



# Final Results 2016 Presentation

23 March 2017

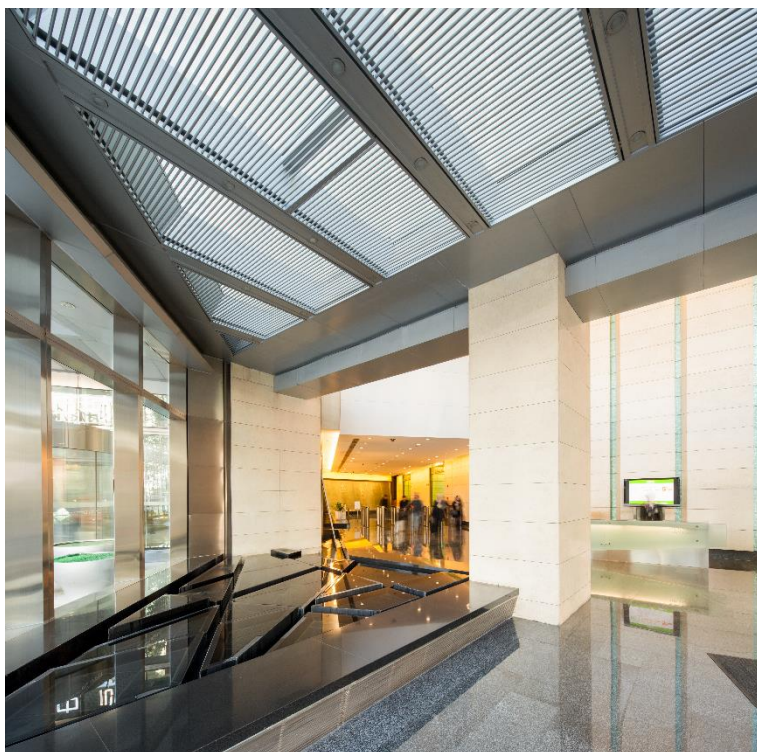
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# OVERVIEW OF FY 2016

- Rental income was supported by encouraging rental reversion and steady occupancy rate.
- In 2H 2016, net property income was held back by increase in property tax. For FY17, such increase would have full year impacts.
- Financial performance was affected by weaker RMB.
- Property prices in China have appreciated, benefitting our appraised valuation. Despite weaker RMB, our balance sheet remains healthy.
- Successfully signed the share purchase agreement of UK commercial properties. Upon completion will strengthen cash flow and mitigate impacts from increase in property tax in Beijing.





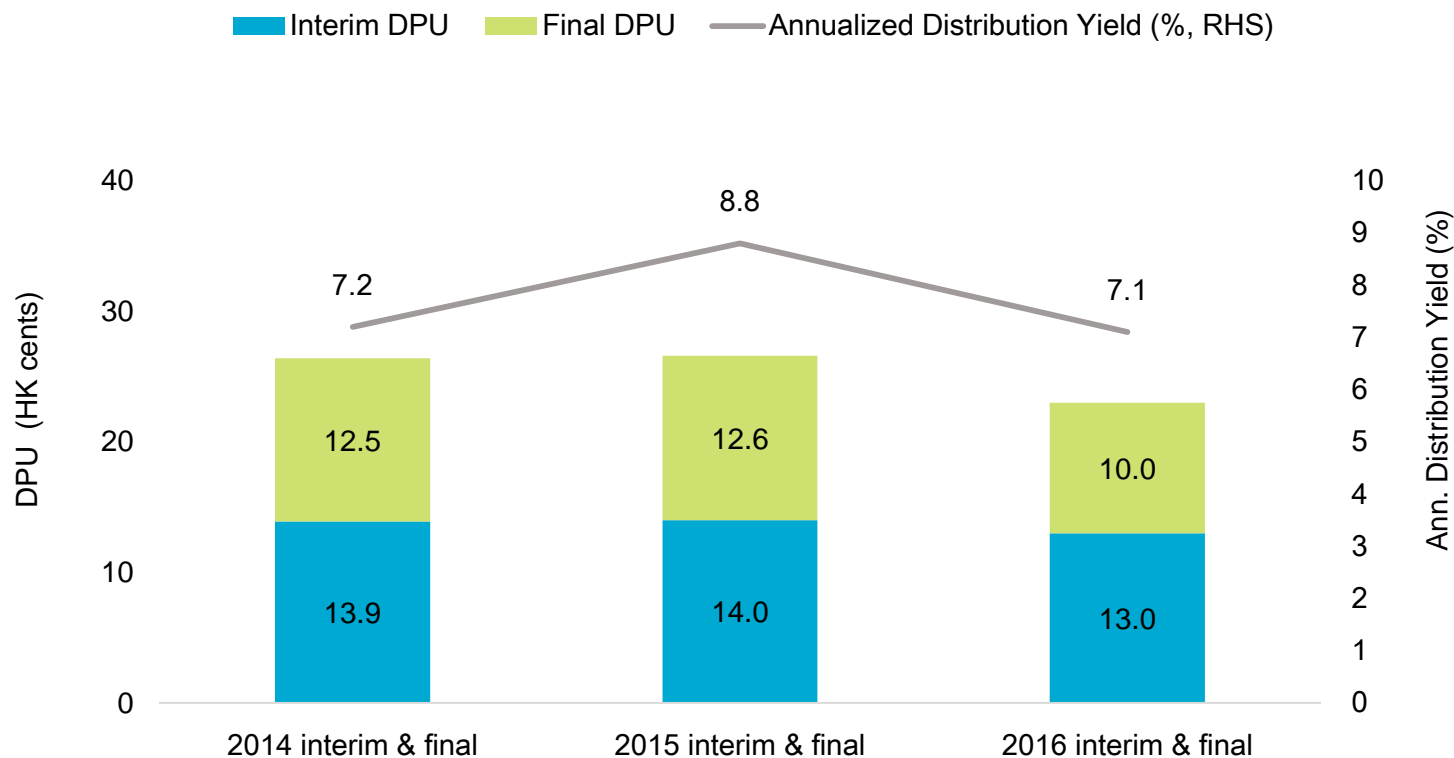
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# FY2016 RESULTS SUMMARY

