

# Annual Results 2014 Presentation

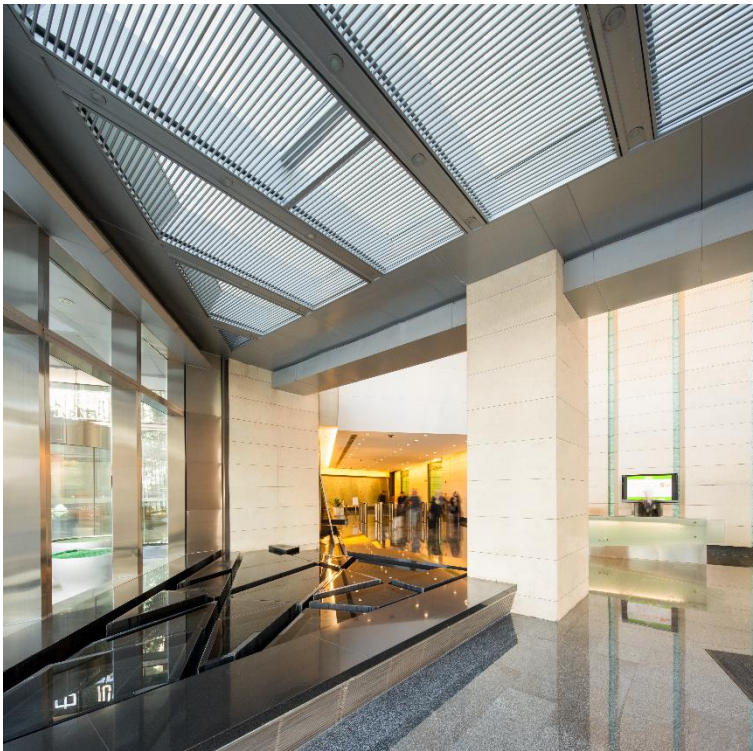
19 March 2015

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- 1 Key Messages
- 2 Results Highlights
- 3 Refinancing
- 4 Investment Highlights
- 5 Market Outlook
- 6 Strategies



# Key Messages

## Five Competitive Strengths of Spring REIT

1

Exposure to Premium Grade office buildings in Beijing CBD

2

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

3

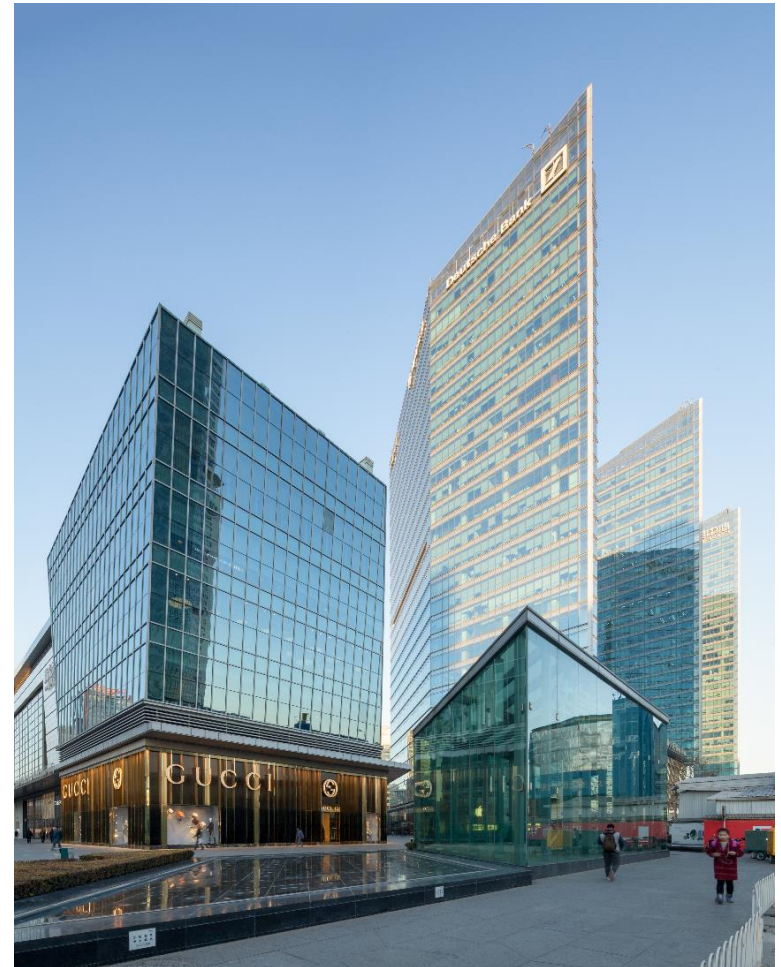
High occupancy rate with a diverse and high quality tenant base

4

Attractive distribution prospects with positive rental reversion

5

Transparent and professional management team with proven track record





- 1 Key Messages
- 2 Results Highlights
- 3 Refinancing
- 4 Investment Highlights
- 5 Market Outlook
- 6 Strategies

# Results Highlights

2014 – an Excellent Year

SpringREIT

## 1. Strong Operating Performance

- Revenue: US\$81.46 mn, **+22.8% yoy**
- Net property income (NPI): US\$62.17 mn, **+25.5% yoy**
- Avg Monthly Occupancy stayed high: **96%**

## 2. Rental Reversion Delivered

- Leases entered into (as % of end-2014 occupied GFA): **38%**
- Avg monthly spot rent at RMB 378/sqm, **record high**
- Avg monthly passing rent at RMB352/sqm, **+22.2% yoy**

## 3. Enhanced Financial Position

- Gearing reduced to 33.1% at end-2014, **-2.9 ppts yoy**
- Interest expense at US\$23.50 mn, **-18.3% yoy**
- Upcoming refinancing w/ lower interest margin & longer term

## 4. Satisfactory Total Return

- Final DPU of **HK12.5 cents** (to be paid on 22 Apr 2015)
- Total return (i.e. unit price gain + distributions paid): **23.2%<sup>(1)</sup>**

Note:

(1) Source from Bloomberg data. Total return includes capital appreciation and distributions paid out in 2014, assuming payouts were reinvested.

# Results Highlights

## Strong Operating Performance

For year ended 31 December	2014	2013	Change
Total Revenue (US\$ million)	81.46	66.35	+ 22.8%
Net Property Income (US\$ million)	62.17	49.54	+ 25.5%
Net Property Income Margin	76.3%	74.6%	+ 1.7 ppts

As at 31 December	2014	2013	Change
Appraised Property Value (RMB million)	8,108.00	7,760.00	+ 4.5%
Total Borrowings (US\$ million)	460.68	504.80	- 8.7%
Gearing Ratio (total borrowings to gross assets)	33.1%	36.0%	- 2.9 ppts
Net Assets Attributable to Unitholders (US\$ million)	894.15	862.24	+ 3.7%
Net Assets Attributable to Unitholders per Unit (HK\$)	6.25	6.09	+ 1.0%

