

The logo for Spring REIT, featuring the word "Spring" in a blue sans-serif font and "REIT" in a green sans-serif font, positioned in the upper right corner of the slide.

SpringREIT

The main title of the presentation, "Spring REIT (1426.HK) Interim Results 2014", displayed in a bold blue font against a light green background with abstract wavy patterns.

SPRING REIT (1426.HK)
Interim Results 2014

19 August 2014

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Key Messages

Key Messages

Five Competitive Strengths with Rental Reversion Delivered

1

Exposure to Premium Grade office buildings in Beijing CBD

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 95% 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 Highlights

Excellent Performance for the First Half of 2014

1

Excellent Operating Performance

- Total revenue **+30.4% YoY** to US\$39.79 million
- Net property income **+33.5% YoY** to US\$30.39 million
- Occupancy stayed high at **95%**

2

Strong Rental Reversion Delivered

- 27% of the existing leases (in GFA terms) were entered into in 1H 2014 (incl. renewals)
- Average monthly spot rental maintained at high level at RMB377/sqm
- Average monthly passing rental **+28.7%** to RMB345/sqm from RMB268/sqm in 1H 2013

3

Reduced Gearing and Interest Expense

- Gearing **-2.5 ppts** from 36.0% at the end of 2013 to 33.5%
- Interest expense **-18.0%** from US\$14.15 million to US\$11.61 million

4

Total Distribution per Unit (DPU) of HK15.5 cents

Including ⁽¹⁾ :

- 2014 Interim Distribution HK13.9 cents/unit, implying annualized yield of **8.9%**⁽²⁾
- 2013 Final Distribution HK1.6 cents/unit, implying annualized yield of **6.8%**⁽²⁾

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

(2) Based on closing price of Spring REIT units of HK\$3.16 on 30 June 2014.

Results Highlights

Excellent Performance for the First Half of 2014

For the six months ended 30 June	1H14	1H13	Change
Total Revenue (US\$ million)	39.79	30.51	+ 30.4%
Net Property Income (US\$ million)	30.38	22.76	+ 33.5%
Net Property Income Margin	76.4%	74.6%	+ 1.8 ppts

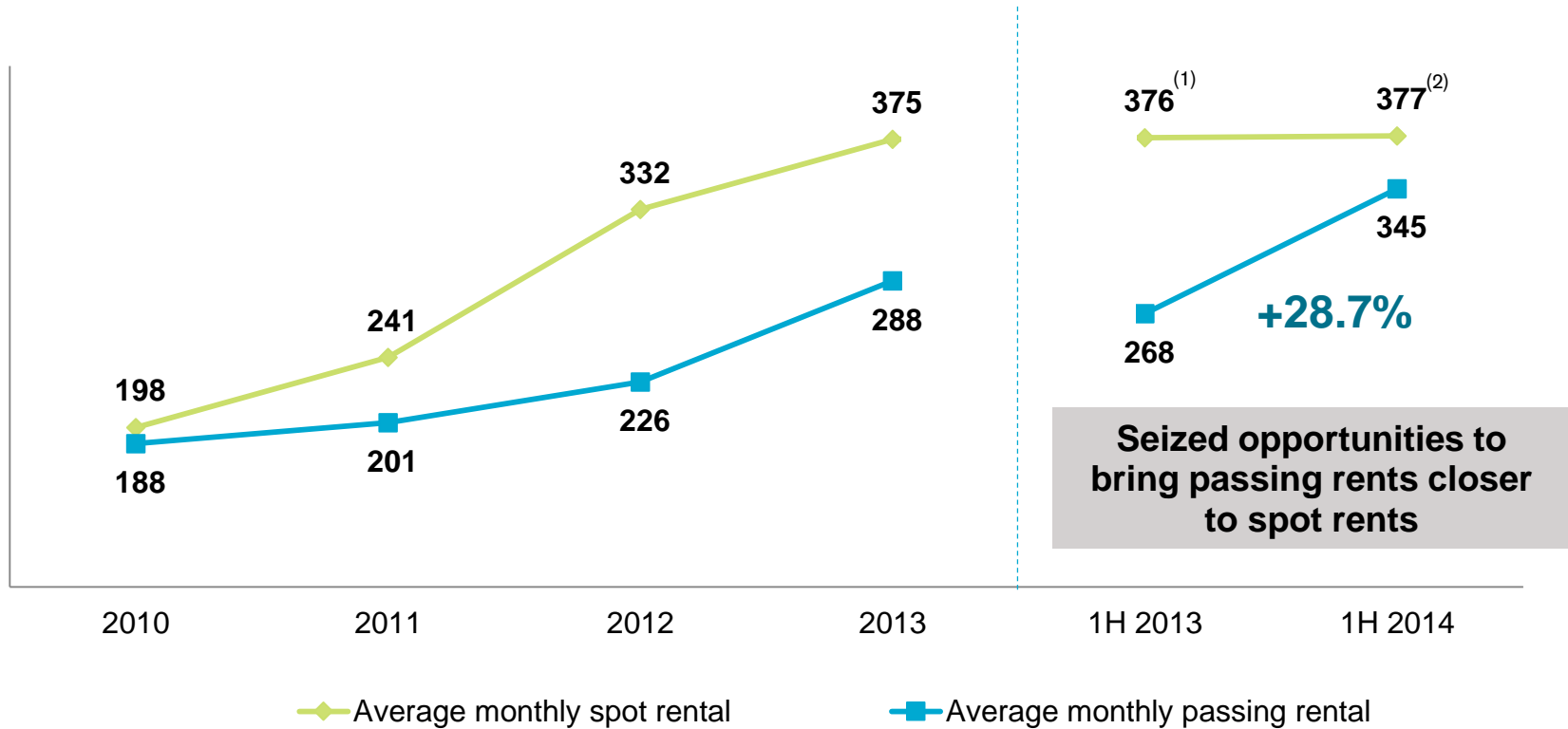
As at	30 Jun 2014	31 Dec 2013	Change
Appraised Property Value (RMB million)	7,915.00	7,760.00	+ 2.0%
Total Borrowings (US\$ million)	457.76	504.80	- 9.3%
Gearing Ratio (total borrowings to gross assets)	33.5%	36.0%	- 2.5 ppts
Net Assets Attributable to Unitholders (US\$ million)	870.91	862.24	+ 1.0%
Net Assets Attributable to Unitholders per Unit (HK\$)	6.12	6.09	+ 0.5%

