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SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 01426)

**Managed by
Spring Asset Management Limited**

CHANGE IN REAL ESTATE TAX BASIS IN BEIJING, THE PRC

Prior to 1 July 2016, real estate tax on the property owned by Spring Real Estate Investment Trust (the “**Property**”) was levied at the rate of 1.2% of 70% of the original value of the Property.

Based on the competent tax advice obtained by Spring Asset Management Limited (the “**Manager**”) and the confirmation from the local tax authority of Beijing, pursuant to *Notice of the Beijing Municipal People’s Government on Further implementing the Provisions of the Provisional Regulations Governing Real Estate Tax of the PRC* (Jingzhengfa [2016] No. 24), the real estate tax basis applicable to the Property was changed, effective from 1 July 2016, such that the real estate tax on the Property shall be calculated and levied, (a) for leased portion of the Property, at a rate of 12% of the annual rental income of the Property, net of the value-added tax, and (b) for vacant portion of the Property, at a rate of 1.2% of the residual value attributable such vacant portion (the “**Revised RE Tax Basis**”). The real estate tax is payable in two instalments in April and October of each calendar year.

For the purposes of demonstrating the financial impact of the change in applicable real estate tax basis on the upcoming distribution for the six months ending 31 December 2016, if the Revised RE Tax Basis had applied during the first six months of 2016, it would have resulted in a reduction of the total distributable income to unitholders of Spring REIT (the “**Unitholders**”) for the first six months of 2016, from approximately USD20.42 million to approximately USD17.49 million, representing a decrease in distributable income of approximately HK2 cents per unit of Spring REIT (the “**Unit(s)**”) (or approximately 14%).

On 24 October 2016, RCA01 (a special purpose vehicle wholly owned by Spring REIT) paid real estate tax on the Property calculated based on the Revised RE Tax Basis for the current half-year tax period commencing 1 July 2016 and ending 31 December 2016.

Details of the actual financial impact of the change in real estate tax basis for the financial year ending 31 December 2016 will only be available and disclosed as and when the annual results of Spring REIT for the year ending 31 December 2016 are available.

According to the *Provisional Regulations Governing Real Estate Tax of the PRC* promulgated by the State Council in 1986, as amended in 2011 (the “**RE Tax Regulations**”), real estate tax is levied at a rate of 1.2% if it is calculated on the basis of the residual value of a property, such residual value being the original value of the property minus a certain percentage ranging from 10% to 30%, and at a rate of 12% if it is calculated on the basis of rental income.

The Board of the Manager, as the manager of Spring Real Estate Investment Trust (“**Spring REIT**”), has recently received confirmation from the local tax authority of Beijing that Beijing Municipal People’s Government has further implemented the RE Tax Regulations, with effect from the current half-year tax period commencing 1 July 2016.

Prior to 1 July 2016, real estate tax on the Property was levied at the rate of 1.2% of 70% of the original value of the Property.

Based on the competent tax advice obtained by the Manager and the confirmation from the local tax authority of Beijing, pursuant to Jingzhengfa [2016] No. 24 issued by the Beijing Municipal People’s Government, the real estate tax basis applicable to the Property was changed, effective from 1 July 2016, such that the real estate tax on the Property shall be calculated and levied (a) for leased portion of the Property, at a rate of 12% of the annual rental income of the Property, net of the value-added tax, and (b) for vacant portion of the Property, at a rate of 1.2% of the residual value attributable such vacant portion. The real estate tax is payable in two instalments in April and October of each calendar year. Pursuant to *Circular on Issues concerning the Tax Basis for Deed Tax, Real Estate Tax, Value-Added Tax of Land and Individual Income Tax Following the Business Tax-to-Value-Added Tax Reform* (Circular Caishui [2016] No.43) jointly issued by the Ministry of Finance and the State Administration of Taxation of the PRC, the real estate tax applicable to leased property is calculated based on the rental income of the property net of the value-added tax.

For the purposes of demonstrating the financial impact of such change in applicable real estate tax basis on the upcoming distributions for the six months ending 31 December 2016, if the Revised RE Tax Basis had applied during the first six months of 2016, based on the latest published consolidated interim results of Spring REIT for the six months period ended 30 June 2016, it would have resulted in additional real estate tax being payable in the amount of approximately RMB19.16 million (equivalent to approximately USD2.93 million). Accordingly, this would have resulted in a reduction of the total distributable income of Spring REIT to Unitholders for the six months period from 1 January 2016 to 30 June 2016, from approximately USD20.42 million to approximately USD17.49 million, representing a decrease in distributable income of approximately HK2 cents per Unit (or approximately 14%).

On 24 October 2016, RCA01 paid real estate tax on the Property calculated based on the Revised RE Tax Basis for the current half-year tax period commencing 1 July 2016 and ending 31 December 2016.

Details of the actual financial impact of the change in real estate tax basis for the financial year ending 31 December 2016 will only be available and disclosed as and when the annual results of Spring REIT for the year ending 31 December 2016 are available. The Board is not currently in a position to quantify the financial impact of the Revised RE Tax Basis on Spring REIT for the year of 2017.

Change to the real estate tax basis may result in an adverse impact on Spring REIT. Unitholders and potential investors of Spring REIT are advised to exercise caution when dealing in Units, and are recommended to seek independent professional advice if they are in any doubt about their position and as to the actions that they should take.

This announcement is made pursuant to Paragraph 10.3 of the Code on Real Estate Investment Trusts.

By order of the Board
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Mr. Toshihiro Toyoshima
Chairman of the Manager

Hong Kong, 8 November 2016

As of the date of this announcement, the Directors of the Manager are Toshihiro Toyoshima (Chairman and non-executive Director); Lau Jin Tin, Don (executive Director) and Nobumasa Saeki (executive Director); Hideya Ishino (non-executive Director); and Simon Murray, Liping Qiu and Lam Yiu Kin (independent non-executive Directors).