

[For immediate release]

SpringREIT

Spring REIT Announces 2017 Annual Results

Accretive UK Portfolio further bolsters overall results

(Hong Kong, 21 March 2018) – **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 2017 (the “**Reporting Year**”).

The board of directors of the Manager is pleased to declare a final distribution of HK11.6 cents per unit. Before the adjustment stemming from any issuance of new units between 1 January 2018 and 18 April 2018 and together with the interim distribution of HK9.5 cents per unit, total distribution for the Reporting Year amounts to a total of HK 21.1 cents per unit, representing a payout ratio of 100%. Based on the closing price of HK\$3.40 per unit as at 29 December 2017, the Reporting Year DPU represents an annual distribution yield of 6.2%.

During the Reporting Year, Spring REIT’s revenue was USD76.70 million, 1.7% higher than that of 2016. After taking into account property operating expenses, net property income amounted to USD57.08 million, representing a 0.4% increase YoY and a net property income margin of 74.4% (2016: 75.4%). Thanks to the newly acquired portfolio of 84 separate commercial properties in the United Kingdom (the “**UK Portfolio**”) and resilience of the premium-grade China Central Place Office Towers 1 and 2 and the relevant portion of the car park (“the **CCP Property**”), Spring REIT was able to counteract the adverse effects of tax changes and the volatile RMB/USD exchange rate. Spring REIT’s total distributable income was USD33.97 million, representing a decrease of 5.3% YoY. The net asset value per Unit as at 31 December 2017 was HK\$6.22 (30 June 2017: HK\$5.87; 31 December 2016: HK\$5.95).

Solid Operational Performance

CCP Property

In Beijing’s Central Business District, corporate demand for premium office space has remained resilient. Hence, operations at the CCP Property continued to be encouraging, comparing favorably with wider Beijing trends. Total revenue growth of 0.5% and 4.0% in RMB terms are registered for first half and second half of the Reporting Year respectively. The property registered an average occupancy of 94.2% in 2017 (2016: 94.3%) and a total area of 42,557 sqm was leased out and renewed, 54% of which was attributable to new lettings with the remainder being renewals. Average passing rent (net of VAT) stood at RMB 357 per sqm, up 4.1% YoY on the back of a respectable average rental reversion of 5.9% (FY2016: 7.5%).

UK Portfolio

The UK Portfolio provides a guaranteed, stable cash flow for Spring REIT. Each of the 84 properties is under a long-term lease with the tenant Kwik-Fit (GB) Limited, with all but one of the leases expiring in March 2032. It also includes an upward-only mark-to-market rental review mechanism, which applies every five years. Currently the UK Portfolio has an annual contract rental income of approximately GBP 4.51 million, on a triple “nets” basis.

Cautiously Optimistic Outlook for 2018

Although the first half of 2017 was a challenging one for Spring REIT, the second half has seen improvements thanks to a series of strategic initiatives carried out by the Manager that suggest the potential for a positive 2018 ahead. The Beijing tax situation has now stabilized and is a fact of the business landscape that applies to other landlords across the board. Meanwhile, the underlying operation of the CCP Property has continued to improve, and we are seeing steady organic growth. The UK Portfolio has begun to contribute to the bottom line, helping vindicate the Manager’s decision to diversify during the year. Further, the Manager’s capital management initiatives during the Reporting Year have placed Spring REIT on a sounder footing in ways that are benefiting all unitholders. Going forward, the Manager expects to focus on managing interest rate risk now that major central banks have begun to tighten their reins in respect of interest rates and money supply over the course of 2018. The Manager will continue to look for ways of streamlining the performance of Spring REIT, which will also include exploring potential acquisition opportunities.

“As we move into 2018, the Manager remains wholly committed to providing unitholders with stable distributions while enhancing the overall portfolio value. This will be achieved through a combination of proactive leasing and property management strategies, an optimized capital structure, and taking advantage of acquisition opportunities as they arise. I look forward to seeing all these strategies in action in the year ahead,” said Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited.

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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 invests in high quality income-producing real estate. Listed on 5 December 2013 on the Hong Kong Stock Exchange, Spring REIT offers direct exposure to two Premium Grade office buildings strategically located in the Central Business District of Beijing and 84 separate commercial properties in the United Kingdom. Spring REIT seeks to offer to Unitholders stable distributions and the potential for sustainable long-term growth through investing in a diversified portfolio of income-producing real estate around the world.

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., renamed on 1 January 2016), which is a private equity investment firm listed on the Tokyo Stock Exchange (stock code: 7190).

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RESULTS HIGHLIGHT

(in USD' million unless otherwise specified)

For the Year Ended 31 December	2017	2016	Change
Revenue	76.70	75.43	1.7%
Property operating expenses	(19.62)	(18.59)	5.5%
Net property income	57.08	56.84	0.4%
Net property income margin	74.4%	75.4%	- 1.0 ppts
Profit after taxation	55.16	91.29	(39.6%)
Total distributable income	33.97	35.87	(5.3%)

As at 31 December	2017	2016	Change
Property valuation	1,488.06	1,296.62	14.8%
Total assets	1,586.60	1,381.16	14.9%
Total borrowings	547.48	480.50	13.9%
Net asset value	1,000.40	866.68	15.4%
Gearing ratio	34.5%	34.8%	- 0.3 ppts