

[For immediate release]

SpringREIT

Spring REIT announces 2018 interim results

DPU increases 26.3% YoY

Thanks to Spring REIT's commitment to deliver quality cash flow

(Hong Kong, 23 August 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 interim results of Spring REIT for the six months ended 30 June 2018 (the “**Reporting Period**”).

The Board of Directors of the Manager is pleased to declare an interim distribution of HK12.0 cents per Unit, representing a 26.3% increase year-on-year (“**YoY**”). Based on the closing price of HK\$3.33 per Unit as at 30 June 2018, the distribution implies an annualized distribution yield of 7.2%.

During the Reporting Period, revenue was US\$43.41 million, amounted to a 21.9% increase YoY. The improvement was the combined result of stable rental growth from the office and carpark operation in China Central Place (the “**CCP Property**”), contribution from the commercial properties in the United Kingdom (the “**UK Portfolio**”), along with the effects of a stronger RMB/US\$ monthly average exchange rate during the Reporting Period. After deducting property operating expenses, net property income increased 24.0% YoY. Total distributable income was US\$20.08 million, representing a 32.0% increase YoY and the net asset value per Unit as at 30 June 2018 was HK\$6.05 (31 December 2017: HK\$6.22; 30 June 2017: HK\$5.87).

Solid Operational Performance

CCP Property

Performance of the CCP Property maintained an upward momentum during the Reporting Period. The property registered an average occupancy of 96.1% (2H 2017: 95.0%; 1H 2017: 93.5%) The monthly average passing rent (net of VAT) stood at RMB362 per sqm, up 0.8% half-on-half (“**HoH**”) and 2.3% YoY on the back of a respectable average rental reversion of 4.5% (2H 2017: 5.8%; 1H 2017: 6.0%).

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. Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately GBP4.51 million. Spring REIT enjoys substantial pass through of rental income as the leases are “full repairing and insuring” in nature. This means that the tenant agrees to pay all real estate taxes, building insurance, and maintenance (the triple "nets") on the properties, in addition to any normal fees that are specified under the agreement (e.g. rent, utilities, etc.).

Cautiously Optimistic Outlook for 2H 2018

The first half of 2018 was encouraging for Spring REIT. Resilient activity in the Beijing office market and sustained demand for high quality office space was reflected in a notable improvement in occupancy rate and passing rent at the CCP property. Meanwhile, the UK Portfolio enhanced Spring REIT’s cash flow, with a 96.6 percent pass through of its revenue. The outcome of the potential China-US trade war is hard to predict and the Manager will continue to closely monitor the currency market paying particular attention to its impact on Spring REIT’s gearing ratio and on future distributions.

“Going forward, we will continue to seek potential acquisitions. Our priority will continue to be properties that provide solid cash flow. We believe Spring REIT is in a good position to build on the strong foundations of the first half of 2018, and achieve results that will further reward its loyal unitholders,” 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 Highlights

(in US\$ million unless otherwise specified)			
For the Six Months Ended 30 Jun	2017	2018	Change
Revenue	35.60	43.41	21.9%
Property operating expenses	(9.23)	(10.71)	16.0%
Net property income	26.37	32.70	24.0%
Net property income margin	74.1%	75.3%	+1.2 pts
G&A expenses	(4.97)	(6.60)	32.8%
Cash interest expense	(8.77)	(8.43)	(3.9%)
Profit after taxation	19.02	6.49	(65.9%)
Total distributable income	15.21	20.08	32.0%

Unit information	1H 2017	1H 2018	Change
DPU (HK cents)	9.5	12.0	26.3%
Payout ratio	100%	96%	-4.0 pts
Net asset value per Unit (HK\$)	5.87	6.05	3.1%
Number of Units outstanding	1,251,315,163	1,265,180,645	1.1%

As at	31 December 2017	30 June 2018	Change
Portfolio valuation	1,488.06	1,463.75	(1.6%)
Total assets	1,586.60	1,547.69	(2.5%)
Total liabilities	586.20	571.92	(2.4%)
Net asset value	1,000.40	975.77	(2.5%)
Gearing ratio	34.5%	34.4%	-0.1 pts