Results Highlights

Positive Rental Reversion Delivered

Spot Rents vs Passing Rents

(RMB per sq.m. per month)



(1) Except certain transitional extensions and an exceptional renewal

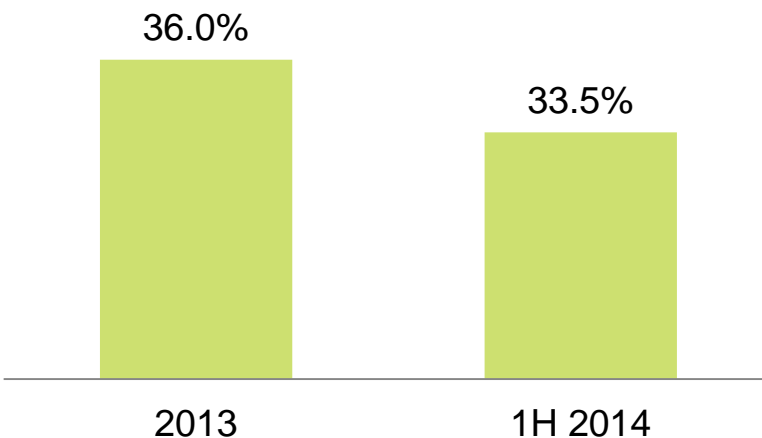
(2) Except certain transitional extensions

Reduced Gearing & Interest Expense

Early Loan Repayment

- US\$50 million repaid on 28 Jan 2014
- Loan principal reduced to US\$465 mn
- Gearing at end of 1H14 -2.5 ppts to 33.5%
- 1H14 interest expense -18.0% yoy due to reduced borrowings and lower LIBOR

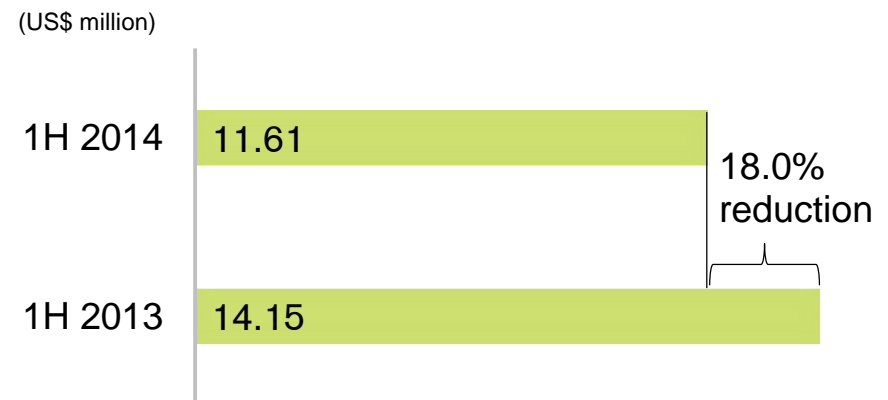
Debt to Gross Asset Value



Now: Secured Term Loan facility

- Principal amount: US\$465 million
- Borrower: RCA01
- Tenor: 3 years
- Repayable: 27 Jan 2016 (w/ 1-year extension option)
- Interest rate: 3-mth LIBOR + 3.50%
- LIBOR capped at 1.3% by interest rate caps

Interest Expense



Results Highlights

To declare total DPU of HK15.5 cents (2014 interim and 2013 final)

	Interim Distribution 2014	Final Distribution 2013	Special Distribution 2013
Distribution per Unit (HK cents)	13.9	1.6	7.0
Announcement Date	18 August 2014		18 March 2014
Ex-Dividend Date	8 September 2014		3 April 2014
Payment Date	30 September 2014		16 May 2014
Implied Distribution Yield ⁽¹⁾	4.4%	0.5%	2.2%
Implied Annualized Distribution Yield ⁽¹⁾	8.9%	6.8%	N/A

Note: Implied distribution yield is calculated as distribution per unit to the closing price of the Units as at the end of the respective financial period.

