

Spring REIT Announces Record 2014 Annual Results

Total Revenue up 22.8% and Net Property Income up 25.5%

Full-year Regular DPU amounts to HK26.4 cents

(18 March 2015 – Hong Kong) 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 and its special purpose vehicle (the “**Group**”) for the year ended 31 December 2014 (the “**Reporting Year**”).

RESULTS HIGHLIGHTS

For the Year Ended 31 December	2014	2013	Change
Total Revenue (<i>US\$ million</i>)	81.46	66.35	+22.8%
Net Property Income (<i>US\$ million</i>)	62.17	49.54	+25.5%
Net Property Income Margin	76.3%	74.6%	+1.7ppts

As at 31 December	2014	2013	Change
Appraised Property Value (<i>US\$ million</i>)	1,306.58	1,272.78	+2.7%
Appraised Property Value (<i>RMB million</i>)	8,108.00	7,760.00	+4.5%
Net Assets Attributable to Unitholders per Unit (<i>HK\$</i>)	6.25	6.09	+2.6%
Total Borrowings (<i>US\$ million</i>)	460.68	504.80	-8.7%
Total Borrowings to Gross Asset Value	33.1%	36.0%	-2.9ppts
Number of Units Outstanding	1,109,468,088	1,098,000,000	+1.0%

DISTRIBUTION SUMMARY

	2014 Final Distribution	2014 Interim Distribution	2013 Final Distribution	Special Distribution
Total Distribution (<i>US\$ millions</i>) ¹	17.93	19.77 ³	2.25	9.91
Distribution per Unit (<i>HK cents</i>) ²	12.5	13.9	1.6	7.0
Announcement Date	18 March 2015	18 August 2014		17 March 2014
Record Date	10 April 2015	12 September 2014		9 April 2014
Payment Date	22 April 2015	30 September 2014		16 May 2014

Notes:

1. These total distributions represent 100% of the amount available for distribution for each period. For details of the amount available for distribution, please refer to the “Statement of Distributions” in the section headed “Financial Information” in the enclosed announcement.
2. Cumulatively, distribution per Unit for the period from 5 December 2013 (the Listing Date) to 31 December 2014, including the special distribution paid on 16 May 2014, amounts to HK35.0 cents.
3. The 2014 Interim Distribution amounted to US\$19.77 million including the discretionary distribution of US\$0.02 million.

Overview of 2014 Annual Results

Strong Financial Performance

Spring REIT recorded another set of excellent performance for the year ended 31 December 2014, on the back of proactive leasing management and favourable market conditions in Beijing. Total revenue of the Group increased by 22.8% year-on-year for the year ended 31 December 2014 to reach US\$81.46 million.

Attributable to the good cost management and positive operating leverage, net property income for the year rose 25.5% to US\$62.17 million and the net property income margin was 76.3% (2013: 74.6%).

Total distributable income (“TDI”) to the Unitholders for the Reporting Year amounted to approximately US\$37.70 million.

Leasing Performance and Property Valuation

During the Reporting Year, Spring REIT’s average monthly spot rent reached RMB378 per sqm (2013: RMB375 per sqm). With 38.3% of the leases (in terms of gross floor area (“GFA”) as at 31 December 2014) entered into in 2014, average monthly passing rent surged 22.2% to RMB352 per sqm, from RMB288 per sqm for 2013. The Property’s average occupancy rate stood at 96% for the year ended 31 December 2014.

As at 31 December 2014, the appraised value was RMB8,108.00 million, representing an increase of 4.5% over the valuation as at 31 December 2013¹.

Distributions and Total Return for 2014

The distribution per Unit (“DPU”) for the Reporting Year amounts to HK26.4 cents, which comprises the 2014 final distribution of HK12.5 cents per Unit and the 2014 interim distribution of HK13.9 cents per Unit, representing a distribution yield of approximately 7.2% based on the closing price of HK\$3.66 per Unit as at 31 December 2014.