# Results Highlights

## Strong Operating Performance

### Revenue

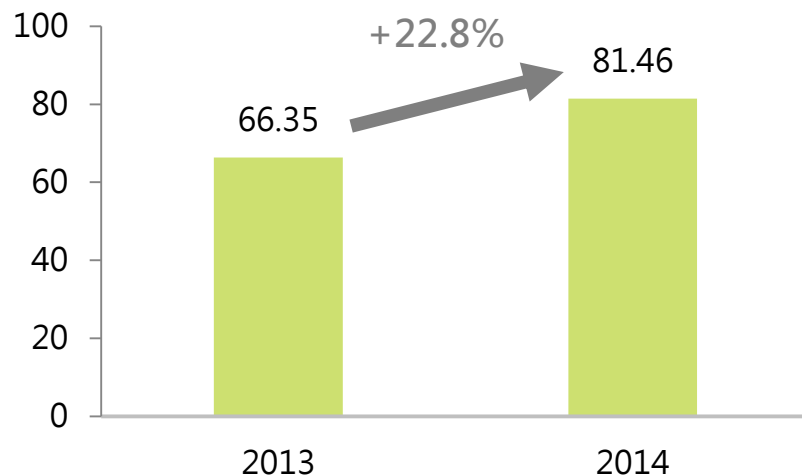
- Revenue: US\$81.46 mn, +22.8%
- Driven by positive rental reversion
- 38% of leases (as % of end-2014 occupied GFA) were entered into in 2014

### Net Property Income

- Property operating expenses US\$19.28mn, +14.7%
- Most of property operating expenses are a % to revenue or fixed
- NPI margin expanded on operating leverage

### Revenue

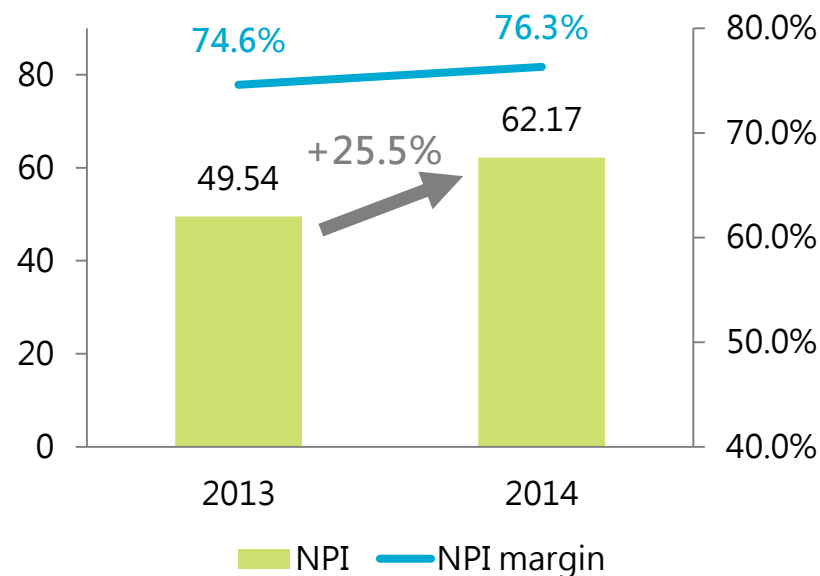
(US\$ million)



### NPI and NPI margin

(US\$ million)

(%)





# Results Highlights

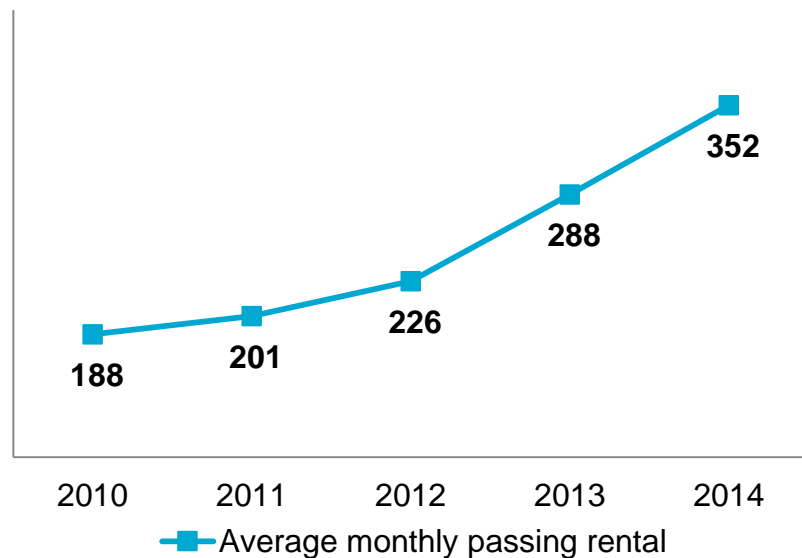
## Positive Rental Reversion Delivered

### Passing Rents

- Strong positive rental reversion in 2014
- Average monthly spot rent at RMB378 per sqm, record high
- Average monthly passing rent at RMB352 per sqm, +22.2%

### Rising Passing Rents

(RMB per sq.m. per month)

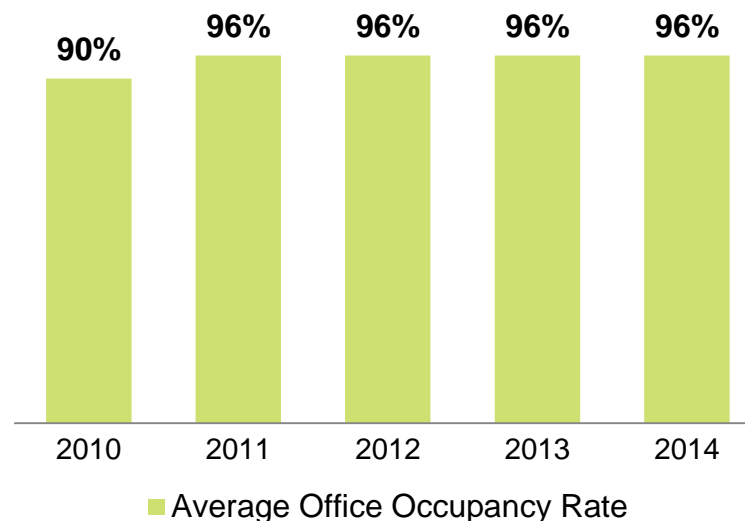


### Occupancy Rates

- Consistently averaged above 90% since 2010
- 2014 average occupancy rate maintained at 96%
- Supply-demand in Beijing CBD remains tight

### High Occupancy Rates Maintained

(Average % over the relevant period)



# Results Highlights

## Enhanced Financial Position

### Early Loan Repayment (in Jan 2014)

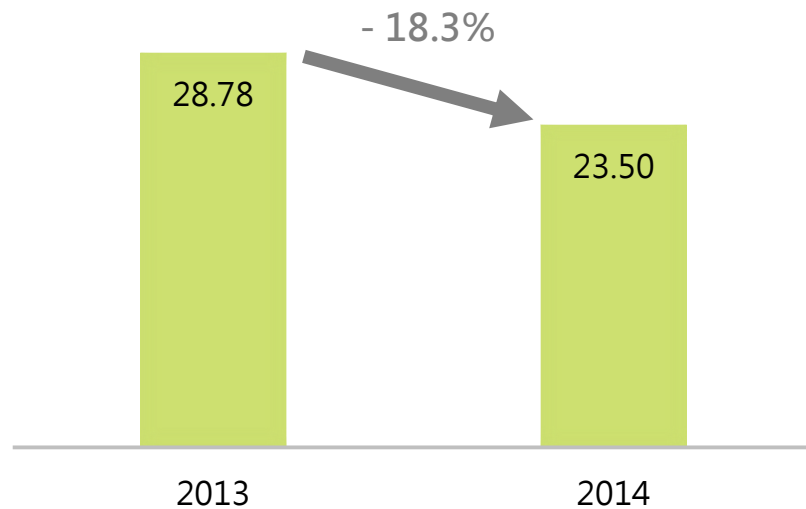
- US\$50 million repaid on 28 Jan 2014
- Loan principal (before) : US\$515 mn
- Loan principal (after) : US\$465 mn