Total Return Year-to-Date (15 Aug 2014)

	HK cents	% ⁽²⁾
Special distribution	7.0	2.2
2013 final distribution	1.6	0.5
2014 interim distribution	13.9	4.4
Unit price gain ⁽³⁾	56.0	17.7
TOTAL RETURN	78.5	24.8

Distribution Policy

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

(1) Implied annualized distribution yield is estimated based on the closing price of the Units of HK\$3.16 on 30 June 2014.

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

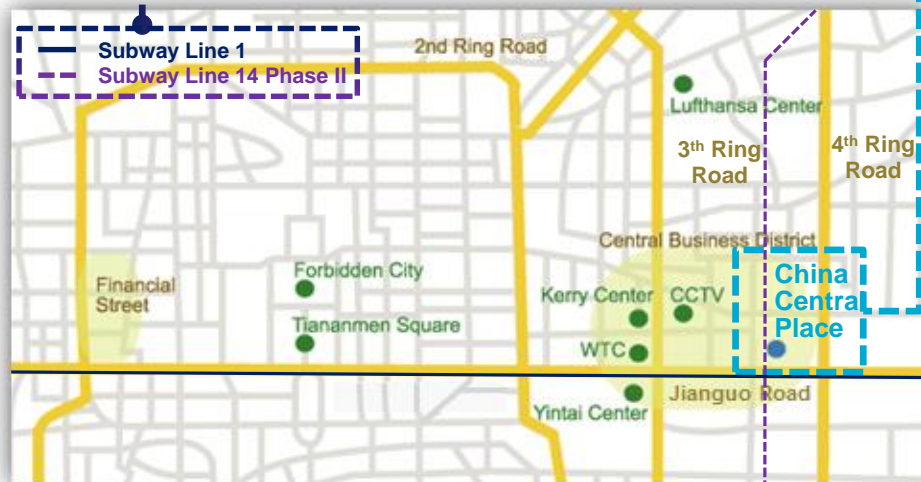
(3) Based on closing price of 15 August 2014 of HK\$3.73 and closing price of 31 December 2013 of HK\$3.17.

Investment Highlights

Property Overview

Premium Grade Office Buildings at Beijing CBD

- 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.
- Strategically located in the CBD of Beijing at the intersection of Jianguo Road and West Dawang Road, between the 3rd and the 4th Ring Road
- Direct access to [Subway Line 1](#) through the shopping mall and [Subway Line 14 Phase II](#) (expected to open in December 2014.)
- Appraised value: RMB7,915.00 million⁽¹⁾ (US\$1,275.97 million)



(1) As at 30 June 2014

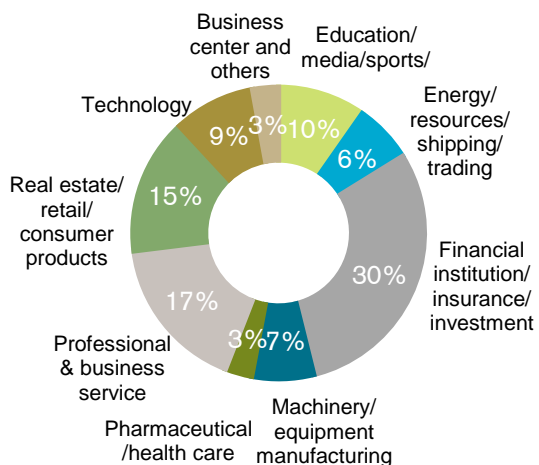
Diverse and high quality tenant base

Focus on optimizing our tenant mix – 170 leases in total⁽¹⁾

Diversified tenant profile

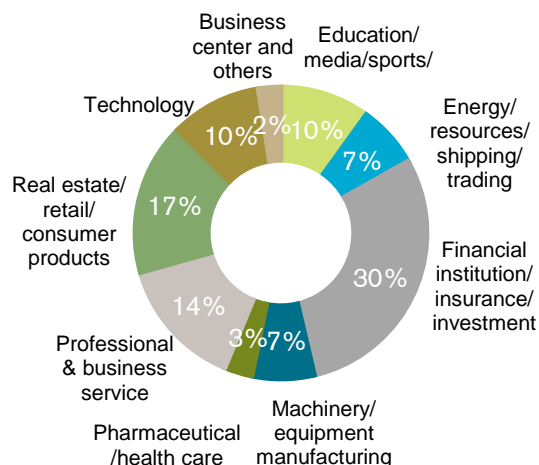
By leased office GFA

(As of 30 June 2014)



By monthly rental revenue

(For the month of June 2014)



High quality tenant base

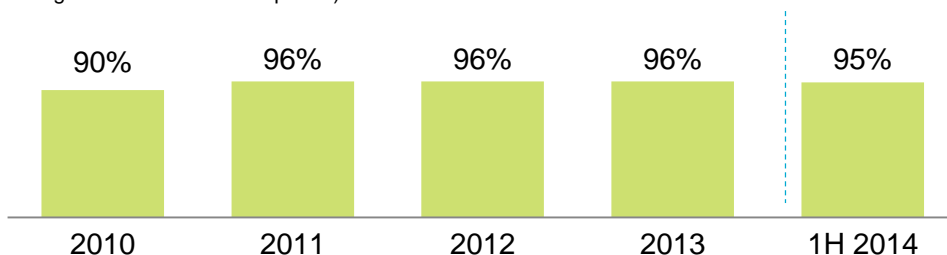
Top 5 tenants⁽¹⁾

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

23.9%

High occupancy rates maintained

(Average % over the relevant period)