SpringREIT

(in US\$' million unless otherwise specified)	2016	2015	Change
For the Year Ended 31 December			
Revenue	75.43	80.52	(6.3%)
Property operating expenses	(18.59)	(19.24)	(3.4%)
Net property income	56.84	61.28	(7.2%)
Net property income margin (%)	75.4	76.1	
Total distributable income	35.87	41.23	(13.0%)
Payout ratio (%)	93	93	
As at 31 December			
Property valuation	1,296.62	1,283.55	1.0%
Total assets	1,381.16	1,377.19	0.3%
Total borrowings	480.50	477.30	0.7%
Net asset value	866.68	864.22	0.3%
Gearing ratio (%)	34.8	34.7	
Units Information			
DPU (HK cents)	23.0	26.6	(13.5%)
Net asset value per Unit (HK\$)	5.95	5.98	(0.5%)

- The Board of Directors declared a final distribution per unit of HK 10.0 cents, implying a full-year payout ratio of 93%.

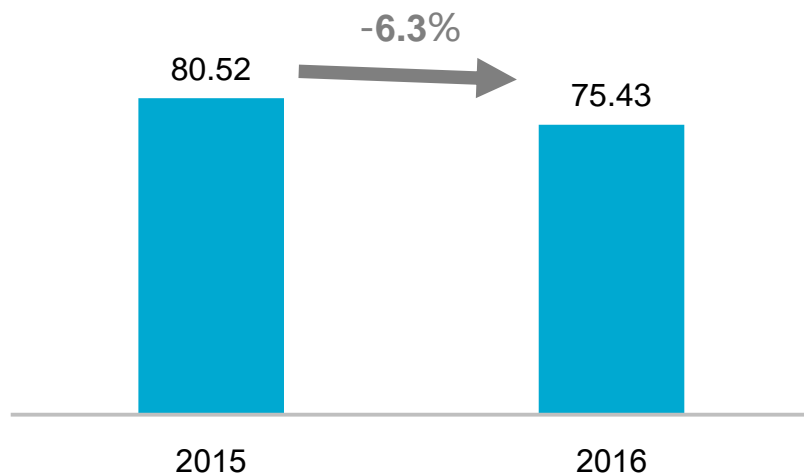


Note:

Annualized distribution yields are calculated using closing price of the Units at the end of each relevant financial period.

## Revenue

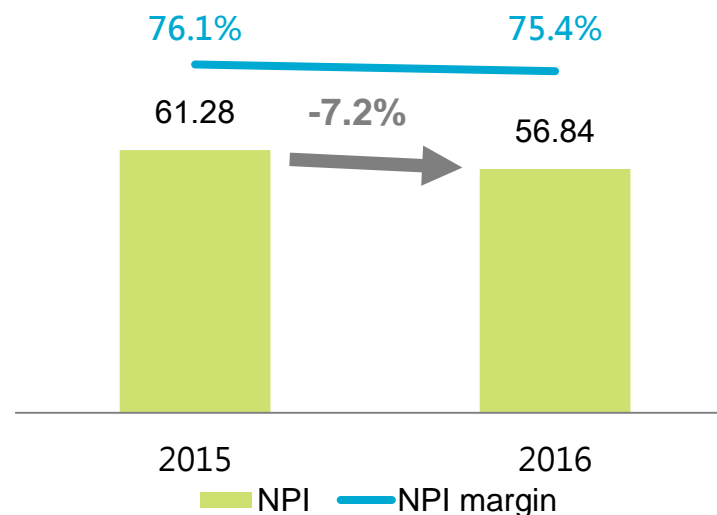
(US\$ million)



- Overall, revenue reflected stable passing rents and occupancy rates.
- Revenue in USD decreased 6.3% due to 5.4% depreciation of RMB
- Excluding effects of RMB depreciation and B2V accounting, revenue up approximately 1.1% yoy.

