

[For immediate release]

SpringREIT

Spring REIT announces 2022 Interim Results

- ***Encouraging results of 3.8% YoY growth in Total Distributable Income attributable to maintaining a high occupancy rate of the CCP Property and effective capital management despite global challenging market condition***
- ***1H DPU provides Unitholders with an annualized yield of 8.5%***

(Hong Kong, 23 August 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 interim results of Spring REIT for the six months ended 30 June 2022 (“**1H2022**” or the “**Reporting Period**”).

The Board of Directors of the Manager is pleased to declare an interim distribution of HK11.2 cents per Unit, unchanged half-on-half (“**HoH**”) and increased 3.7% year-on-year (“**YoY**”). Based on the closing price of HK\$2.65 per Unit as at 30 June 2022, the distribution implies an annualised distribution yield of 8.5%.

Spring REIT’s revenue for the Reporting Period was RMB267.31 million, representing a 1.5% marginal decrease HoH and a 4.0% increase YoY. Net property income increased 0.6% HoH and 3.9% YoY respectively to RMB 202.58 million. Total distributable income for the Reporting Period amounted to RMB152.65 million, representing an increase of 1.3% HoH and an increase of 3.8% YoY.

Resilient 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 under the pressure arising from the Omicron outbreak in the second quarter during the period. Revenue of the CCP Property remained steady exhibited a slight decline of 1.3% HoH and an increase of 4.9% YoY. The HoH decline in rental income is attributable to a mild decrease in passing rent reflecting a soft Beijing office market. Property operating expenses for the Reporting Period was RMB64.43 million, decreased by 7.8% HOH and increased 4.7% YoY. After deducting property operating expenses, net property income was RMB184.33 million, representing an increase of 1.3% HoH and 5.0% YoY.

During the Reporting Period, the Manager placed a strong emphasis on maintaining occupancy at the CCP Property and exercising rent flexibility. This strategy has proven effective, helping the CCP Property to secure an average occupancy of 96.3% in 1H 2022. Average passing rent (net of Value-Added Tax (“**VAT**”)) declined marginally to RMB348 per sqm in 1H 2022, implying a negative rental reversion rate of 0.9%.

Stable contribution from UK Portfolio

The portfolio of 84 properties occupied by the car servicing company Kwik Fit (GB) Limited (“**UK Portfolio**”) continued to operate steadily throughout the Reporting Period. 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.).

First acquisition in the Greater Bay Area- Huamao Place (華貿天地) in Huizhou

On 29 April 2022, Spring REIT entered into an agreement to acquire a 68% interest in Huamao Place for approximately RMB1,637 million. Huamao Place is a landmark asset located in Jiangbei in the city of Huizhou in the PRC. Completion is expected to take place in the second half of the year. The acquisition, which will be fully debt funded, is expected to enlarge the value of Spring REIT’s portfolio by approximately 27%. It also marks Spring REIT’s first investment in a retail property asset in the PRC, and its first investment in the Greater Bay Area.

Cautiously optimistic about prospects for 2H 2022

After a strong start in early 2022 for China’s economy, the largest wave of COVID-19 in two years disrupted the country’s growth trajectory. Despite the temporary economic headwinds, The Manager is hopeful that the growth will resume over the long term, driven by potential policy stimulus measures and the easing of domestic COVID-19 restrictions.

Market sentiment in Beijing was affected by prolonged lockdowns imposed in the second quarter of 2022. With most tenants choosing to work from home at this time, the headcount in the CCP property declined to as low as 5% of the daily average on normal days. The impact of the Omicron outbreak is expected to temporarily weigh on rental levels and occupancy in the near term, and the Manager will do its best to accommodate the needs of CCP Property’s tenants in this period. In the longer term the Manager remains cautiously optimistic about the prospects for the Beijing office market. Spring REIT expects the market to remain resilient, given the possibility of economic recovery in the second half of 2022 and the lack of further Grade A office supply in the CBD going forward.

Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited, said “Going forward, the Manager remains firmly committed to steering Spring REIT safely through the challenging macroeconomic environment. Unitholders can be assured of our unwavering determination to delivering long term and sustainable growth in distributions. The acquisition of Huamao Place is a testimony to the Manager’s ability to add value for our Unitholders.”

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 (as manager of Spring REIT, the “Manager”), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 30 June 2022, 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.

For press enquiries:

Strategic Financial Relations Limited

Cindy Lung Tel: (852) 2864 4867

Christina Cheuk Tel: (852) 2114 4979

Mandy Wong Tel: (852) 2114 4900

Email: cindy.lung@sprg.com.hk

Email: christina.cheuk@sprg.com.hk

Email: mandy.wong@sprg.com.hk

Results Highlights

(in RMB million unless otherwise specified)					
For the Six Months Ended	30-Jun-2022	HoH Change	31-Dec-2021	HoH Change	30-Jun-2021
Revenue	267.31	(1.5%)	271.51	5.7%	256.93
Property operating expenses	(64.73)	(7.8%)	(70.17)	13.4%	(61.90)
Net property income	202.58	0.6%	201.35	3.2%	195.02
Net property income margin	75.8%	+1.6 ppts	74.2%	-1.7 ppts	75.9%
G&A expenses	(32.91)	(2.5%)	(33.75)	7.1%	(31.52)
Cash interest expense	(32.34)	4.5%	(30.96)	(0.8%)	(31.22)
Profit after taxation	93.77	(68.5%)	297.61	40.2%	212.34
Total distributable income	152.65	1.3%	150.62	2.4%	147.07
Unit information	1H 2022	HoH Change	2H 2021	HoH Change	1H 2021
DPU (HK cents)	11.2	-	11.2	3.7%	10.8
Payout ratio	90%	-	90%	-	90%
Net asset value per Unit (HK\$)	5.29	(4.9%)	5.56	4.1%	5.34
Number of Units outstanding	1,479,302,559	0.5%	1,472,383,580	0.4%	1,466,273,210
As at	30-Jun-2022	HoH Change	31-Dec-2021	HoH Change	30-Jun-2021
Portfolio valuation	9,331.82	0.3%	9,307.10	0.8%	9,230.51
Total assets	10,033.78	1.5%	9,884.00	1.2%	9,765.84
Total borrowings	3,089.40	4.3%	2,960.83	(1.5%)	3,006.47
Net asset value	6,685.28	0.2%	6,671.65	2.4%	6,515.41
Gearing ratio	30.8%	0.8 ppts	30.0%	-0.8 ppts	30.8%