Other industry-leading tenants

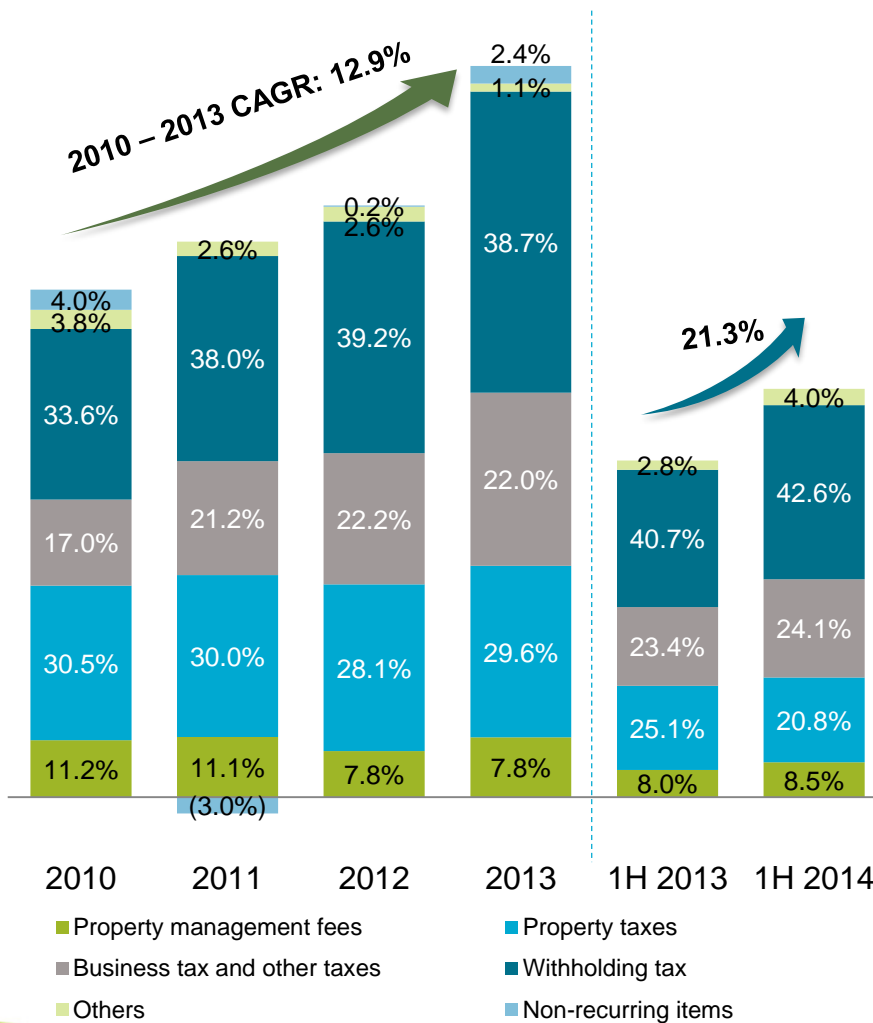
- Global Law Office
- White & Case LLP
- Tesco
- NBA
- Baxter
- Itochu
- AECOM
- Bain & Company
- Brazil Embraer
- Richemont

(1) As of 30 June 2014

Transparent and Stable Cost Structure

All of the 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 at approx. 5.6% of total monthly revenue
- Stamp duty of 0.1% on total rental income payable over the term of each lease