## Net Property Income

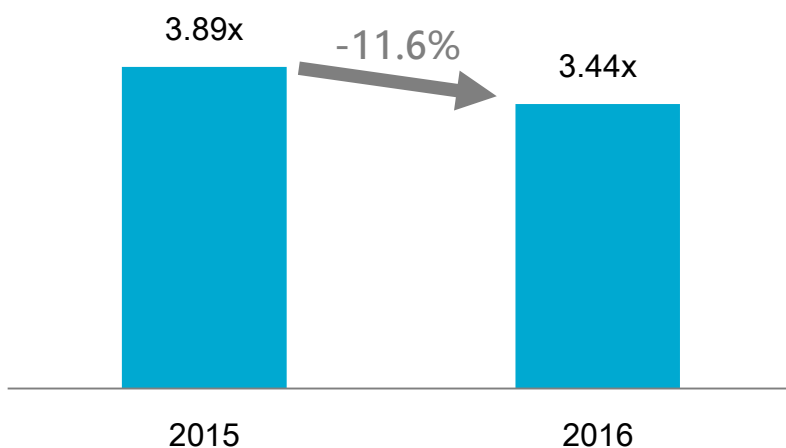
(US\$ million)



- Decrease in NPI mostly due to an increase in property tax
- NPI margin at 75.4%, -0.7 ppts yoy
- NPI -7.2% yoy; -2.0% yoy in RMB terms



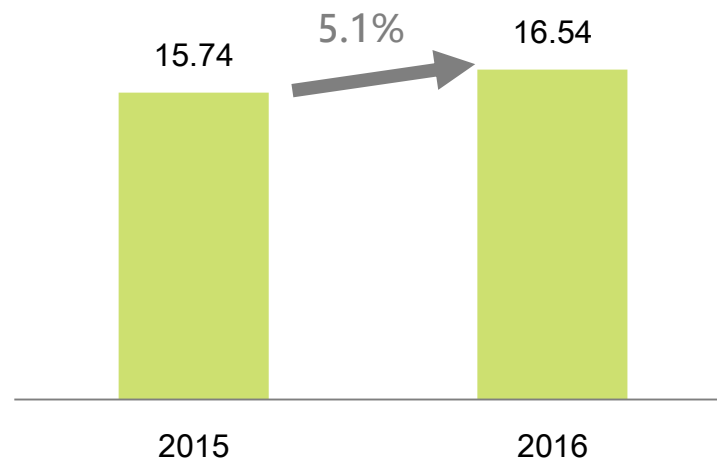
## Interest Coverage Ratio



- USD Term Loan
  - Notional Amount: US\$480 mn
  - Interest rate: 3-month USD LIBOR + 2.75%
  - Term: 5 years, expiring in 2020
- Gearing ratio at 34.8% (2015 : 34.7%)
- Interest coverage at 3.44 times

## Cash Interest Expenses

(US\$ million)



- Cash interest expenses: US\$16.54 mn, +5.1% yoy, due to lower interest margin offset by higher LIBOR



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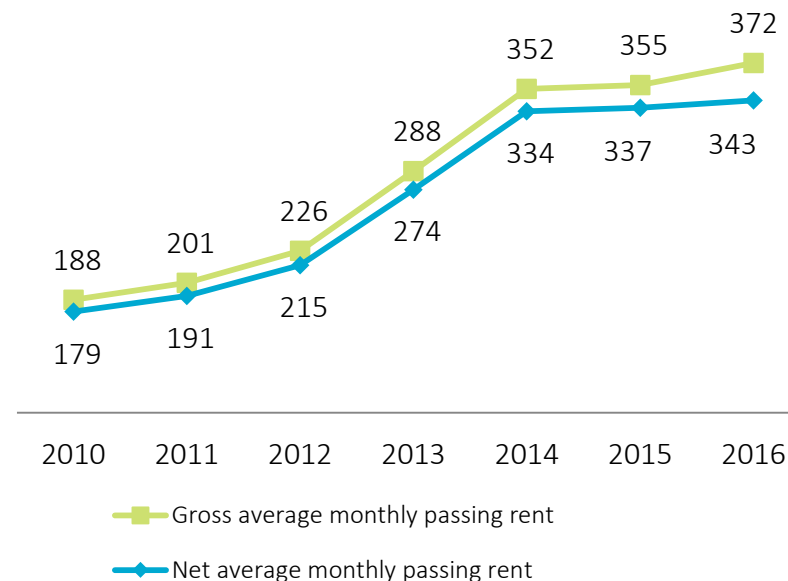
# FY2016 OPERATIONS SUMMARY

(in RMB MN unless otherwise specified)	2016	2015	Change
For the Year Ended 31 December			
<b>Revenues</b>			
- Rental income	477.90	486.58	(1.8%)
- Car park income	3.77	4.26	(11.5%)
- Other income	19.24	15.05	27.8%
	500.91	505.89	(1.0%)
<b>Property Operating Expenses</b>			
- Property management fee	(10.75)	(10.16)	5.8%
- Property tax	(42.14)	(24.85)	69.6%
- Business and other tax	(15.61)	(28.85)	(45.9%)
- Withholding tax	(50.21)	(51.17)	(1.9%)
- Leasing Commission	(4.13)	(5.08)	(18.7%)
- Others	(0.86)	(0.82)	4.9%
	(123.70)	(120.93)	2.3%
<b>Net Property Income</b>	377.21	384.96	(2.0%)