### Debt Profile (as at end-2014)

- Principal amount: US\$465 million
- Interest rate: 3-mth LIBOR + 3.50%
- Maturity: 27 Jan 2016
- **Upcoming refinancing: Expected in April 2015**

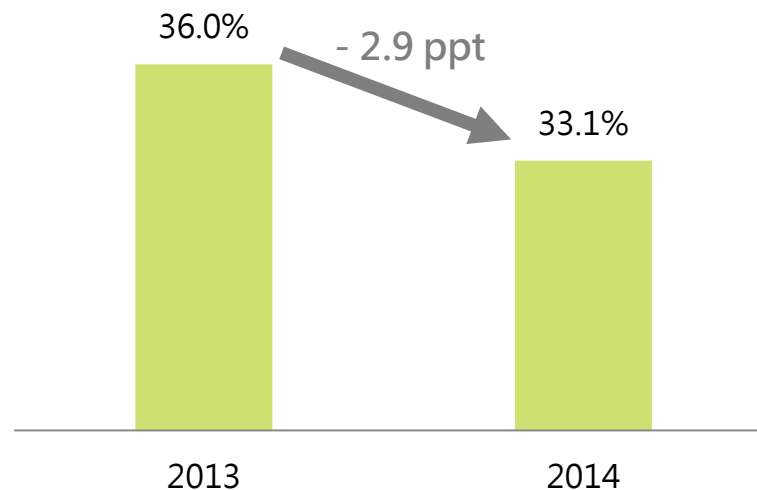
### Interest Expense

(US\$ million)



### Gearing (at year-end)

(% debt to gross asset value)



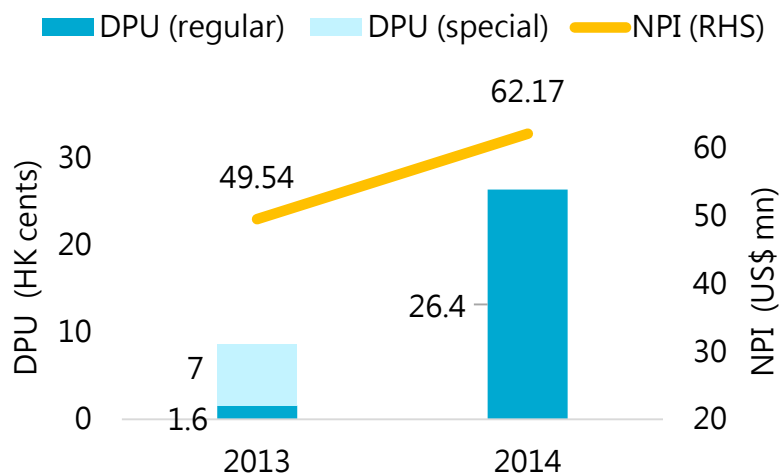
# Results Highlights

## Distributions and Total Return

### 2014 Final DPU: HK12.5 cents

- 100% payout of total distributable income
- Ex-date: 2 April 2015
- Payable: 22 April 2015

### Historical DPU and NPI



### 2014 Total Return: 23.2%

	% return <sup>(1)</sup>
Unit price gain	15.5
Distribution paid in 2014 - assuming payouts reinvested	7.7
<b>Total return</b> - Excluding 2014 final distribution	<b>23.2</b>
2014 final distribution - to be paid on 22 Apr 2015	3.9
<b>Total Return</b> - Including 2014 final distribution	<b>27.1</b>

### Distribution Policy

- 100% of total distributable income (TDI) for 2013 and 2014
- At least 90% of TDI thereafter

Note:

(1) Based on closing price of 31 December 2013 of HK\$3.17.



- 1 Key Messages
- 2 Results Highlights
- 3 **Refinancing**
- 4 Investment Highlights
- 5 Market Outlook
- 6 Strategies

# Upcoming Refinancing

Expected in 2015

## New Loan Facilities

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- Lead Arrangers: **ANZ, Deutsche Bank, Credit Suisse**
- Secured term loan with principal **US\$480 mn, 5-year term**
- Revolving facility principal **US\$20 mn, uncommitted**
- Total loan principal **US\$500 mn**

## Timetable

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- Signing of facility agreement: **Completed in Feb 2015**
- Drawdown of US\$480mn term loan: **Expected to be in Apr 2015**

## Subscription Status of US\$480 mn Secured Term Loan

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- Loan syndicate includes **16 international and local banks**
- Total loan subscription of **US\$1.47 billion**
- Oversubscription of **3.06 times** coverage



# Comparisons of the facilities

Longer Tenure. Lower Interest Margin.

Terms	Existing Loan	New Loan
Principal - Term Loan Facility	US\$465 million	US\$480 million
Principal - Revolving Facility	Nil	US\$20 million, uncommitted
Borrower	RCA01	RCA01
Tenor	3 years	5 years
Maturity	27 Jan 2016	Expected April 2020 <sup>(1)</sup>
Interest Benchmark	3-month USD LIBOR	3-month USD LIBOR
Interest Margin	3.50%	2.75%
Interest Hedging	LIBOR capped at 1.3% by interest rate caps	Existing interest rate caps remain effective.
Repayment:	Bullet at maturity	Bullet at maturity

Note:

(1) Assuming drawdown of new term loan in April 2015.