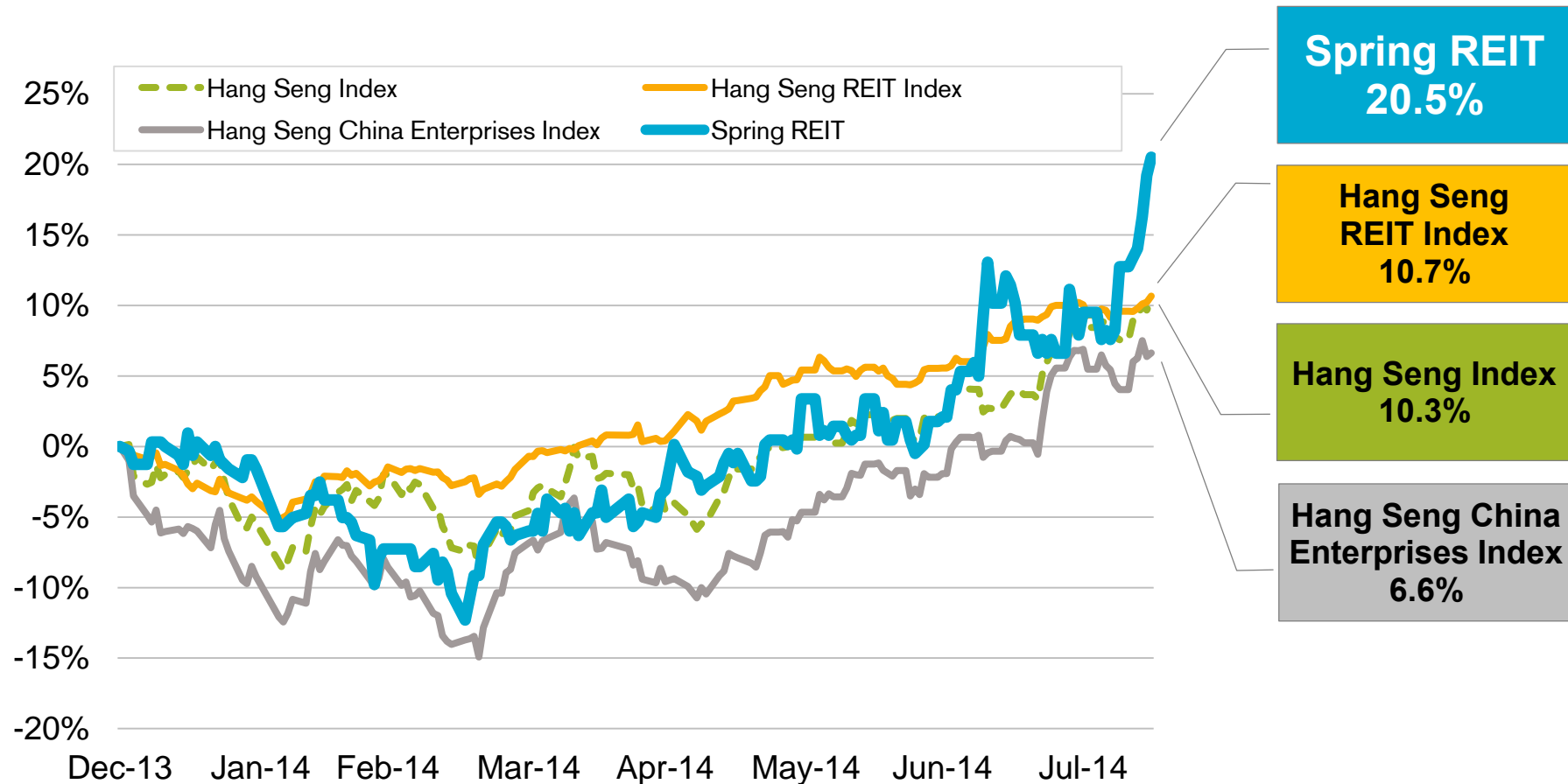
Withholding tax

- 10% of revenues received from rental operations

Outperforming Peers and Benchmarks

SpringREIT

Total Return Year-To-Date (1 Jan 2014 – 15 Aug 2014)

