

[For immediate release]

SpringREIT

Spring REIT Announces 2017 Interim Results

*Achieves stabilized performance amid tax changes and currency movement
UK acquisition to strengthen overall cash flow position*

(Hong Kong, 23 August 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 interim results of Spring REIT for the six months ended 30 June 2017 (the “**Reporting Period**”).

The Board of Directors of the Manager is pleased to declare an interim distribution of HK9.5 cents per Unit representing a payout ratio of 100%. Based on the closing price of HK\$3.40 per Unit as at 30 June 2017, the interim distribution represents an annualized distribution yield of 5.6%.

Following a slower second half last year, Spring REIT’s operating performance during the Reporting Period has stabilized by registering a modest rebound in operating performance in RMB terms from Office Tower 1 and Office Tower 2 in China Central Place (the “**Property**”). Revenue rose 1.8% half-on-half (“**HoH**”) to RMB 237.81 million during the Reporting Period. After deducting property operating expenses, net property income stood at RMB 181.33 million, rising 1.9% HoH. Net property income margin remained stable at 74.1% for the Reporting Period. Converting to US Dollar (“**USD**”) total distributable income was US\$15.21 million, representing a 25.5% decrease year-on-year (“**YoY**”) and generally unchanged HoH.

The portfolio of Spring REIT was appraised at US\$1,331.39 million at 30 June 2017. Meanwhile, its net asset value stood at US\$940.75 million at 30 June 2017, or HK\$5.87 per unit.

Solid Operating Performance

The Property recorded an average occupancy of 93.5%. The average passing rent (net of value-added tax) stood at RMB354 per sqm, up 2.3% HoH and 4.4% YoY on the back of a respectable average rental reversions of 5.8% (FY2016: 7.5%).

Brighter Outlook for 2H 2017

During the Reporting Period, the Manager has successfully negotiated with the existing lenders a 110 basis points reduction in the interest margin from 2.75% to 1.65% for the USD term loan facility, effective from 27 June 2017. Based on the outstanding USD loan amount of US\$450 million, all things being equal, this represents a semi-annual interest saving of approximately US\$2.5 million which should benefit the financial results in the second half of FY 2017. Further, Spring REIT's financial results will be supported by the completion of the acquisition of the UK Portfolio. As the transaction was funded by debt, the gross rental yield of 6.1% will be immediately accretive. We believe the benefit of the UK portfolio goes beyond immediate accretion to the bottom line, given the long-term nature of the leases with upward-only adjustment in rent as well as a credible tenant.

Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited, said, "Amid tax changes and a volatile RMB, Spring REIT's operation remained resilient and registered a modest rebound. As the strategic initiatives we have undertaken during the Reporting Period begin to take effect, we expect a brighter second half of 2017. Looking ahead, we trust that diversification and growth can be achieved through continuous acquisitions. While timing, pricing and market conditions are all essential factors when accessing a target, accretion and quality of cash flow remain our key considerations."

- End -

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 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 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., 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 USD' million unless otherwise specified)					
For the Six Months Ended	30 Jun 2016	Change	31 Dec 2016	Change	30 Jun 2017
Revenue	39.38	(8.5%)	36.05	(1.2%)	35.60
Property operating expenses	(8.90)	8.9%	(9.69)	(4.7%)	(9.23)
Net property income	30.48	(13.5%)	26.36	0.0%	26.37
Cost-to-income ratio (%)	22.6	+ 4.3 ppts	26.9	- 1.0 ppts	25.9
Profit after taxation	101.05	(109.7%)	(9.76)	(294.9%)	19.02
Total distributable income	20.42	(24.3%)	15.45	(1.6%)	15.21
Payout ratio (%)	92	+ 2.0 ppts	94	+ 6.0 ppts	100
As at	30 Jun 2016	Change	31 Dec 2016	Change	30 Jun 2017
Portfolio valuation	1,354.54	(4.3%)	1,296.62	2.7%	1,331.39
Total assets	1,443.88	(4.3%)	1,381.16	3.1%	1,424.21
Total liabilities	514.04	0.1%	514.48	(6.0%)	483.46
Net asset value	929.84	(6.8%)	866.68	8.5%	940.75
Gearing ratio (%)	33.2	+ 1.6 ppts	34.8	- 3.4 ppts	31.4
Unit information	30 Jun 2016	Change	31 Dec 2016	Change	30 Jun 2017
DPU (HK cents)	13	(23.1%)	10	(5.0%)	9.5
Net asset value per Unit (HK\$)	6.41	(7.2%)	5.95	(1.3%)	5.87
Number of Units outstanding	1,125,370,516	0.5%	1,130,562,940	10.7%	1,251,315,163