As measured by the returns from unit price appreciation and distributions paid (assuming distributions were reinvested), Spring REIT achieved a total return of 23.2% during the Reporting Year, outperforming Hang Seng Index and Hang Seng REIT Index which had a total return of 5.3% and 16.9%, respectively².

2014 Final Distribution

The Manager is pleased to declare a final distribution to the Unitholders (for the period from 1 July 2014 to 31 December 2014) (“**2014 Final Distribution**”) of HK12.5 cents per Unit. This represents a 100% distribution of Spring REIT’s total amount available for distribution for the period from 1 July 2014 to 31 December 2014. The 2014 Final Distribution is expected to be payable on 22 April 2015, Wednesday, to Unitholders whose names appear on the register of Unitholders on 10 April 2015, Friday.

¹ The Property is located in Beijing, China, which includes two Premium Grade office buildings with a total GFA of 120,245 sqm and approximately 600 car parking space at China Central Place.

² Source: Bloomberg data. Total return calculation includes capital appreciation and distributions paid out, assuming distributions paid out were reinvested into the underlying security.

New Financing for Long-Term Stability

As announced on 19 December 2014 and 18 February 2015, Spring REIT (through its special purpose vehicle, namely RCA01) had signed a facility agreement with 16 international and local banks in connection to a new five-year floating rate secured term loan facility of US\$480 million, and a new uncommitted revolving facility of US\$20 million. The Manager is pleased to report that the US\$480 million secured term loan received an overwhelming response from the banking community resulting in an oversubscription totalling US\$1.47 billion, approximately 3.06 times of the issue size. The US\$480 million term loan facility is expected to be drawn down in full in April 2015. The proceeds will be mainly used for the early repayment of the existing term loan and general working capital requirements.

There are two main benefits to obtaining the facilities. Firstly, the longer tenure of the new 5-year term loan facilities (compare with the existing 3-year term loan) would enhance the liquidity and financial resources of Spring REIT while reducing the pressure of refinancing on a more frequent manner. Secondly, the lower interest margin of the new term loan facilities of 2.75% (compared with the 3.5% of the existing 3-year term loan) would help reduce finance costs of Spring REIT over the next 5 years.

Mr. Toshihiro Toyoshima, Chairman of Spring Asset Management Limited, said:

“In 2014, we recorded another year of strong growth thanks to our leasing management efforts and the favourable market conditions of the Grade-A office market in Beijing CBD. As we celebrated the first anniversary of trading on the Hong Kong Stock Exchange, we are delighted to have achieved this excellent set of financial performance.”

“The underlying tight supply and demand situation of Grade-A office market in Beijing is expected to continue in 2015 and the near term. Under the current economic condition, we continue to see healthy take-ups for quality office space in Beijing CBD by multinational and domestic corporations that are well-established or benefiting from the growth of domestic sectors.”

“Over the last year, Spring REIT’s strategy and financial results have been well received by the market as suggested by its unit price performance. The unit price of Spring REIT closed at HK\$3.66 as at 31 December 2014, representing a return of 15.5% over that 2013 and beat the benchmark indices such as Hang Seng Index and Hang Seng REIT Index, which were only up by 1.3% and 9.7% respectively in 2014. As the Manager, it remains our strategy to effectively manage the Spring REIT’s portfolio to maintain high occupancy and a well-diversified and high-quality tenant base. We will also continue to enhance communications with Unitholders, while exploring potential acquisitions that would further the prospects of Spring REIT.”

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About Spring Real Estate Investment Trust

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. 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 "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 distributions and the potential for sustainable long-term growth.

Press release



Notes to Editor:

Further information on Spring REIT's annual results can be obtained from an Announcement published on the respective websites of the Stock Exchange at www.hkexnews.hk and Spring REIT at www.springreit.com. This press release can also be found in the News Release section of the Spring REIT website.

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