

[For immediate release]

# SpringREIT

## Spring REIT Announces 2016 Annual Results

*Delivering Stable Operational Performance amidst Currency and Taxation Headwinds*

(Hong Kong, 22 March 2017) – **Spring Asset Management Limited** (the “Manager”), as manager of Spring Real Estate Investment Trust (“Spring REIT”, stock code: 1426), is pleased to announce the annual results of Spring REIT for the year ended 31 December 2016 (the “Reporting Year”).

The Board of Directors of the Manager is pleased to declare a final distribution of HK10.0 cents per Unit. Before the adjustment stemming from any issuance of new Units between 1 January 2017 and 19 April 2017 and together with the interim distribution of HK13.0 cents per Unit, total distribution for the Reporting Year amounts to a total of HK23.0 cents per Unit, representing a payout ratio of approximately 93%. Based on the closing price of HKD3.22 per Unit as at 31 December 2016, DPU for the Reporting Year represents a distribution yield of 7.1%.

During the Reporting Year, the market condition has become more challenging for the Manager amid looming macro uncertainties and tax changes. Against this backdrop, the net property income of Spring REIT for the Reporting Year decreased by 2.0% year-on-year to RMB 377.21 million (US\$56.84 million), as property performance, though supported by a stable occupancy rate and an improved passing rent, was dragged down by higher property expenditure due to changes in the tax regime. While expenses including finance cost at the trust level remained stable, the volatility in the currency market has also taken its toll and as a result, total distributable income in US dollars’ term recorded a year-on-year decrease of 13.0% to US\$35.87 million.

The portfolio of Spring REIT was appraised at US\$1,296.62 million at 31 December 2016. Meanwhile, its net asset value rose by 0.3% to US\$866.68 million at 31 December 2016, or HK\$5.95 per unit.

### **Solid Operational Performance**

During the Reporting Year, Spring REIT’s property recorded a high average occupancy of 94.3% (2015: 95.0%). A total of 54,658 sqm was leased out, 28.1% of which was attributable to new lettings while the remaining 71.9% was renewal. The average net passing rent for the Reporting Year, where the impact of Business Tax to Value-Added Tax Reform (“B2V reform”) has been discounted, was RMB343 per sqm, up 1.6% year-on-year on the back of a respectable rental reversions of 7.5% (2015: 8.6%). In the coming year, lease contracts constituting 28% and 31% of Spring REIT’s total GFA and rental income are due for renewal respectively.

“In our property portfolio, we have two Premium Grade A buildings located in the heart of Beijing, contributing to our relatively resilient performance even in a less than conducive environment as they remained attractive for top tier tenants,” said Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited, “as competition intensifies, the Manager understands what differentiates Spring REIT is the quality of its product.”

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**About Spring Real Estate Investment Trust (stock code: 1426)**

Spring Real Estate Investment Trust (“Spring REIT”, stock code: 1426) is a real estate investment trust which owns and invests in high quality income-producing real estate in mainland China. Listed on 5 December 2013 on the Hong Kong Stock Exchange, Spring REIT is the first Hong Kong REIT to offer direct exposure to two Premium Grade office buildings strategically located in the Central Business District (“CBD”) of Beijing. Spring REIT seeks to offer to Unitholders stable distributions and the potential for sustainable long-term growth.

Spring REIT is managed by Spring Asset Management Limited (the “Manager”), a company incorporated in Hong Kong and is 90.2% owned by Mercuria Investment Co., Limited (formerly known as AD Capital Co., Ltd., name changed as of 1 January 2016), which is a private equity investment firm listed on the Tokyo Stock Exchange (stock code: 7190).

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## RESULTS HIGHLIGHTS

(in US\$' million unless otherwise specified)

<b>For the Year Ended 31 December</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Revenue	<b>75.43</b>	80.52	(6.3%)
Property operating expenses	<b>(18.59)</b>	(19.24)	(3.4%)
Net property income	<b>56.84</b>	61.28	(7.2%)
Net property income margin	<b>75.4%</b>	76.1%	
Profit after taxation	<b>91.29</b>	40.37	126.1%
Total distributable income	<b>35.87</b>	41.23	(13.0%)

<b>As at 31 December</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Property valuation	<b>1,296.62</b>	1,283.55	1.0%
Total assets	<b>1,381.16</b>	1,377.19	0.3%
Total borrowings	<b>480.50</b>	477.30	0.7%
Net asset value	<b>866.68</b>	864.22	0.3%
Gearing ratio	<b>34.8%</b>	34.7%	