## Solid performance despite slower China growth

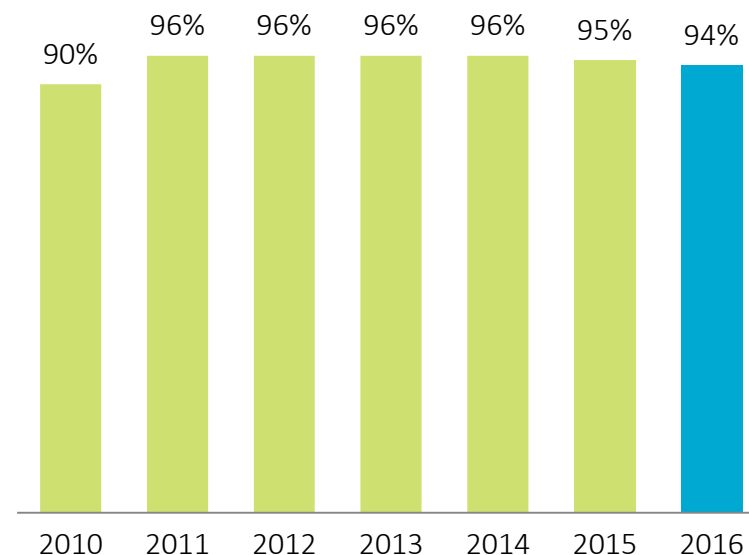
### Average Passing Rents

(RMB per sqm per month)



### Average Occupancy Rates

(%)



Notes:

- 1) Gross passing rent represents effective rent on a gross basis, inclusive of BT or VAT, as applicable.
- 2) Net passing rent represents effective rent on a net basis, exclusive of BT or VAT, as applicable.

- Net avg monthly passing rent +1.6% yoy
- Driven by mildly positive rental reversion of 7.5% (2015:8.6%)
- Lease effective in FY2016 = 48.9% of leased GFA

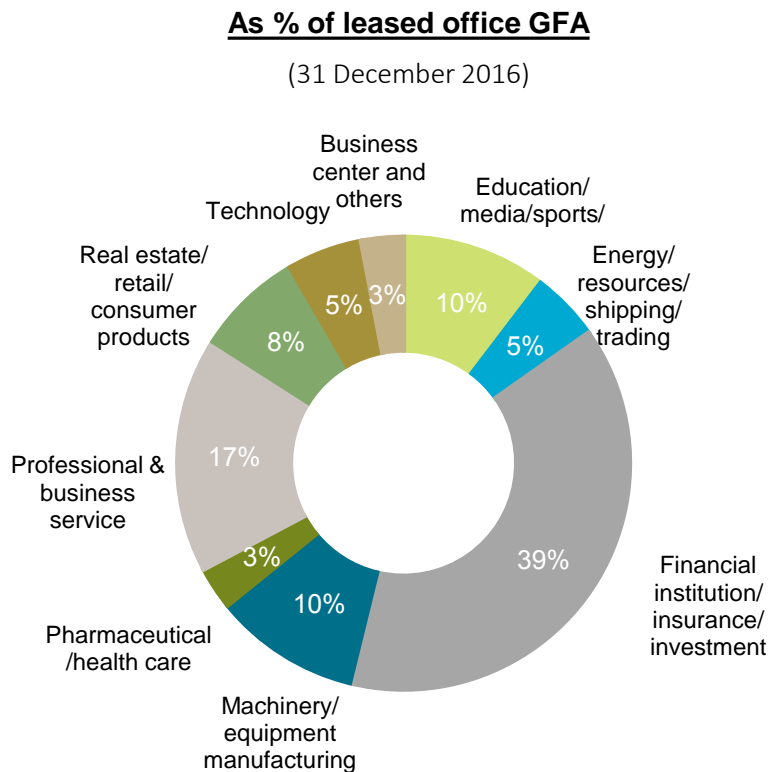
- Avg occupancy stable at 94%
- Consistently above 90% since 2010
- Favourable supply-demand dynamics in Beijing CBD continued



# TENANT BASE

## Diverse and high quality tenant mix

### Tenants by Industry



### Top 5 Tenants

Tenants	% of total leased GFA	25.4%
Deutsche Bank	6.4%	
EPSON	6.0%	
Condé Nast	4.8%	
Zhong De Securities	4.3%	
Xinyuan Real Estate	3.9%	