# Debt Profile

## Before and After Refinancing

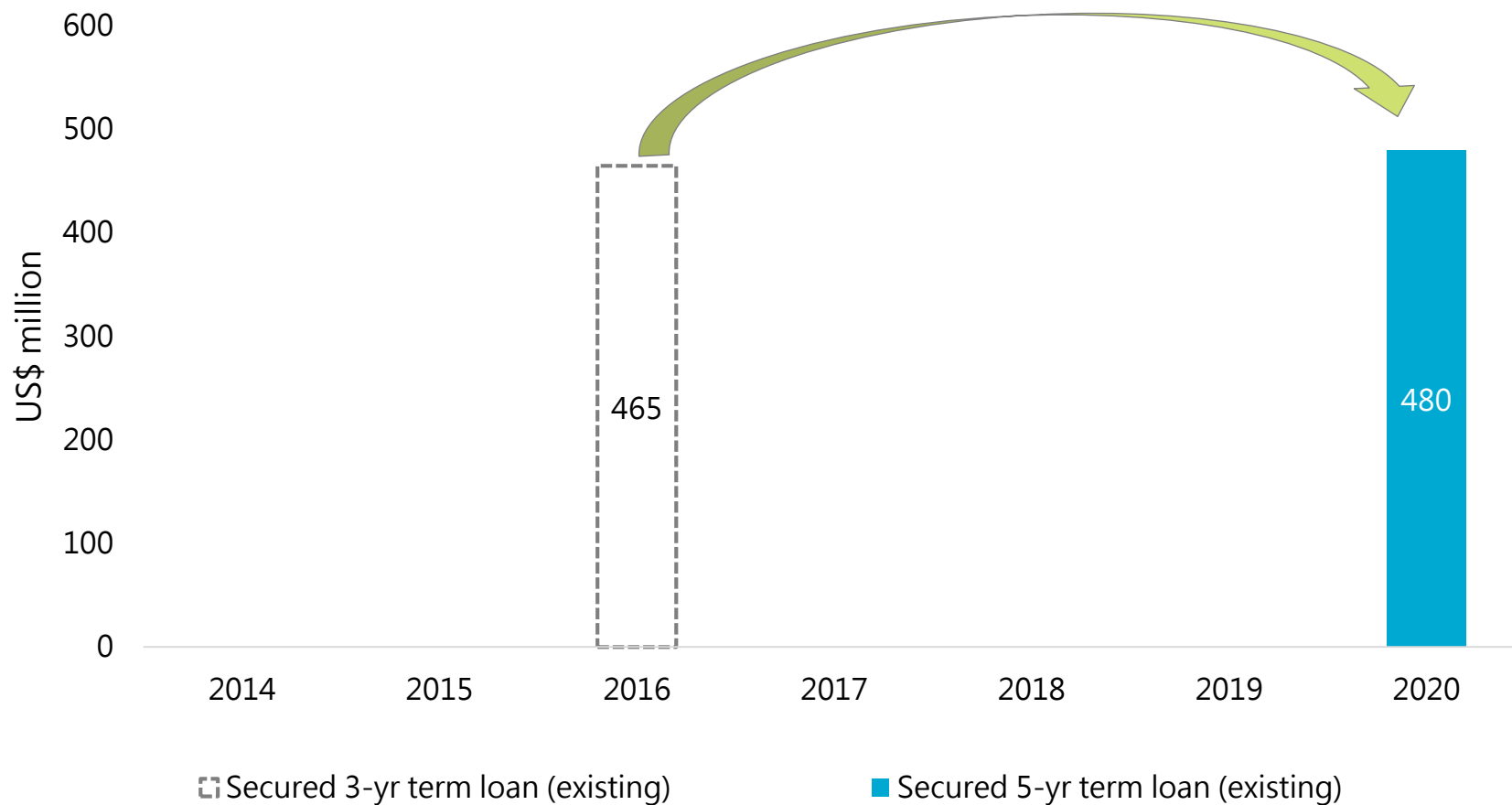
	Before refinancing	After refinancing
Total debt (US\$ million)	465	480
Gearing ratio	33.1%	34.1% <sup>(1)</sup>
Interest margin	3.50%	2.75%
Loan maturity	27 Jan 2016	Expected April 2020

Note:

(1) Pro-forma gearing, calculated assuming drawdown at end-2014.

# Maturity Profile after Refinancing

No major refinancing need until 2020



Note:  
Assuming the uncommitted revolving facility is not utilized.



- 1 Key Messages
- 2 Results Highlights
- 3 Refinancing
- 4 **Investment Highlights**
- 5 Market Outlook
- 6 Strategies

# Property Overview

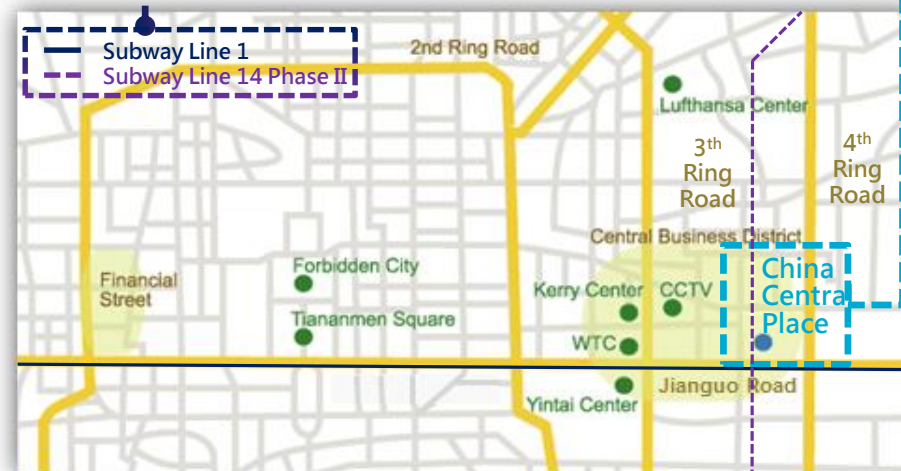
## Premium Grade Office Buildings in Beijing CBD

### Premium Assets

- Two Premium Grade office buildings (total GFA 120,245 sqm) in China Central Place ( “CCP” ) ( 华贸中心 ) and approximately 600 car parking spaces (the “Property” ).
- China Central Place is a prime mixed-use complex with well-recognized brand hotels and shopping centers, including
  - Hotels – Ritz Carlton, JW Marriott
  - Shin Kong Place – one of largest department store in China by sales
  - Retail stores of international brands – e.g. Apple Store, Louis Vuitton, Chanel, Hermes, etc.
- Appraised value: RMB8,108.00 million<sup>(1)</sup> (US\$1,306.58 million)

### Prime Location

- Strategically located in the CBD of Beijing at the intersection of Jianguo Road and West Dawang Road, between 3<sup>rd</sup> and 4<sup>th</sup> Ring Road
- Direct access to [Subway Line 1](#) through the shopping mall and [Subway Line 14 Phase II](#) (expected to open in December 2015. )



(1) As at 31 December 2014



# Diverse and high quality tenant base

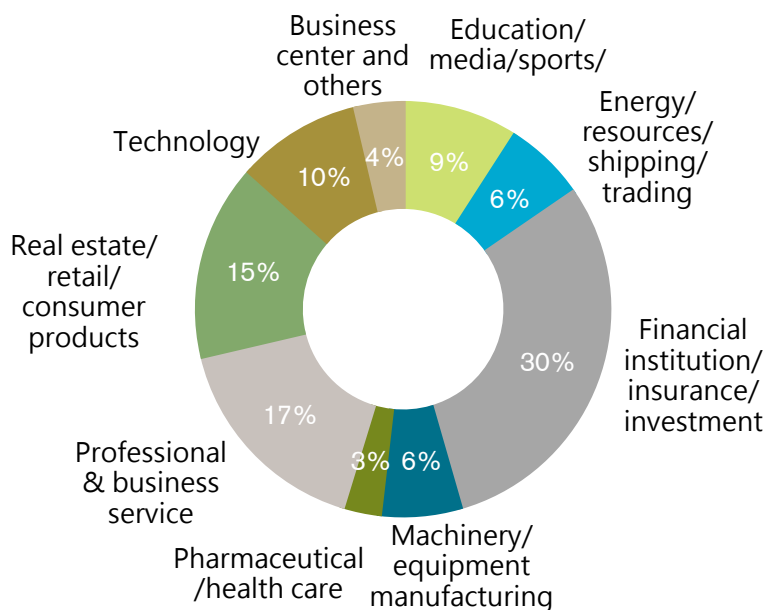
Focus on optimizing our tenant mix

## Diversified Tenant Base

### Industry breakdown

#### By leased office GFA

(As of 31 December 2014)