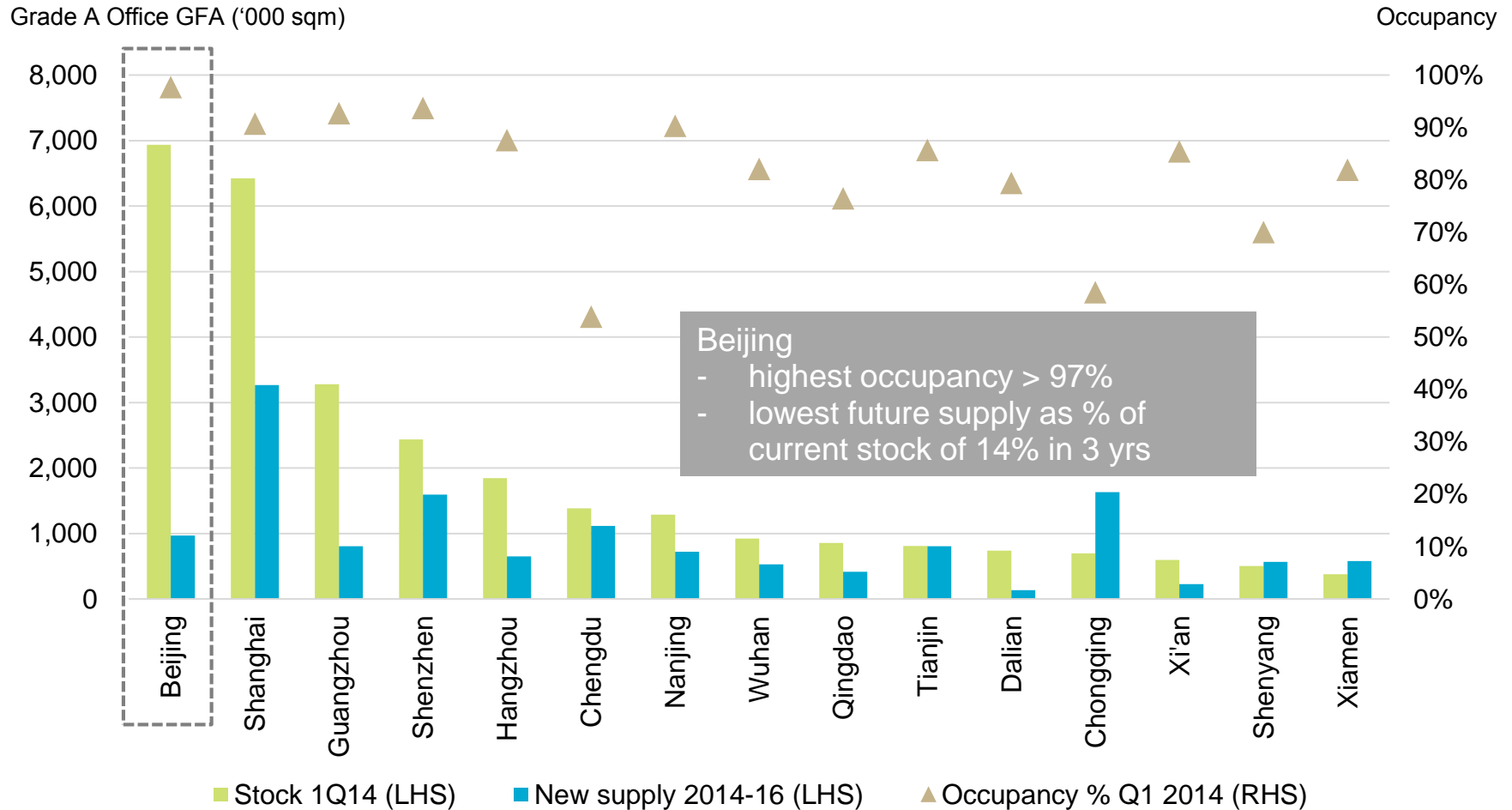


Source: Bloomberg, last updated 15 Aug 2014

Market Outlook

Office Market Conditions across China

Beijing enjoys the best supply-demand dynamics

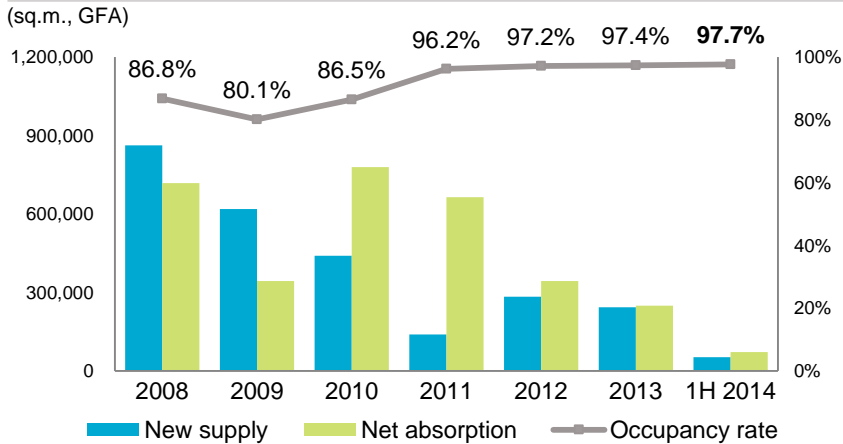


Source: DTZ Consulting, June 2014

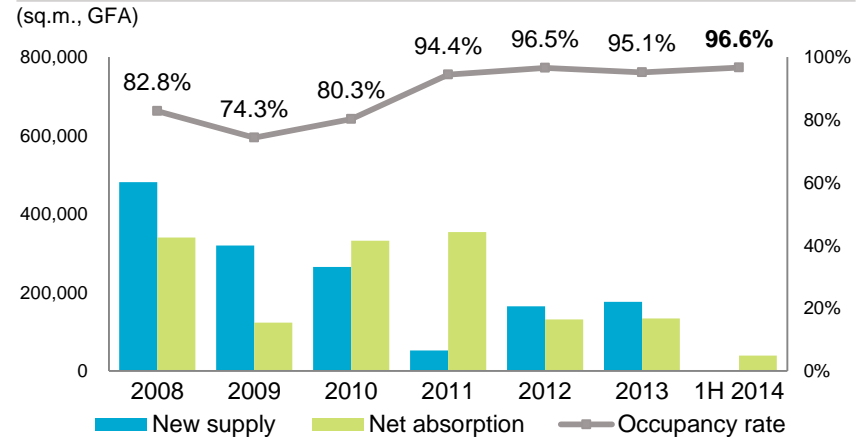
Current Market Condition

Tight supply & high occupancy in Beijing Grade-A offices

Beijing Overall – Supply, Absorption, Occupancy



Beijing CBD – Supply Absorption, Occupancy



Beijing Overall – Effective Rental Rate



Beijing CBD – Effective Rental Rate



Future Grade-A Office Supply

Grade-A Supply Pipeline

Project Name ⁽¹⁾	District	Completion Year ⁽²⁾	Approx. GFA available for lease ⁽³⁾ (sqm)
ZGC Internet Financial Centre	Zhongguancun	2014	51,000
Sub-total			51,000
Raycom Info Tech Tower B	Zhongguancun	2015	40,000
Air China Plaza Phase 1	Zhongguancun	2015	80,000
Guosheng Plaza	East 2nd Ring Road	2015	134,000
Beijing POSCO Centre	Other	2015	77,000
Sub-total			331,000
Keppel Square	CBD	2016	100,000
China World Tower phase 3B	CBD	2016	71,429
Emperor Group Tower	Jianguomen	2016	55,000
WPC Centre Phase 2	Lufthansa	2016	48,957
Huadu Hotel Redevelopment	Lufthansa	2016	80,000
Lei Shing Hong Plaza Phase 2	Other	2016	120,000
Indigo Phase 2	Other	2016	60,000
Sub-total			535,386
Kuntai Da Wangjing	Other	2017	58,000
Sub-total			58,000

