

Spring REIT Announces 2013 Annual Results

Total revenue up 25.4% year-on-year

Achieves an implied distribution yield of 6.8%

The Board recommends a Special distribution of \$0.07 per Unit

(18 March 2014 – Hong Kong) Spring Asset Management Limited (“the REIT Manager”), as manager of Spring Real Estate Investment Trust (“Spring REIT”, SEHK: 1426), is pleased to announce the first audited annual results of Spring REIT and its special purpose vehicle (the “Group”) for the year ended 31 December 2013 following its listing on the Stock Exchange of Hong Kong on 5 December 2013.

RESULTS HIGHLIGHT

For the year ended 31 December 2013	2013	2012	Change
Total revenue (US\$'000)	66,349	52,903	25.4%
Net property income (US\$'000)	49,536	39,273	26.1%
Special distribution per Unit (HK\$) ¹	0.070	N/A	N/A

For the period from 5 December 2013 (the Listing Date) to 31 December, 2013	Actual	OC Forecast	Variance
Total revenue (US\$'000)	5,377	5,143	4.5%
Net property income (US\$'000)	3,910	3,857	1.4%
Total distributable income (US\$'000)	2,248	2,088	7.7%
Implied regular distribution per Unit (HK\$)	0.016	0.015	7.7%
Implied regular distribution per Unit (HK\$, annualized) ²	0.214	0.199	7.7%
Implied regular distribution yield (annualized) ³	6.8%	N/A	N/A

As at 31 December	2013	2012	Change
Gross assets (US\$'000)	1,403,684	1,266,787	10.8%
Appraised property value	1,272,778	1,186,859	7.2%
Net assets attributable to Unitholders (US\$'000)	862,244	766,047	12.6%
Net assets attributable to Unitholders per Unit (HK\$)	6.09	N/A	N/A
Debt to gross asset value	36.0%	37.7%	-1.7ppt

¹ Special distribution per Unit of HK\$0.070 represents 2.2% of the closing price of the Units of HK\$3.17 on 31 December 2013

² Implied distribution and implied payout ratio are estimated in accordance with the Manager’s current policy to distribute 100% of the total distributable income of the Relevant Period.

³ Implied annualized distribution yield is estimated as implied distribution per Unit to the closing price of the Units of HK\$3.17 as at 31 December 2013.

Press release

Results overview

As the first Hong Kong-listed REIT to offer direct exposure to two Premium Grade office buildings in Beijing's central business district ("CBD"), Spring REIT benefited from a robust rental reversion cycle in Beijing as well as limited supply of high-quality office space in Beijing, and delivered strong operating performance for the year ended 31 December 2013 (the "**Reporting Period**").

During the Reporting Period, total revenue increased by 25.4% over the last corresponding period to US\$66.349 million. Net property income also achieved a year-on-year growth of 26.1% to US\$49.536 million, with a stable net property income margin of 74.6% in 2013 (2012: 74.7%). Excluding fair value gain in investment property and foreign exchange gains, profit for the year (before transactions with Unitholders) increased 82.0% to US\$10.633 million.

For the period from 5 December 2013 ("Listing Date") to 31 December 2013 (the "**Relevant Period**"), Spring REIT recorded distributable income of US\$2.248 million, 7.7% higher than the forecast in the offering circular dated 25 November 2013 ("**OC Forecast**"). Total revenue and net property income during the Relevant Period also beat OC Forecast by 4.5% and 1.4% respectively.

Commenting on the satisfactory results, **Mr. Toshihiro Toyoshima, Chairman of Spring Asset Management Limited** said, "With two of the only eleven Premium Grade office buildings in the CBD in its portfolio, Spring REIT was listed under a very favorable cycle of the Beijing office rental market. Demand for Grade-A office space remained strong within the CBD during the Reporting Period. Net absorption for Grade-A office space in CBD rose 1.8% year-on-year in 2013, outperforming the wider Beijing office market that recorded a decline. The surge in market rental over the past few years has also enabled Spring REIT to achieve satisfactory rental growth through positive rental reversion in the past year."

In accordance with Spring REIT's policy of distributing 100% of the total distributable income of the Relevant period, the implied distribution per Unit ("**DPU**") was HK\$0.214, which represents an annualised distribution yield of 6.8%, based on the closing Unit price of HK\$3.17 on 31 December 2013. Income available for distribution for the Relevant Period shall be paid at the same time as the payment of the interim distribution for the six months ending 2014.

To demonstrate Spring REIT's commitment to delivering stable distributions to the Unitholders and in recognition of the continued support of the Unitholders, the Board has resolved to declare and pay a special distribution of HK\$0.07 per Unit (the "**Special Distribution**") to the qualifying Unitholders.

Operational review

During the Reporting Period, Spring REIT achieved satisfactory rental growth through positive rental reversion at its two Premium Grade office buildings at China Central Place, Beijing, China (the "**Property**").

Attributable to the substantial increase in rental rates in Beijing over the past three years on the back of a sustained supply shortage of office space in the midst of general rising demand, the average monthly spot rental of the Property surged almost 90% from RMB198/sqm in for the year ended 31 December 2010 to RMB375/sqm for the year ended 31 December 2013, excluding certain transitional extensions and an exceptional renewal. In GFA terms, 51.8% of the leases were entered into during 2013, of which around 70% were renewals.

Press release

With efforts in the ongoing renewals of expiring rentals at higher rates, Spring REIT achieved satisfactory rental growth. In 2013, average monthly passing rental grew 27.4% to RMB288/sq m, from RMB226/sqm in 2012. Comparing the average monthly spot rental of RMB375/sqm and the average monthly passing rental of RMB288/sqm for the Reporting Period, there was a 30.2% rental reversion potential.

Thanks to the healthy take-up of units with expired leases, the Property enjoyed a consistently high occupancy rate throughout the year. The average occupancy rate in 2013 stood at 96% (2012: 96%). As at 31 December 2013, the Property was valued at RMB7,760 million (equivalent to US\$1,272.778 million).

Prospects

Commenting on the outlook, Mr. Toyoshima said, "Looking ahead, the scarcity of quality office space and strong demand from both domestic and multinational corporates will fuel further growth in rental levels in the CBD area of Beijing, and growth in revenue driven by positive rental reversion remains a key theme of Spring REIT. With average monthly spot rental substantially higher than average monthly passing rental, there remains ample of room for passing rental to catch up in the next few years, driving growth in Spring REIT's rental income as a result. With limited new supply of high-quality office space in Beijing's CBD, we expect favorable demand-supply dynamics to continue in 2014. As the REIT Manager, we will stay diligent in actively managing Spring REIT's portfolio to maximize its long-term value and achieving further improvement in rental income, and thus a healthy growth in the future distributions for our Unitholders. We are committed to distributing 100% of the distributable income for the year ending 31 December 2014. We will also keeping a close eye on potential acquisitions targets for Spring REIT which would further enhance value for the Unitholders."

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About Spring Real Estate Investment Trust

Spring Real Estate Investment Trust ("Spring REIT", stock code: 01426) is a real estate investment trust which owns and invests in high quality income-producing real estate in Mainland China. 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 is managed by Spring Asset Management Limited (the "REIT Manager"), a company incorporated in Hong Kong and wholly owned by AD Capital Co., Ltd. ("AD Capital"), a private equity investment management company based in Japan, with extensive experience in private equity and real estate investments. Spring REIT seeks to offer to Unitholders stable distributions and the potential for sustainable long-term growth.

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