Note: as of 31 December 2016

### Other industry-leading tenants

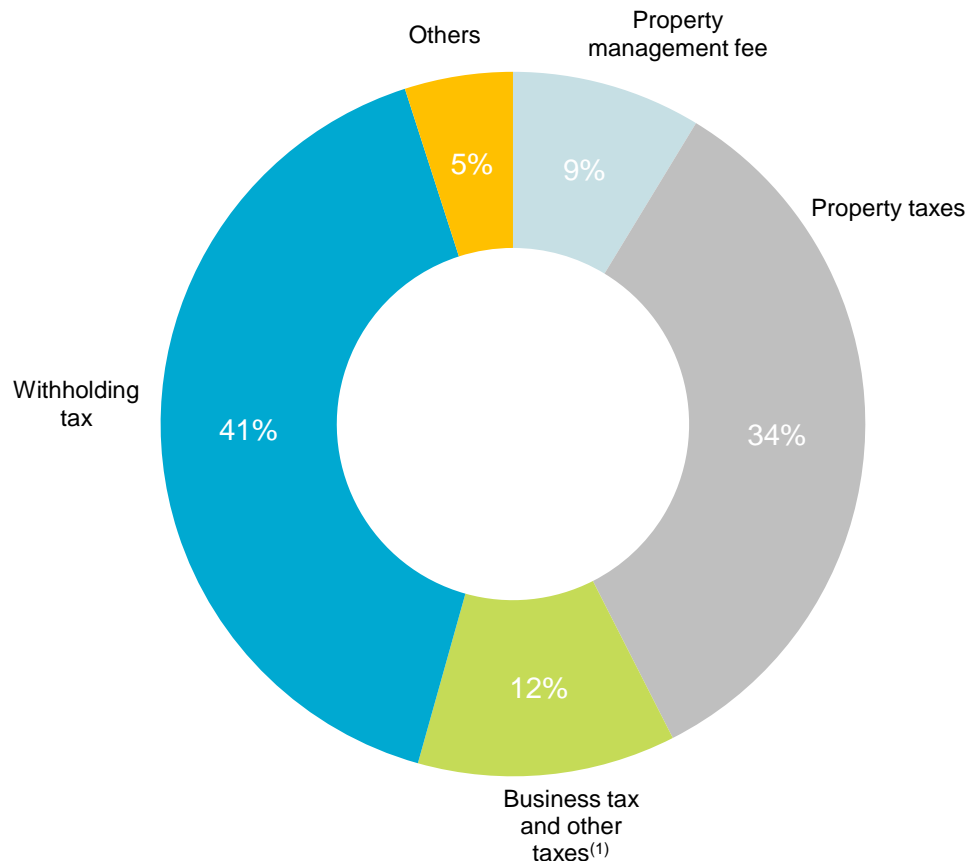
- Global Law Office
- White & Case
- Johnson & Johnson
- NBA
- Baxter
- Itochu
- AECOM
- Bain & Company
- Brazil Embraer
- Richemont

Note: as of 31 December 2016

# COST STRUCTURE

More than 95% of property expenses are revenue-linked or fixed

FY2016



## ■ Withholding tax

- 10% of revenues received from rental operations

## ■ Business tax and other taxes<sup>(1)</sup>

- 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

## ■ Property taxes

- Includes real estate tax and land use tax
- Starting 2H2016, real estate tax based on rental revenue
- Land use tax based on the site area of the development

## ■ Property management fee

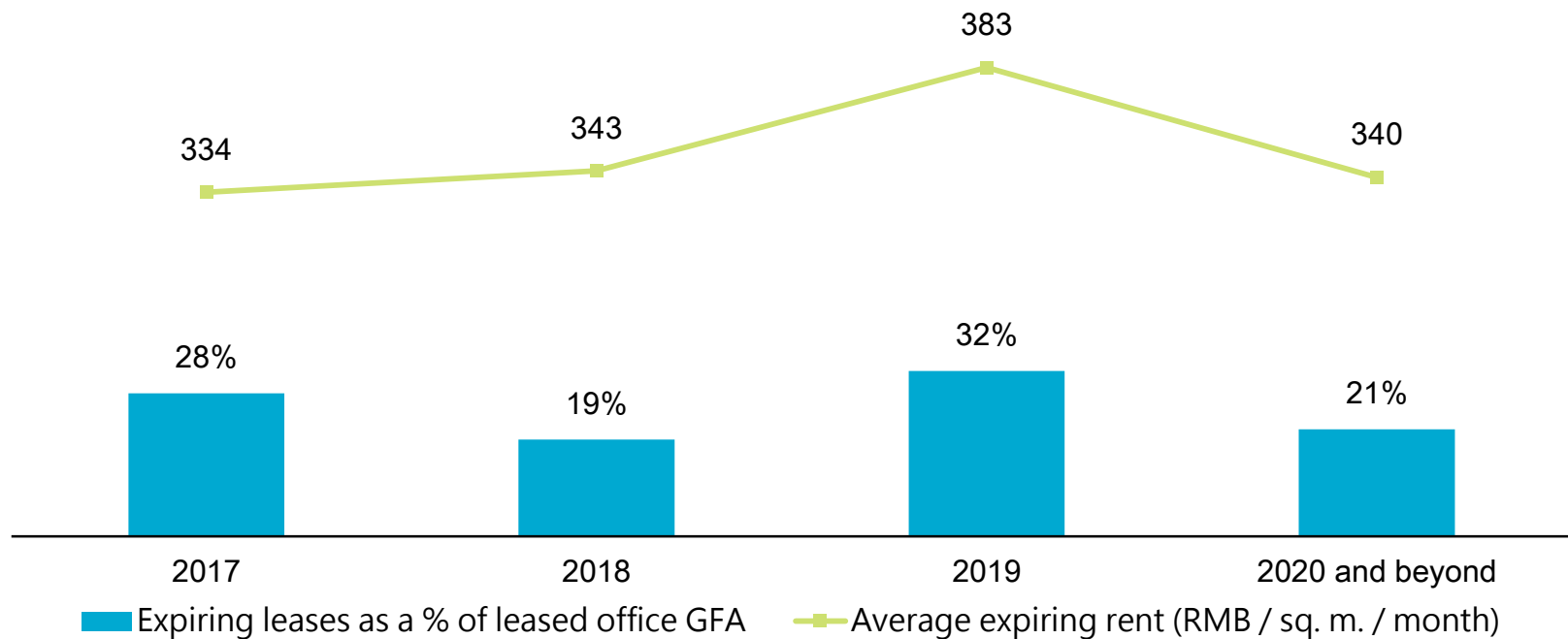
- 2% of the total revenue

Notes:

- 1) Business tax is no longer applicable since 1 May 2016. It is transitioned into Value-Added Tax, which according to IFRS would not be listed as an expense but would be excluded from revenue instead.