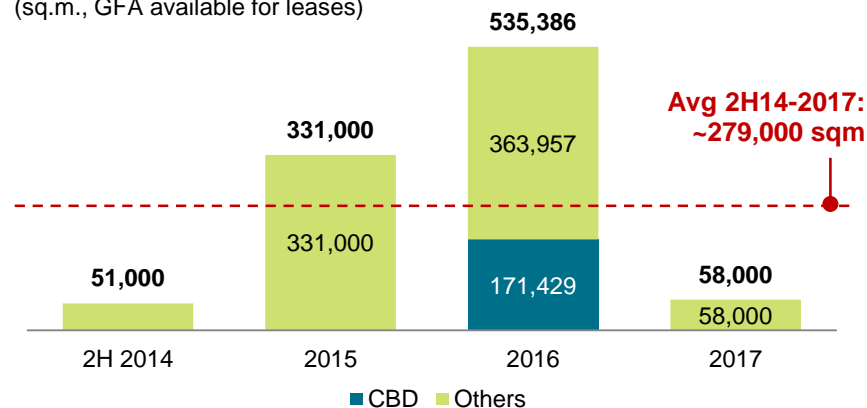
----- Indicates properties located in the CBD area

Source: DTZ Consulting, June 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.
- (3) There remain uncertainties on pipeline into 2017, especially the supply from Zhongfu Parcel, as these developments are still at their early stages.

Grade-A office supply by year

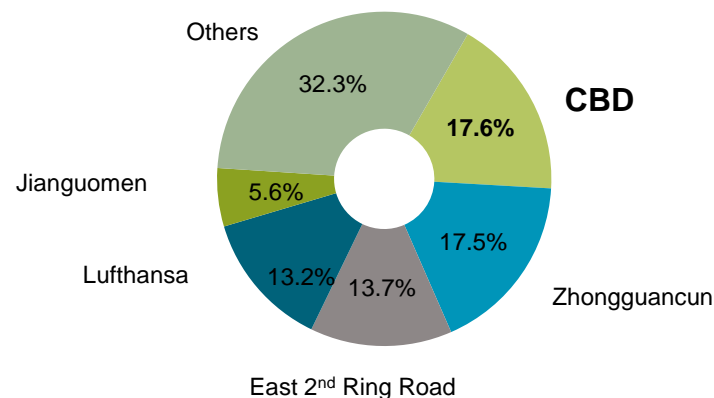
(sq.m., GFA available for leases)



Beijing's average annual new supply = only 4.0% of current stock of 6.99 million sqm