Note:  
(1) As of 31 December 2014

## Top 5 Tenants

Tenants	% of total leased GFA
Deutsche Bank	6.0%
SAP AG	5.8%
Condé Nast	4.5%
Zhong De Securities	4.0%
Xinyuan Real Estate	3.6%

} 23.8%

Note: As of 31 December 2014

## Other industry-leading tenants

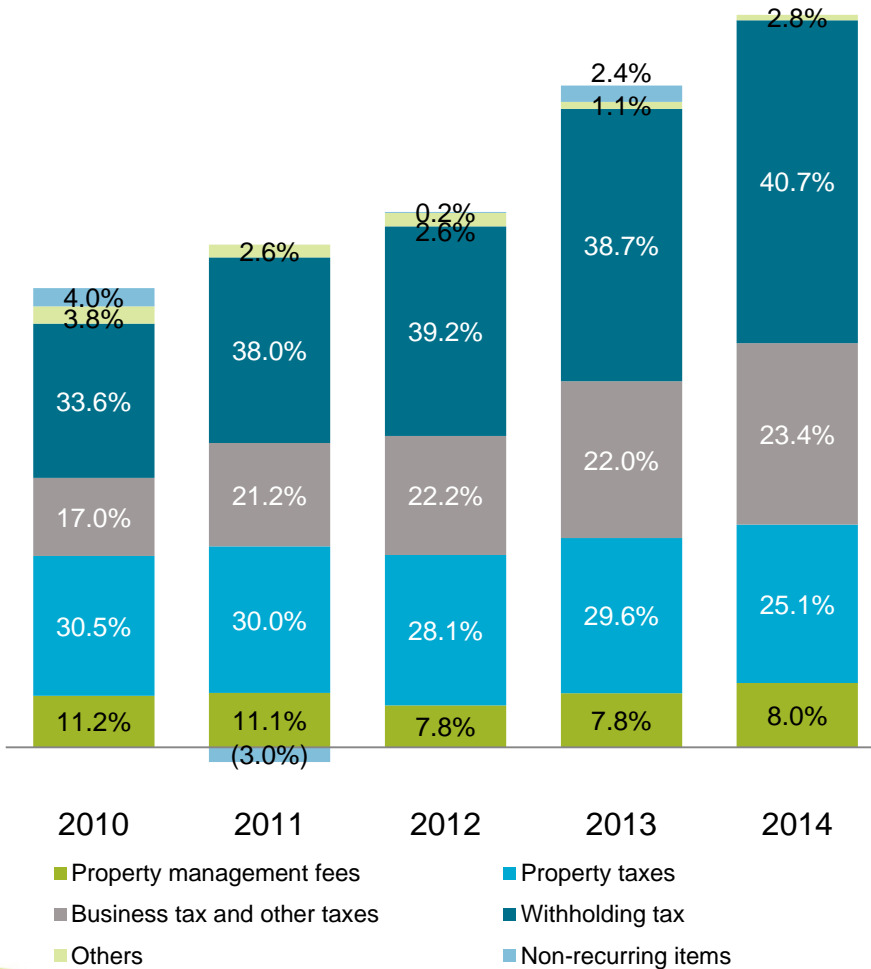
- Global Law Office
- White & Case
- Tesco
- NBA
- Baxter
- Itochu
- AECOM
- Bain & Company
- Brazil Embraer
- Richemont

Note: As of 31 December 2014

# Cost Structure

Property expenses are revenue-linked or fixed

## Property Operating expenses breakdown



- **Property management fee**

- 2% of the total revenue

- **Property taxes**

- Includes real estate tax and land use tax
- Real estate tax based on property residual value
- Land use tax based on the site area of the development

- **Business tax and other taxes**

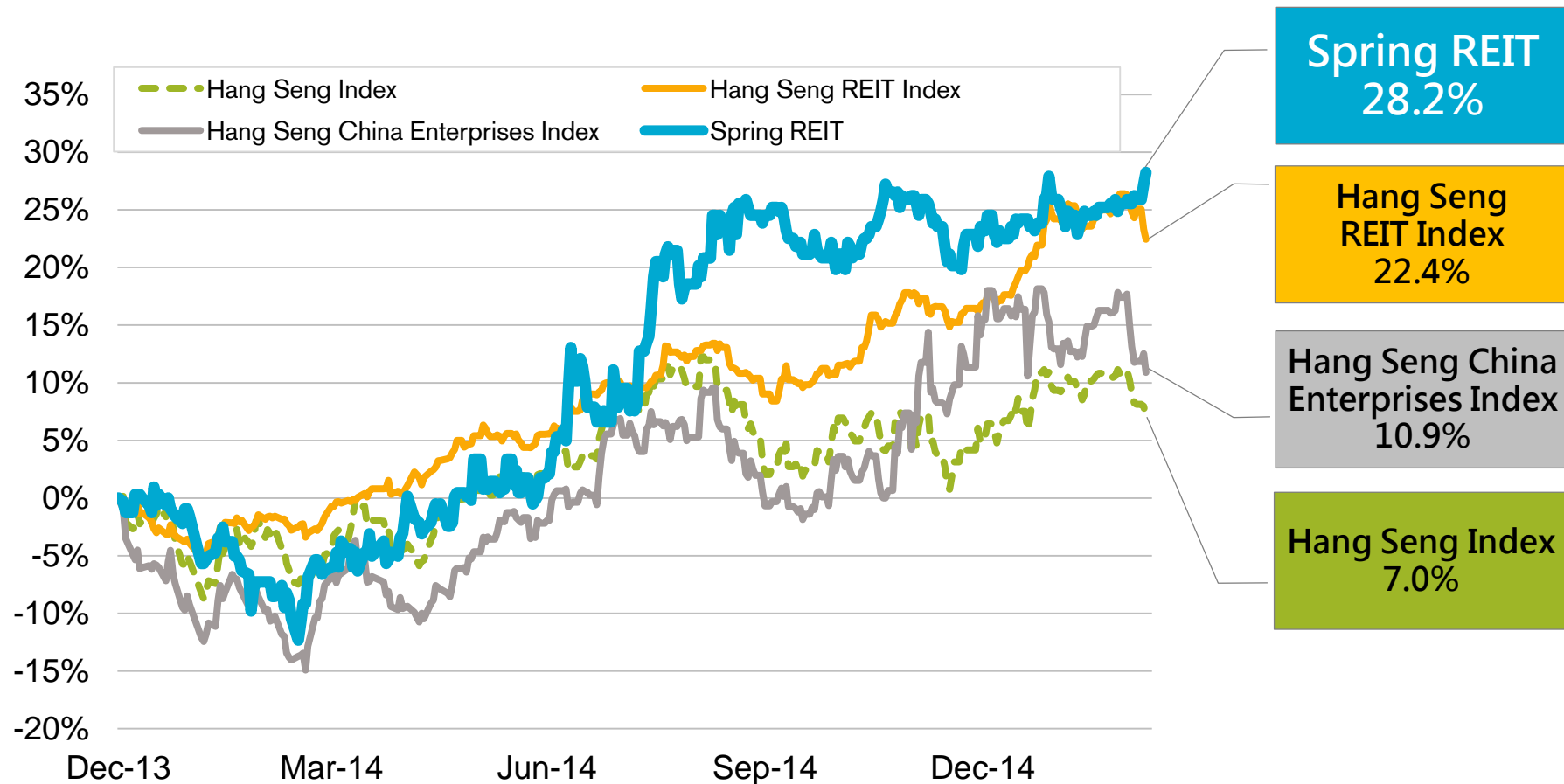
- Business tax, urban construction and maintenance tax, and education surcharge
- Stamp duty of 0.1% on total rental income payable over the term of each lease

