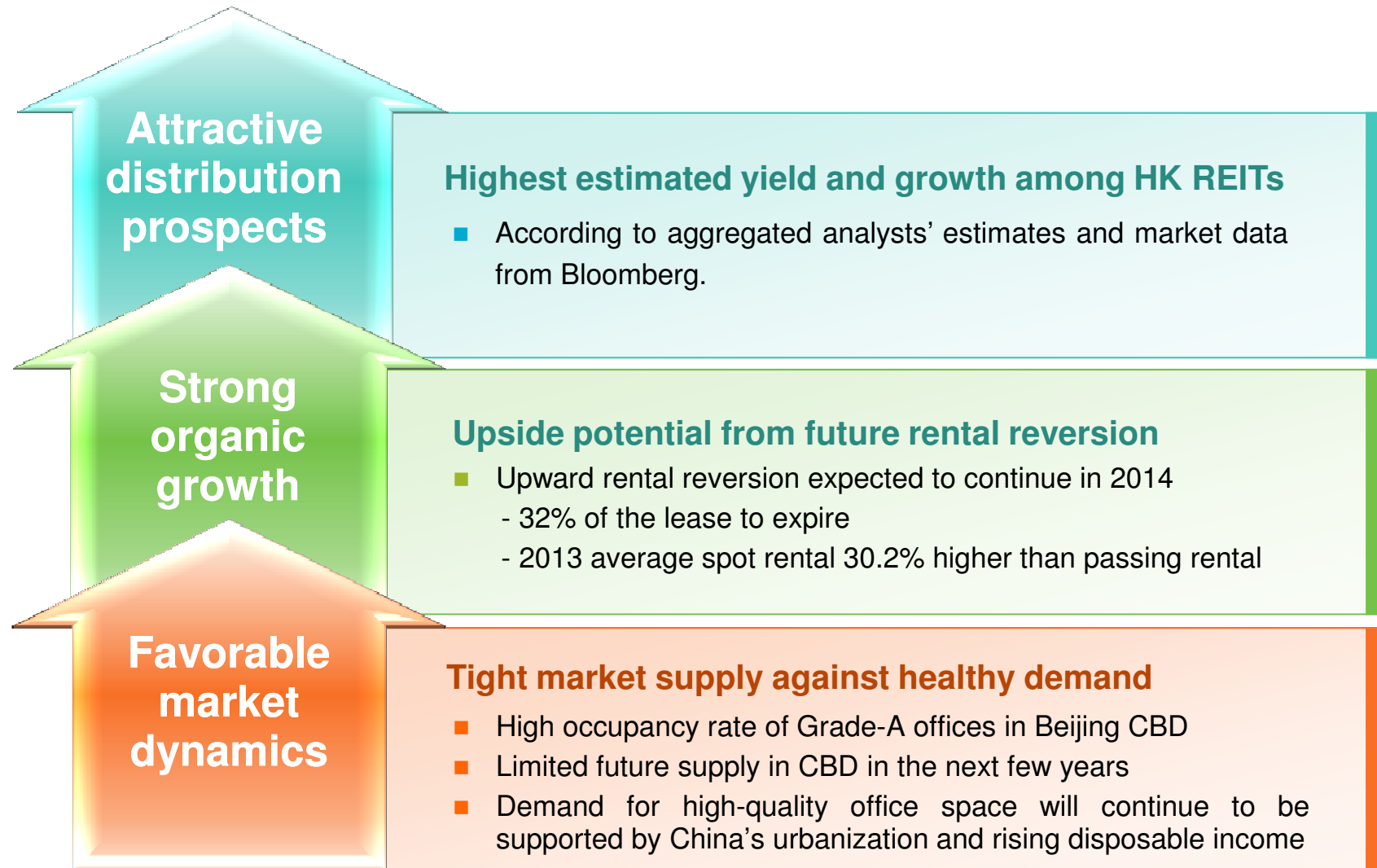
## 3. Acquisition Strategy

- Seek yield-enhancing acquisition opportunities
  - In Asia, primarily in China
  - High quality income-producing commercial properties
  - Opportunities to enhance the target property to increase returns

## 4. Investor Relations Strategy

- Stronger communication with investors
- More timely updates to the market
- Efforts to widen and strengthen unitholder base

## Positive rental reversion remains a key theme





**Thank You**