Source: DTZ Consulting, June 2014

2H14-2017 Grade-A office supply by region

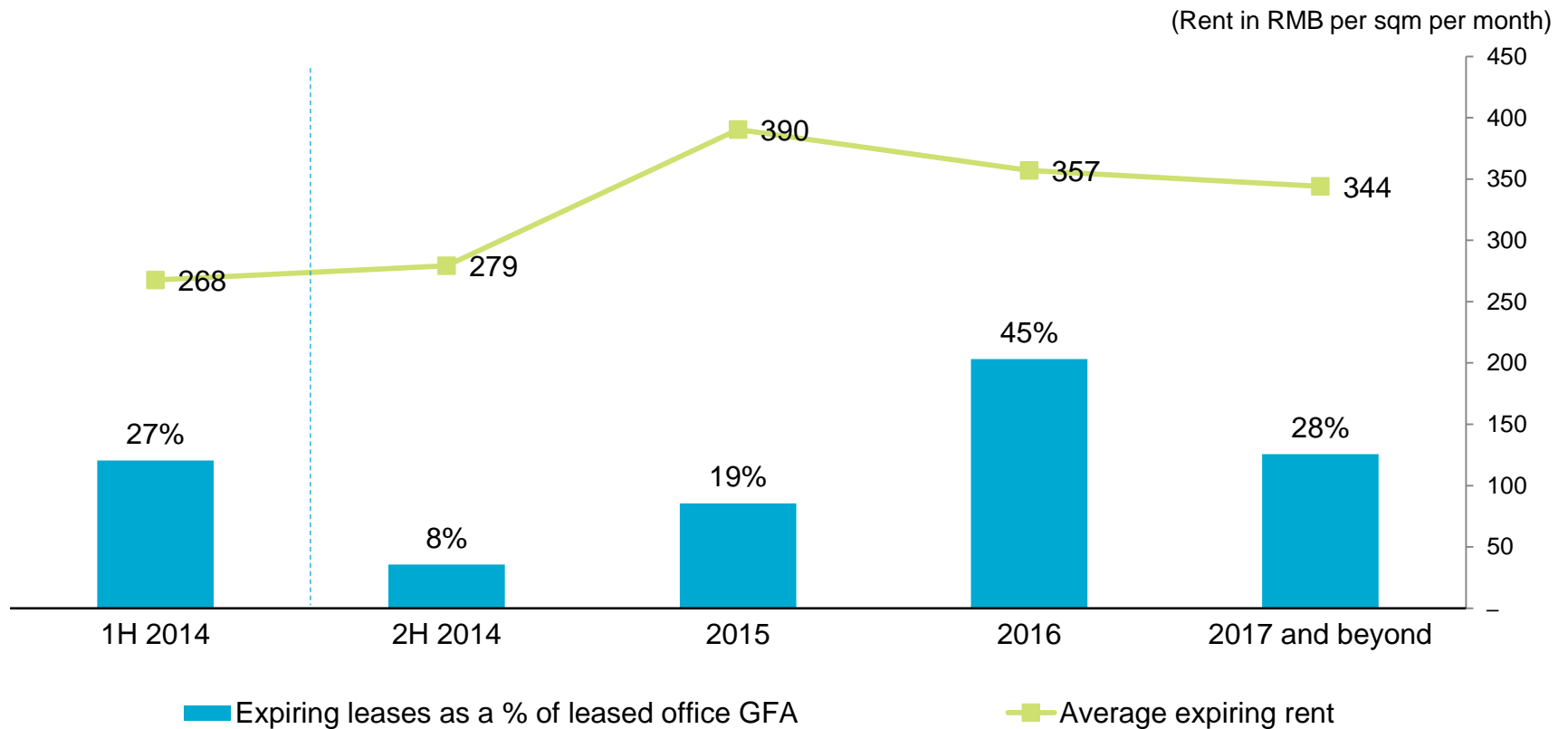


Source: DTZ Consulting, June 2014

Expiring Lease Profile

Positive Rental Reversion to Continue

Average monthly spot rent: 377⁽¹⁾



(1) Average unit rent for leases entered into in the six months ended June 30, 2014, excluding some transitional arrangements

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

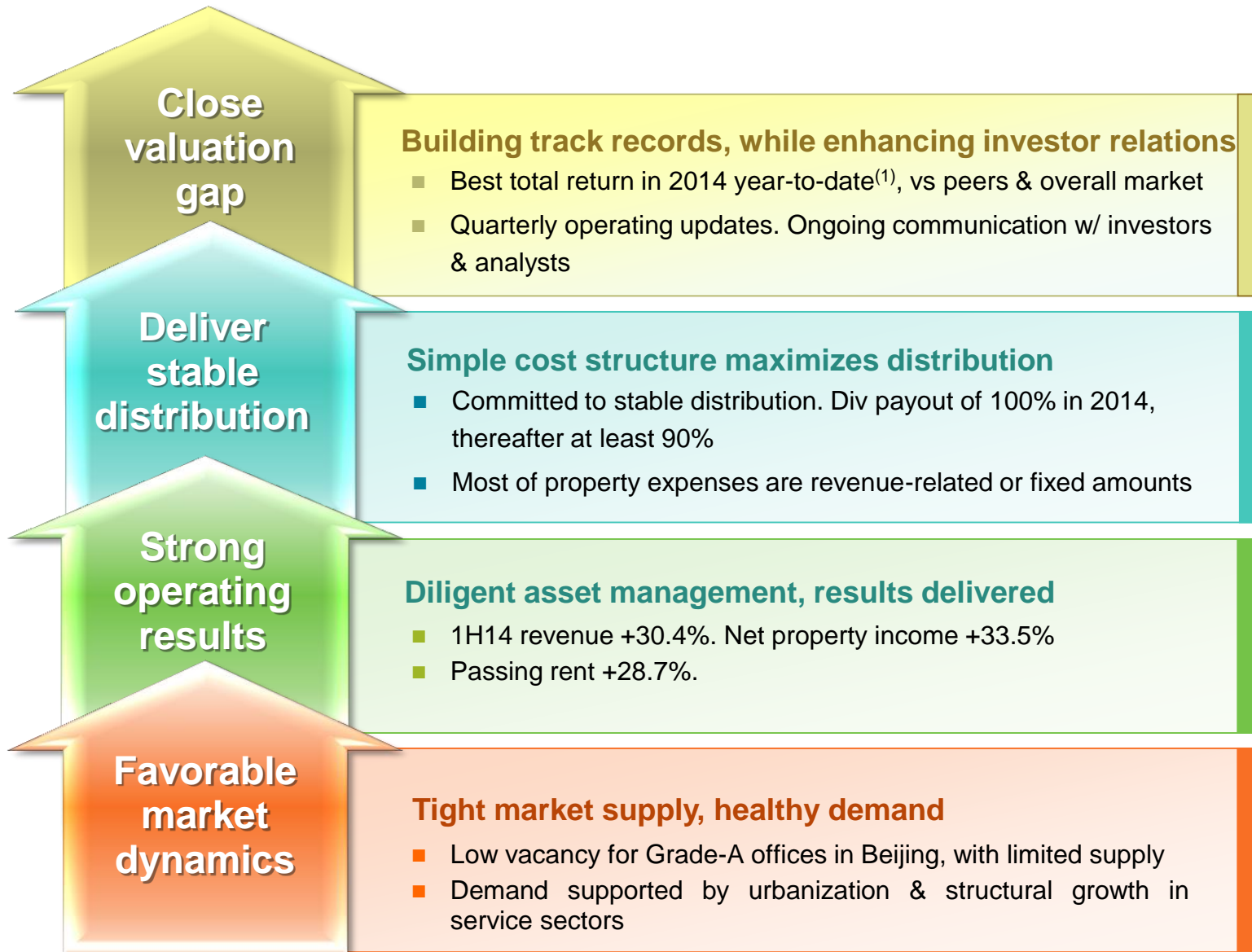
- Prudent financial and capital management policy
- Seek opportunities to reduce finance costs & optimize debt maturity profile

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 the target property to increase returns

4. Investor Relations Strategy

- Stronger communication with investors & analysts, including site visits
- More timely updates to the market, e.g. quarterly operating updates
- Efforts to widen and strengthen unitholder base



Note: (1) Spring REIT delivered total return of 20.5% for the year to 15 Aug 2014, according to Bloomberg data.

Thank You