- **Withholding tax**

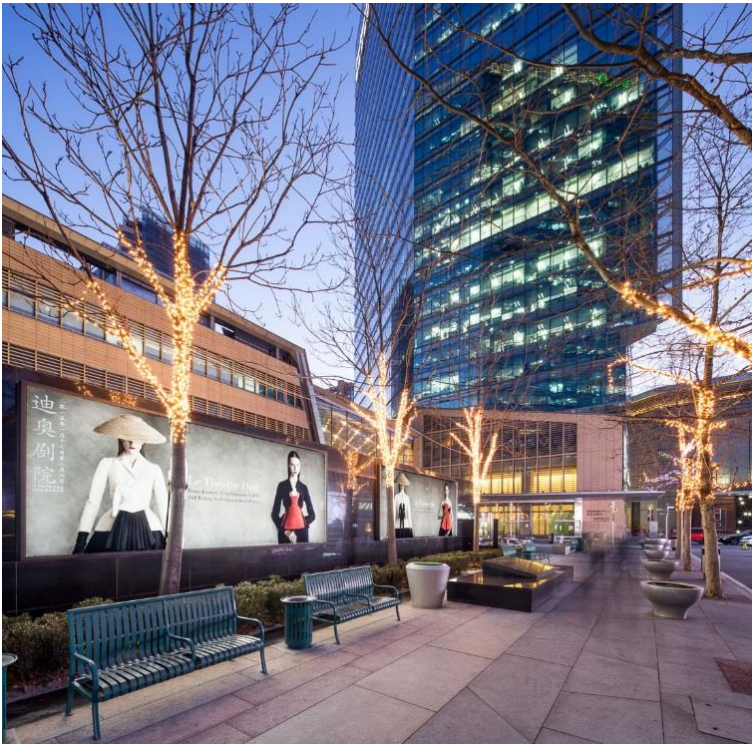
- 10% of revenues received from rental operations

# Outperforming Benchmarks

Total Return (from 31 Dec 2013 to 10 Mar 2015)



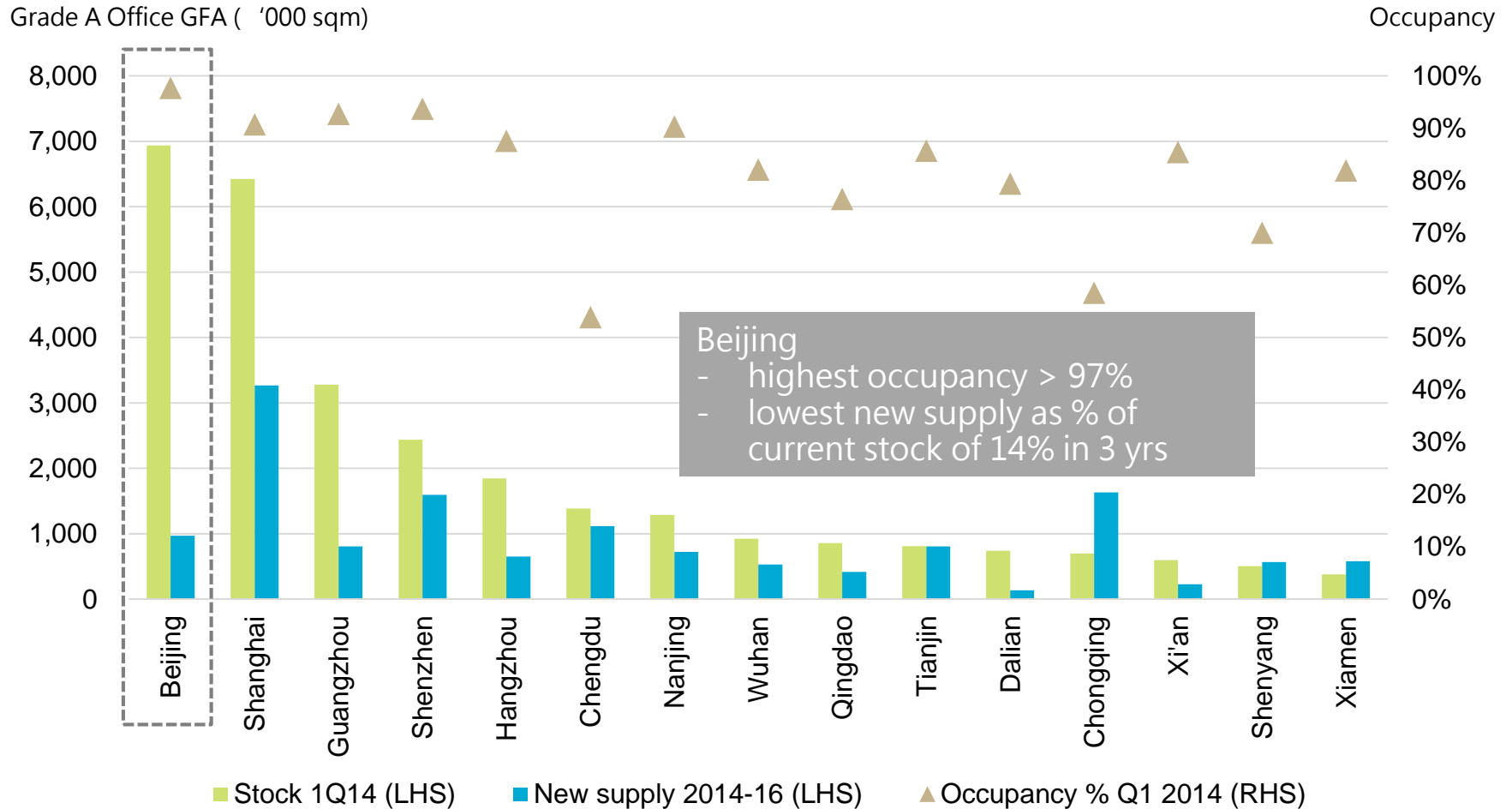
Source: Bloomberg, last updated 10 Mar 2015



- 1 Key Messages
- 2 Results Highlights
- 3 Refinancing
- 4 Investment Highlights
- 5 **Market Outlook**
- 6 Strategies

