

[For immediate release]

# SpringREIT

## Spring REIT announces 2021 Annual Results

### ***A 10.0% growth in DPU - two years of consecutive growth attributable to Sound capital management and stable property portfolio performance***

(Hong Kong, 22 March 2022) – **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 for the year ended 31 December 2021 (the “**Reporting Year**”).

The Board of Directors of the Manager is pleased to declare a final distribution of HK11.2 cents per Unit (2H2020: HK10.5 cents per Unit). Before any such adjustment and together with the interim distribution of HK10.8 cents per Unit, total distribution for the year amounts to a total of HK22.0 cents per Unit (FY2020: HK20.0 cents per Unit), representing a 10.0% year-on-year growth. Based on the closing price of HK\$2.58 per Unit as at 31 December 2021, the Reporting Year DPU represents a distribution yield of 8.5%.

During the Reporting Year, both Spring REIT’s revenue of RMB528.44 million (FY2020: RMB533.17 million) and net property income of RMB396.37 million (FY2020: RMB397.48 million) remained steady compared to FY 2020. Total distributable income was RMB297.69 million, representing an increase of 10.8% YoY. The growth was mainly attributable to sound capital management resulting in lower cash interest expense as well as favourable currency movement during the year. Net asset value per Unit as at 31 December 2021 was HK\$5.56 (30 June 2021: HK\$5.34; 31 December 2020: HK\$5.23).

### **Sustained performance from CCP Property**

The China Central Place Office Tower 1 and 2 and the relevant portion of the car park (the “**CCP Property**”) showed its resilience in the face of Beijing’s weak citywide demand. Revenue of the CCP Property registered a slight 0.9% decrease YoY, while property operating expenses also decreased by 2.7% YoY. Net property income fell by 0.3% which was in line with the slight decrease in revenue.

The Manager recognised the importance of maintaining occupancy at the CCP property. As such we delivered an encouraging improvement in occupancy to 98.0% at the end of 2021 (End-2020: 90%), representing a total space of 50,691 sqm being taken up during the Reporting Year. Average passing rent (net of Value-Added Tax (“VAT”)) declined marginally to RMB350 per sqm in 2H 2021, implying a negative rental reversion rate of 2.6%, and a full year reversion of negative 4.5% (FY2020: 0.7%).

Meanwhile, the Manager has continued to develop and expand its Environmental, Social and Governance (“ESG”) practices in the year. In 2020, Spring REIT was off to a good start with the CCP

Property's 'Platinum' level LEED accreditation, and as planned, in 2021, Spring REIT established a series of workable ESG targets to be applied across its operations, including to properties and management companies as the Manager is committed to be more engaging as a socially responsible enterprise.

### **Stable contribution from UK Portfolio**

The portfolio of 84 properties occupied by the vehicle servicing company Kwik Fit (GB) Limited (“**UK Portfolio**”) continued to operate steadily throughout the year. Kwik Fit's operations were designated by the UK Government as one of the essential services allowed to continue operating throughout the COVID-19 lockdowns in the country. Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately GBP4.55 million. Spring REIT enjoys substantial pass through of rental income as the leases are “full repairing and insuring” in nature, under which the tenant pays 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.).

In June 2021, Spring REIT completed the disposal of a small parcel of unused land adjacent to one of the Kwik Fit sites, resulting in a small gain on disposal amounting to RMB149,000.

### **Staying resilient in 2022**

With the global economic recovery proceeding slowly, and the Chinese economy needing time to adapt to government policies promoting balanced and healthy growth in strategic sectors including technology and real estate, Spring REIT expects to see continuing volatility in the office market in Beijing. Nonetheless, market sentiment in Beijing has been improving as new office supply in the CBD has almost come to an end and land supply is limited for future office development. As such, the Manager remains cautiously optimistic that the dynamics of the Beijing office market will gradually improve as the market align itself with the increasingly favourable supply and demand dynamics. In the meantime, the Manager will look to further enhance the quality of its tenant base, while placing a greater focus on sustainable development into its leasing and operation strategy.

**Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited**, said “The macro environment has posed difficulties for Spring REIT to deliver expansion in the past year, and in particular, the adjustments in China's real estate sector and COVID-related travel restrictions have slowed our progress in expanding Spring REIT's portfolio. The Manager is firmly committed to steering Spring REIT safely through this challenging environment, and unitholders can be assured of our unwavering determination to deliver sustainable long-term growth in distributions”

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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.

Spring REIT is managed by Spring Asset Management Limited, a company incorporated in Hong Kong. As at 31 December 2021, the Manager is 80.4% owned by Mercuria Holdings Co., Ltd. (“Mercuria Holdings”), which is an investment holding company listed on the Tokyo Stock Exchange (Stock Code: 7347) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

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## RESULTS HIGHLIGHT

(in RMB millions unless otherwise specified)			
For the Year Ended 31 December	2021	2020	Change
Revenue	<b>528.44</b>	533.17	(0.9%)
Property operating expenses	<b>(132.07)</b>	(135.69)	(2.7%)
Net property income	<b>396.37</b>	397.48	(0.3%)
Net property income margin	<b>75.0%</b>	74.6%	+0.4 ppt
G&A expenses	<b>(65.27)</b>	(72.07)	(9.4%)
Cash interest expenses	<b>(62.18)</b>	(95.78)	(35.1%)
Profit/(loss) after taxation	<b>509.95</b>	(189.92)	368.5%
Total distributable income	<b>297.69</b>	268.72	10.8%
Units Information	2021	2020	Change
DPU (HK cents)	<b>22.0</b>	20.0	10.0%
Payout ratio	<b>90%</b>	95%	-5.0 ppts
Net asset value per Unit (HK\$)	<b>5.56</b>	5.23	6.3%
Number of Units outstanding	<b>1,472,383,580</b>	1,460,872,865	0.8%
As at 31 December	2021	2020	Change
Property valuation	<b>9,307.10</b>	9,202.90	1.1%
Total assets	<b>9,884.00</b>	9,712.87	1.8%
Total borrowings	<b>2,960.83</b>	3,024.23	(2.1%)
Net asset value	<b>6,671.65</b>	6,432.90	3.7%
Gearing ratio	<b>30.0%</b>	31.1%	-1.1 ppts