# EXPIRING LEASE PROFILE

- Typical office lease has a term of 3 years.
- In FY2016, 48.9% of leases (GFA terms) became effective with high retention rate
- Good progress on negotiations with upcoming expiries.



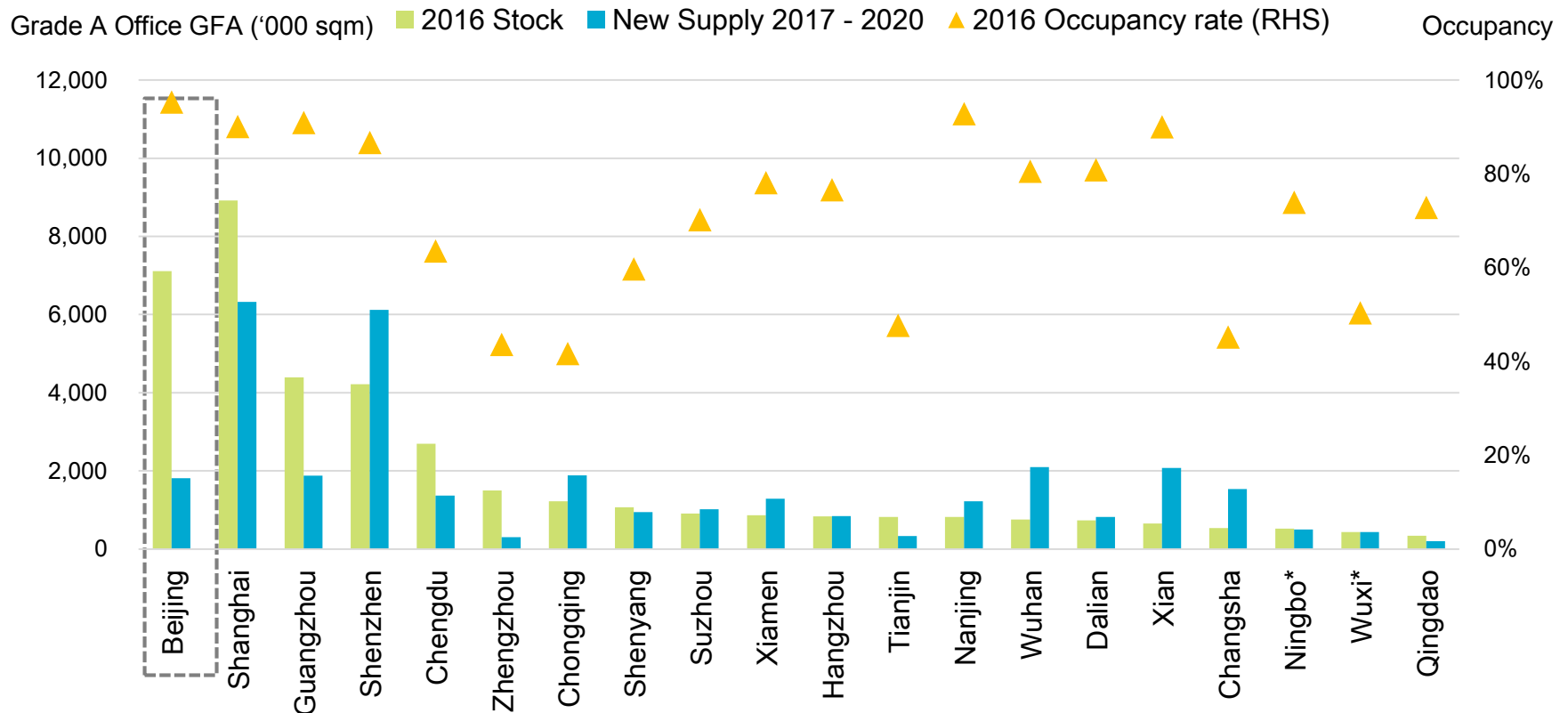


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# COMPARISON OF GRADE-A OFFICE MARKETS ACROSS CHINA

- Beijing has highest office occupancy of 95%
- Low new supply in the next 4 years, only 6.4% p.a. of existing stock (vs avg. 24.2% p.a. of selected cities)



Source: Jones Lang LaSalle Research, December 2016

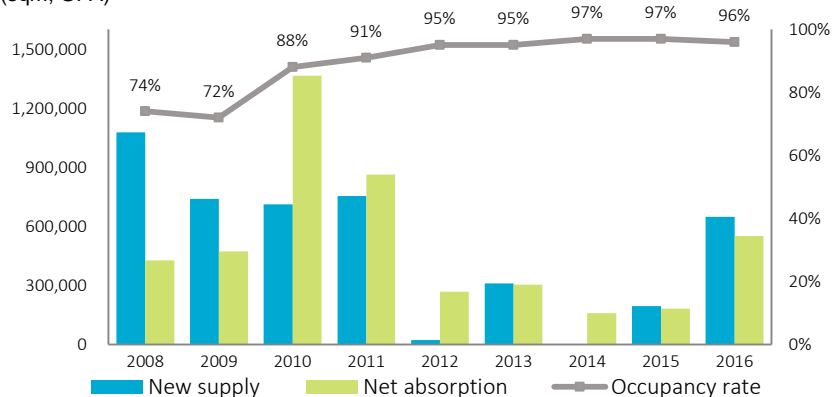
\*Note: Ningbo and Wuxi figures are as of 3Q16 & their forecast horizon extends to 2019 only

