

**[For immediate release]**

# SpringREIT

## **Spring REIT Proposes to Acquire Huamao Place at Yield of 9.4%**

### **Expands Portfolio to Prime Retail Property in Greater Bay Area**

(Hong Kong, 19 September 2018) – **Spring Asset Management Limited** (the “**Manager**”), manager of Spring Real Estate Investment Trust (“**Spring REIT**”, stock code: 1426), announced today that Spring REIT has entered into a share purchase deed with the Seller, Huamao Focus Limited to acquire entire equity interest in Blue Chrysalis Limited (“**Target Company**”), which will indirectly hold the Target Property, being a shopping mall known as “**Huamao Place**” (華貿天地) in Huizhou City, Guangdong Province, PRC.

#### ***Market leading shopping mall, strategically located***

Huamao Place, which is located in Jiangbei, the CBD of Huizhou, is a 5-storey retail development erected over a 2-level basement within “**Huizhou Central Place**” (惠州華貿中心) - a larger integrated development comprising three Grade-A office towers, three residential buildings and a serviced apartment building. Huamao Place is currently the second largest shopping mall in Huizhou in terms of area with a total gross floor area (GFA) of 144,925.07 sq.m. and 721 car parking spaces.

Huamao Place is strategically located within Jiangbei, surrounded by major roads, public facilities and attractions, including Huizhou People's Government complex, the Huizhou Convention & Exhibition Centre, Huizhou Stadium, Huizhou Museum and Huizhou Science & Technology Museum. In terms of accessibility, Huamao Place is only 10 minutes away from the Yunshan Station of Dongguan-Huizhou Intercity Railway, which links Huizhou and Dongguan. Furthermore, Yunshan Station will interchange with Huizhou Metro Line 1, which is planned to open in 2025, according to the Market Consultant's Report.

As a regional market leader in high-end retailing, Huamao Place has been maintaining an occupancy rate above 92% since 2012. As at 31 July 2018, Huamao Place had an occupancy rate of 97.2%, exceeding Huizhou's mid to high-end retail market average occupancy rate of 91.8% as at the end of June 2018. Its current tenant profile includes international and local fashion retailers, jewellers, restaurant chain stores, personal care and cosmetic shops, supermarket and cinema. According to the Market Consultant's estimates, Huamao Place's occupancy rate are projected to

stay around 96% to 97% between 2018 and 2020, driven by Huizhou's rapidly developing retail market. It is also worth noting that Huamao Place currently enjoys the highest rental rate in the city, and when considering historic rental trends and future supply in the Jiangbei submarket, amongst other factors, Huamao Place's rental growth rate is projected to be in the range of 8% to 9% annually between 2018 and 2021.

### ***Greater Bay Area growth potential, poised to be unlocked***

According to the Market Consultant's Report, the Greater Bay Area holds substantial growth potential, with forecasts suggesting that the region's GDP would triple by 2030. In 2017, the nominal GDP of the area was over RMB10 trillion, accounting for 12.4% of the China's total GDP, although residents there made up less than 5% of the country's population.

Huizhou has enjoyed steady economic growth over the last five years and has the potential to absorb economic and real estate expansion overflowing from other key Greater Bay Area cities such as Shenzhen thanks to the fast-improving transportation infrastructure in the area. On a more related note, Huizhou is a city with robust retail prospects, underpinned by steady and continuous growth in both disposable income per capita and tourist arrivals, with an annual growth rate of 10.8% and 11.0% between 2013 and 2017 respectively.

### ***Attractive property yield to contribute to future distributions***

The Target Property Price is RMB1,653.5 million, which represents an approximate 18.5% discount to the appraised property value (being RMB2,029.0 million as at 30 June 2018), and gives an annualised gross property yield of 9.4% and net property yield of 7.5%.

The purchase consideration for the acquisition is the Target Property Price (being RMB1,653.5 million), minus the amounts outstanding under the existing onshore facility and onshore loan as at completion and subject to NAV adjustment. The consideration will be financed by RMB110 million in cash drawn down from an offshore facility and issuance of new consideration units.

Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited, said, "The acquisition of this high-quality asset represents an important strategic step for Spring REIT to tap the vast potential of the Greater Bay Area, diversifying and boosting the value of its property portfolio. We believe the acquisition will prove accretive and bring improved earnings, and accordingly enable us to deliver quality, long term cash flow to Unitholders."

### ***Regulatory Implications***

The proposed acquisition constitutes a major transaction of Spring REIT and therefore requires approval by the Unitholders of Spring REIT in accordance with the REIT Code and the Trust Deed. Following the completion of the acquisition and the issuance of the consideration units, the Seller will become a "significant holder" and connected person of Spring REIT from the date of Completion under the REIT Code. Accordingly, a number of transactions with the Guohua

Connected Persons Group in respect of Spring REIT's properties will constitute continuing connected party transactions of Spring REIT under the REIT Code. Completion of the acquisition is conditional upon satisfaction of certain conditions (including the approval by the independent unitholders of Spring REIT). An extraordinary general meeting is scheduled to take place on or before 31 October 2018.

*- End -*

For more details about the transaction, please refer to the announcement via the below link and the circular which will be issued on or before 28 September 2018:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0919/LTN201809191050.pdf>



Huamao Place - within Huizhou Central Place, with office buildings, residential buildings and serviced apartment in the neighbourhood



Interior of Huamao Place



Intercity railway connections between Huizhou and neighbouring municipalities



Location map of Huamao Place

## **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).

### **For press enquiries:**

#### **Strategic Financial Relations Limited**

Cindy Lung           Tel: (852) 2864 4867

Ka Wai Li             Tel: (852) 2864 4855

Christina Cheuk    Tel: (852) 2114 4979

Email: [cindy.lung@sprg.com.hk](mailto:cindy.lung@sprg.com.hk)

Email: [kawaili@sprg.com.hk](mailto:kawaili@sprg.com.hk)

Email: [christina.cheuk@sprg.com.hk](mailto:christina.cheuk@sprg.com.hk)