

Press release

Spring REIT Announces 2016 Interim Results

Stable leasing performance amid softened economic condition

Interim DPU of HK 13.0 cents per unit, representing an annualized yield of 7.8%²

(24 August 2016 – Hong Kong) Spring Asset Management Limited or (“the **Manager**”), as manager of Spring Real Estate Investment Trust (“**Spring REIT**”, Stock Code: 01426), is pleased to announce the interim results of Spring REIT and its special purpose vehicle (the “**Group**”) for the six months ended 30 June 2016 (the “**Reporting Period**”).

RESULTS HIGHLIGHTS

For the Six Months Ended 30 June	2016	2015	Change
Total Revenue (<i>USD million</i>)	39.38	40.84	-3.6%
Net Property Income (<i>USD million</i>)	30.48	31.41	-3.0%
Net Property Income Margin	77.4%	76.9%	+0.5ppts
Total Distributable Income (<i>USD million</i>)	20.42	20.97	-2.6%
Distribution per Unit (<i>HK cents</i>)	13.0	14.0	-7.1%

As at	30 Jun 2016	31 Dec 2015	Change
Gross Assets (<i>USD million</i>)	1,443.88	1,377.19	+4.8%
Appraised Property Value (<i>USD million</i>)	1,354.54	1,283.55	+5.5%
Appraised Property Value (<i>RMB million</i>)	9,005.00	8,335.00	+8.0%
Net Assets per Unit (<i>HKD</i>)	6.41	5.98	+7.2%
Total Borrowings (<i>USD million</i>)	479.79	477.30	+0.5%
Total Borrowings to Gross Asset Value	33.2%	34.7%	-1.5ppts
Number of Units Outstanding	1,125,370,516	1,120,158,306	+0.5%

DISTRIBUTION SUMMARY

	Distribution per Unit	Distribution Yield ²	Annualized Distribution Yield ²
2016 Interim Distribution ¹	HK13.0cents	3.9%	7.8%
2015 Final Distribution	HK12.6 cents	4.2%	8.8%
2015 Interim Distribution	HK14.0 cents	4.1%	
2014 Final Distribution	HK12.5 cents	3.4%	7.2%
2014 Interim Distribution	HK13.9 cents	4.4%	
2013 Final Distribution ³	HK1.6 cents	0.5%	6.8%
2013 Special Distribution	HK7.0 cents	2.2%	

Notes:

1. The record date of 2016 interim distribution is 13 September 2016 (“**Record Date**”) and the payment date is expected to be 23 September 2016.
2. Distribution yield and annualized distribution yield are calculated using the closing price of the Units at the end of each relevant financial period.
3. The distribution for the period from 5 December 2013 to 31 December 2013 represented only 27 days of operation. It was paid on 30 September 2014.

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Overview of 2016 Interim Results

Stable Financial Results

Spring REIT delivered a set of relatively stable operating results for the six months ended 30 June 2016 despite a slowdown of China's economy and a volatile global economic environment. Total revenue and net property income edged down 3.6% and 3.0% year-on-year to USD 39.38 million and USD 30.48 million respectively. This was mainly attributable to the 4.9% depreciation of the average exchange rate of renminbi ("RMB") against the USD over the past year; this impacts Spring REIT as the Group's financial statements are reported in USD and rental income collected is in RMB. Putting aside the impact of foreign exchange on financial statements, total revenue and net property income would have shown a slight growth in RMB terms.

Total distributable income of Spring REIT for the Reporting Period amounted to approximately USD 20.42 million (2015: USD 20.97 million).

Leasing Performance

During the Reporting Period, Spring REIT has maintained an average occupancy rate of 96%.

For the six months ended 30 June 2016, gross average monthly passing rent (inclusive of business tax ("BT") or value-added tax ("VAT"), as applicable) increased by 1.1% to RMB 360 per sqm, and net average monthly passing rent (exclusive of BT or VAT, as applicable) increased by 0.3% to RMB 339 per sqm¹.

Property Valuation

As of 30 June 2016, Spring REIT's property was valued at RMB 9,005.00 million, representing an increase of RMB 670.00 million, or approximately 8.0% in RMB terms over the valuation recorded on 31 December 2015.

Interim Distribution

The board of directors (the "Board") of the Manager is pleased to declare an interim distribution of HK13.0 cents per Unit for the period from 1 January 2016 to 30 June 2016. This compares with the DPU of HK14.0 cents in first half of 2015 and HK12.6 cents in second half of 2015. The 2016 Interim Distribution represents an annualized distribution yield of 7.8% based on the closing price of Spring REIT at HKD 3.37 per Unit as of 30 June 2016.

Business Tax to Value-Added Tax Transformation Pilot Program (the "B2V Reform")

Since the implementation of the B2V Reform by the Ministry of Finance and the State Administration of Taxation of the PRC on 1 May 2016, the 5% business tax rate formerly applicable to Spring REIT's rental revenue was replaced by a value-added tax at a rate of 11%. As announced by Spring REIT on 25 July 2016, as far as the B2V Reform is concerned, it is not expected to have a material effect to the financial performance of Spring REIT, and Spring REIT as a whole.

¹ Under the B2V Reform, effective from 1 May 2016, the 5% BT rate formerly applicable to revenue of leasing of real estate was replaced by VAT at a rate of 11% levied on rental revenue. With respect to Spring REIT's reporting of passing rent, before the implementation of the B2V Reform, average passing rent was reported on a BT inclusive basis. After such implementation, average passing rent of Spring REIT is reported on a net of VAT basis.

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Outlook

Mr. Toshihiro Toyoshima, Chairman of Spring Asset Management Limited, said, “Looking into second half of 2016, a relatively tight supply-demand condition in Beijing’s Grade-A office market is expected to continue. Nonetheless, the Manager will stay alert to changes of the macroeconomic environment, which may have an effect to our operating environment.”

He added, “About 20.7% of occupied GFA is scheduled to expire in second half of the year, and we have initiated early discussions with expiring tenants. Considering the good progress we have made in lease renewals, we remain confident in achieving a stable leasing operation in the second half.”

“In an effort to enhance the long-term value of Spring REIT and to diversify its risk profile, we will continue to actively look for potential investments with a stable long-term rental income stream in areas including but not limited to other parts of Asia and Western Europe.”

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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. 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.

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 primarily owned by Development Bank of Japan, Itochu Corporation, Asuka Holdings and Sumitomo Mitsui Trust Bank.

Notes to Editor:

Further information on Spring REIT’s interim 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 Spring REIT.

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