# CURRENT MARKET CONDITION

## Beijing Overall

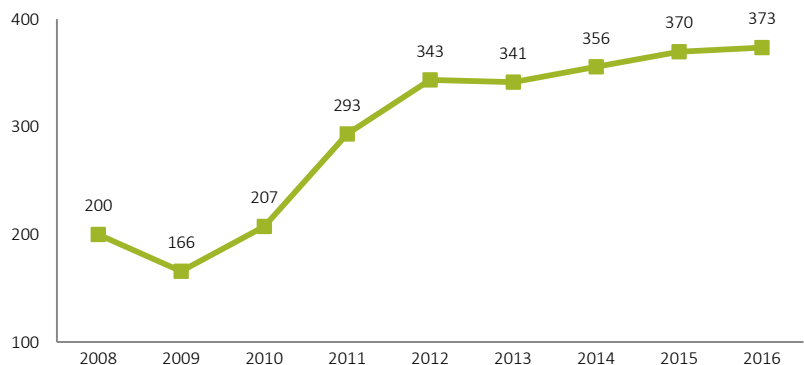
### Beijing Overall – Supply, Absorption, Occupancy

(sqm, GFA)



### Beijing Overall – Effective Rental Rate

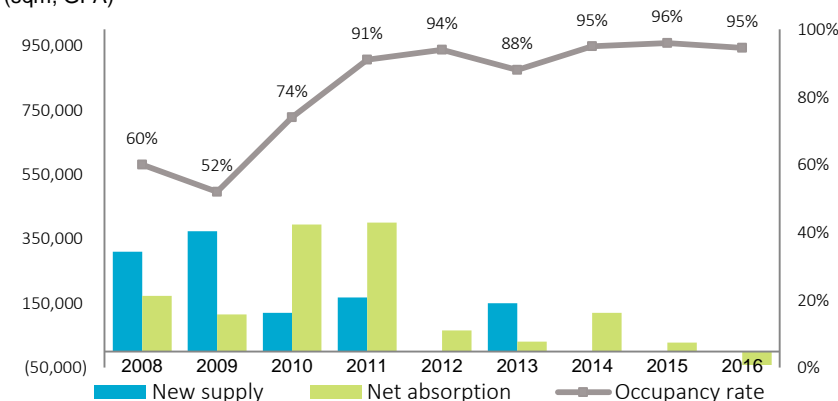
(RMB/sqm/month)



## Beijing CBD

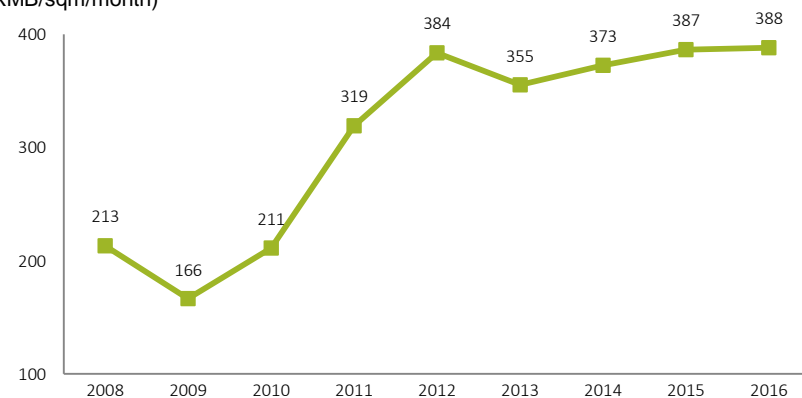
### Beijing CBD – Supply Absorption, Occupancy

(sqm, GFA)



### Beijing CBD – Effective Rental Rate

(RMB/sqm/month)