# Office Market Conditions across China

Beijing enjoys the best supply-demand dynamics



Source: DTZ Consulting, June 2014

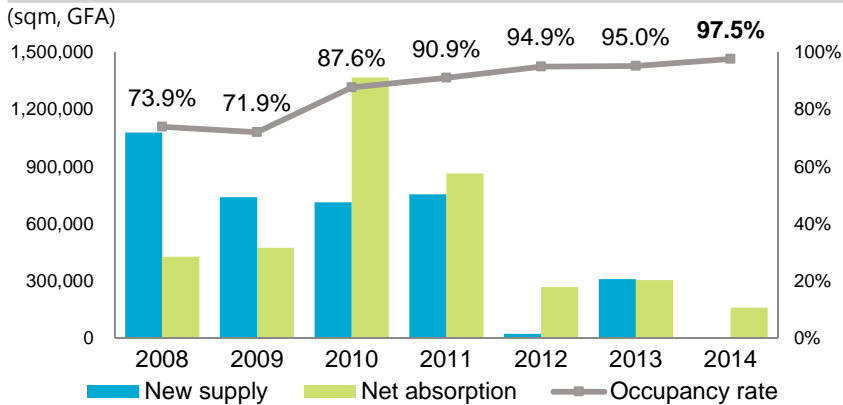


# Current Market Condition

Tight supply & high occupancy in Beijing Grade-A offices

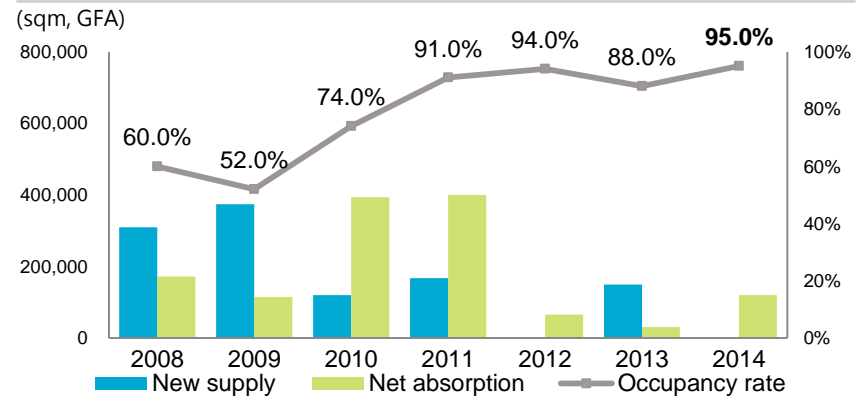
## Beijing Overall

### Beijing Overall – Supply, Absorption, Occupancy

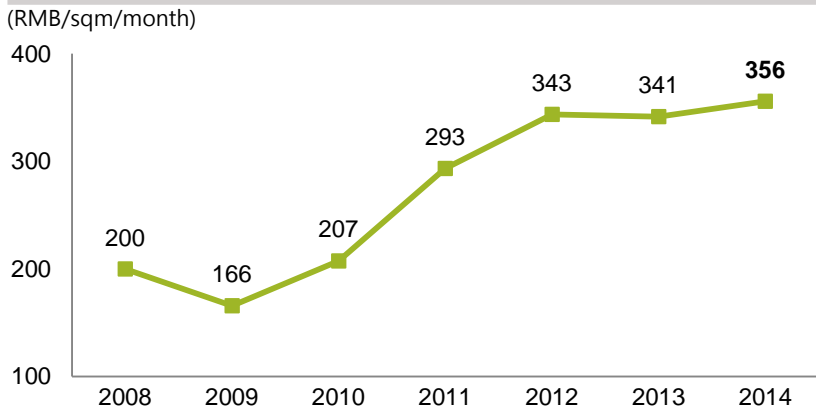


## Beijing CBD

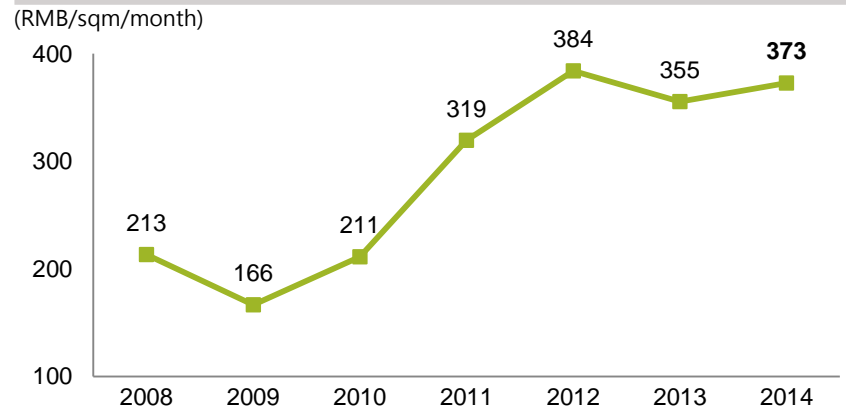
### Beijing CBD – Supply Absorption, Occupancy



### Beijing Overall – Effective Rental Rate



### Beijing CBD – Effective Rental Rate



# Future Grade-A Office Supply

## Tight Supply-demand Conditions to Continue

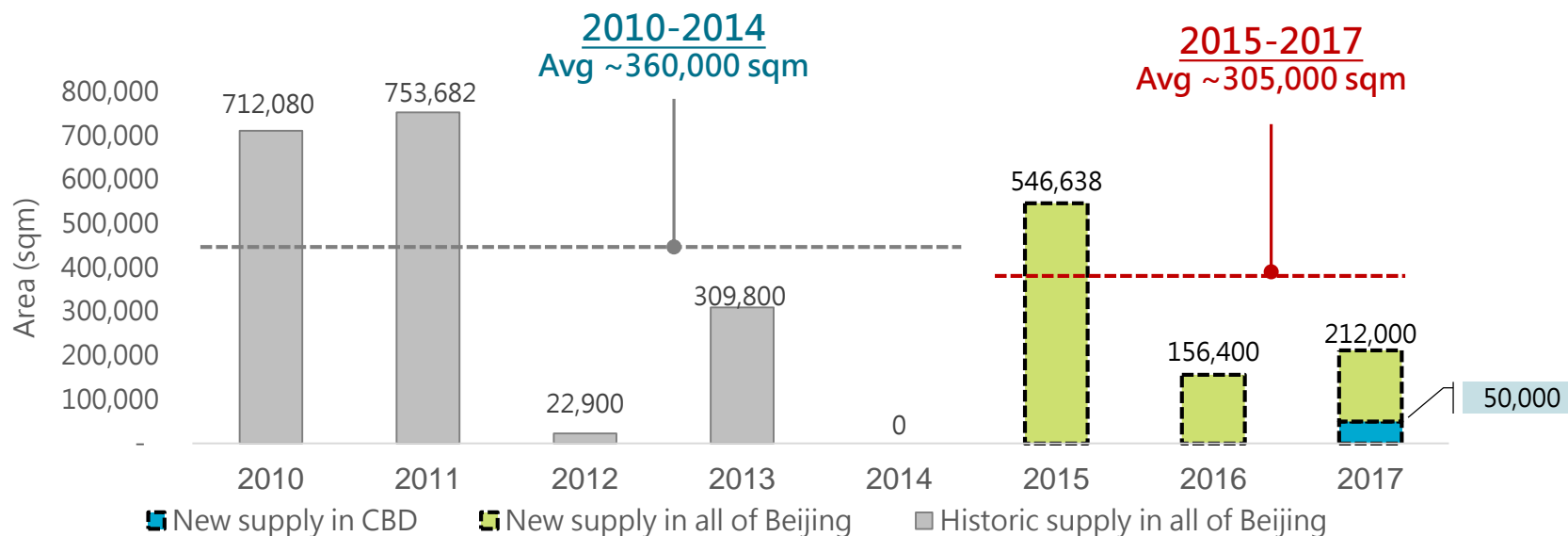
### All of Beijing : Limited New Supply

- 2010-2014 average new supply : 360k sqm
- 2015-2017 average new supply : 305k sqm  
= **4.7%** of current stock of 6.51 mn sqm

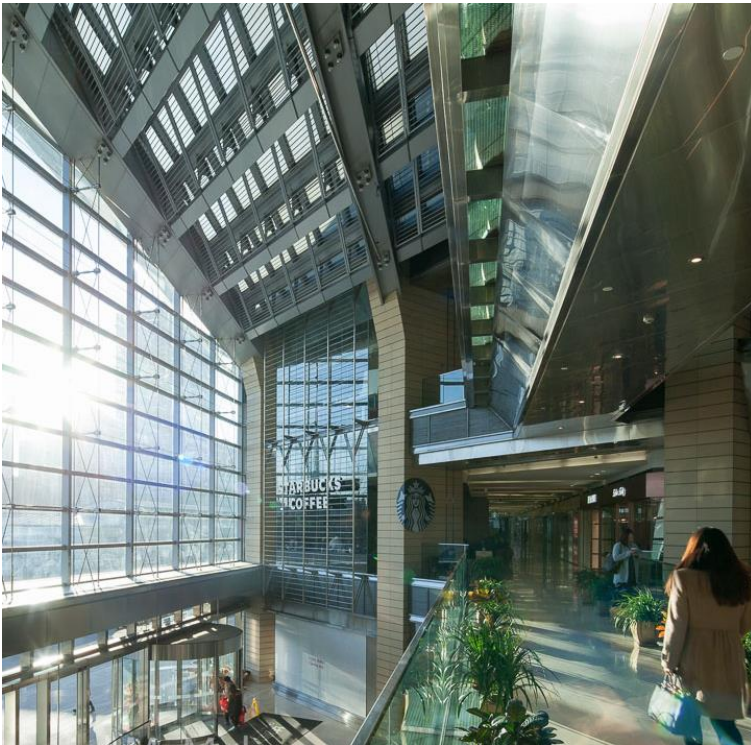
### CBD : Virtually No New Supply

- Only 50k sqm of new supply is expected in 2017
- 2015-2017 average new supply : 16.7k sqm  
= **0.9%** of current stock of 1.83 mn sqm

### Grade-A office supply by year



Note: All of the above data are based on JLL Research in December 2014.



- 1 Key Messages
- 2 Results Highlights
- 3 Refinancing
- 4 Investment Highlights
- 5 Market Outlook
- 6 **Strategies**

## 1. Asset Management Strategy

- Maintain high occupancy rates
- Optimize tenant mix
- Control property expenses

## 2. Capital Management Strategy

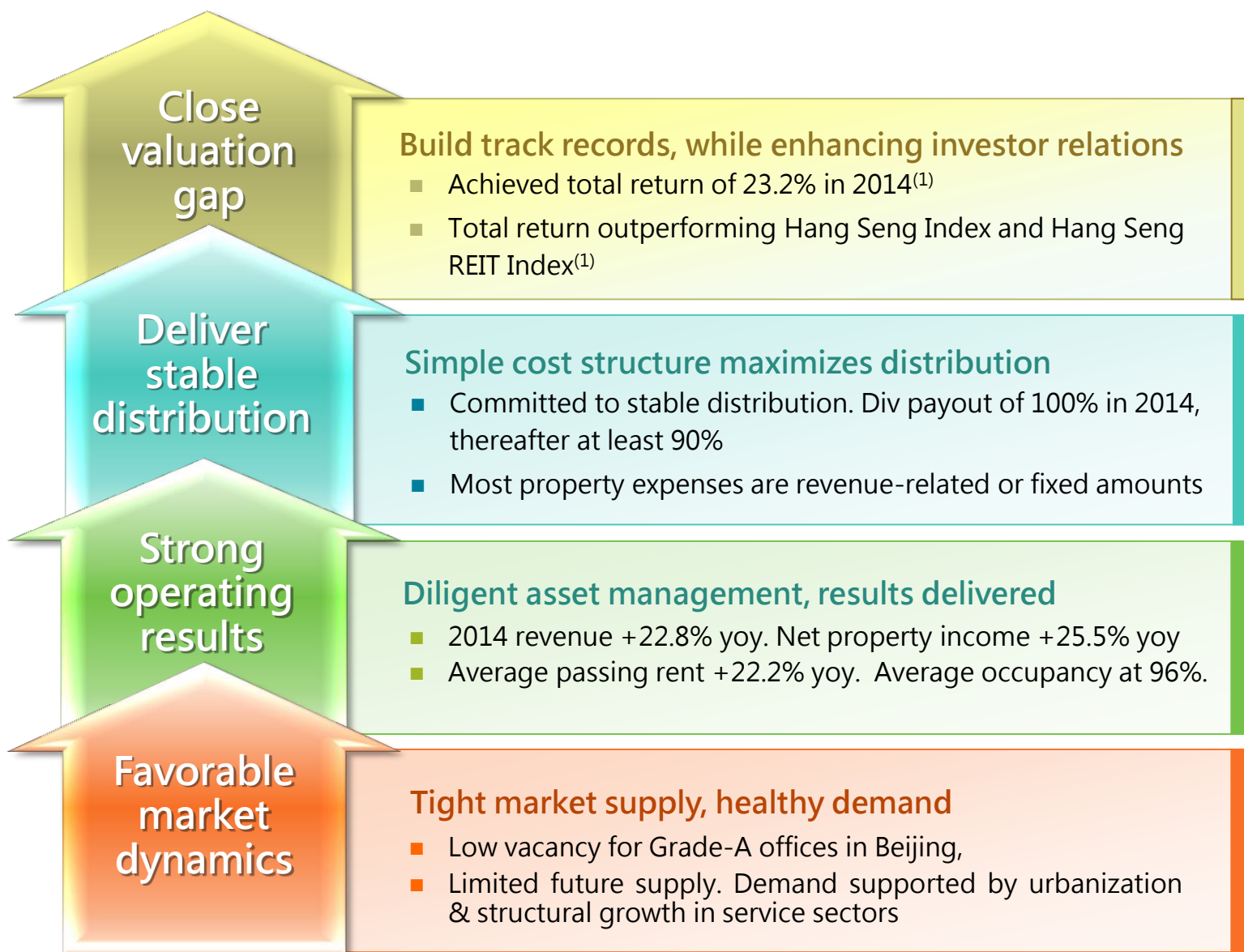
- Prudent financial and capital management policy
- Reduce finance costs & optimize debt maturity profile

## 3. Acquisition Strategy

- Seek value-enhancing acquisition opportunities
- In Asia (including Greater China, Japan and ASEAN)
- High quality income-producing commercial properties
- Opportunities to enhance returns of the target property

## 4. Investor Relations Strategy

- Enhance communication with investors & analysts
- Timely updates to the market, incl. operating stats
- Efforts to widen and strengthen unitholder base





Thank You