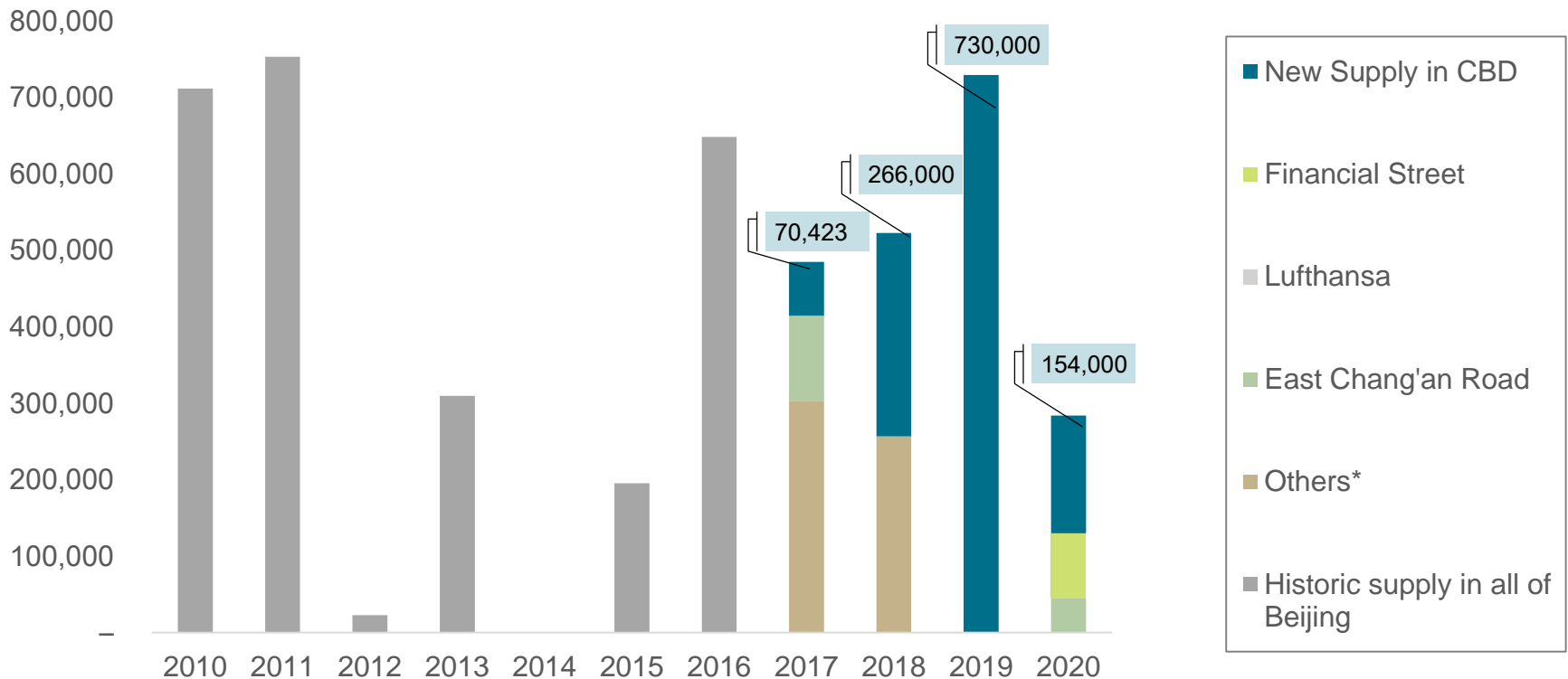


# FUTURE GRADE-A OFFICE SUPPLY

## Beijing CBD to see more supply in 2019

### Grade-A office supply by year

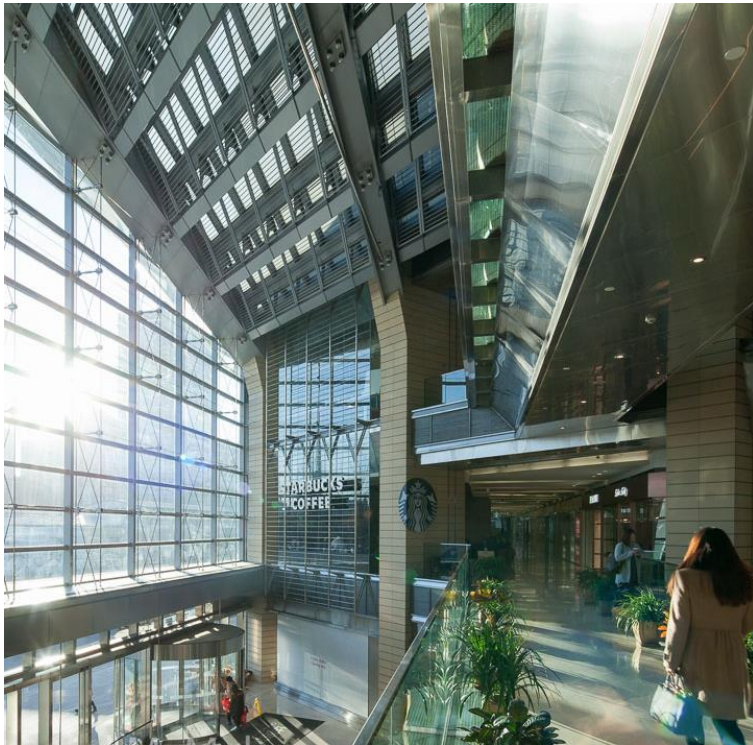
(sqm, GFA)



Note:

Others included Wangjing, Lize and Olympic Park

All of the above data are based on JLL Research in December 2016.



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## Outlook mixed in 2017

- Geopolitical uncertainty will continue in 2017, the Manager would continue to keep monitoring the risks relevant to our operations.
- China is showing steady economic growth, with tertiary industry contributing an ever larger share of that growth.
- In 2016, market had observed steady increase in capital value in overall China as well as in Beijing. This trend is poised to continue. Rising property price in China has provided support to balance sheet of landlords, despite a weaker RMB.

## Strategic Priorities

- Execute the UK acquisition to strengthen the distributable income to Unitholders.
- Continue to enter into leases with longer duration in order to enhance stability and certainty of future revenue.
- While retaining quality tenants would always be our priority, forging long-term relationship with leading local business would also be a focus.
- Commit to be transparent and efficient manager to deliver quality cash flow to Unitholders.
- Revisit the debt structure to improve the terms of financing.