

[For immediate release]

# SpringREIT

## Spring REIT announces 2020 interim results

### *Positive operational performance amid adverse market condition*

(Hong Kong, 19 August 2020) – **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 2020 (the “**Reporting Period**”).

The Board of Directors of the Manager is pleased to declare an interim distribution of HK9.5 cents per Unit, representing an increase of 6.7% half-on-half (“**HoH**”) and a decrease of 5.0% year-on-year (“**YoY**”). Based on the closing price of HK\$2.51 per Unit as at 30 June 2020, the distribution implies an annualized distribution yield of 7.6%.

During the Reporting Period, Spring REIT’s revenue was RMB272.73 million, representing a 1.8% decrease HoH and a 1.4% increase YoY. After deducting property operating expenses RMB69.72 million, net property income amounted to RMB203.01 million, representing a 0.9% decrease HoH and a 0.5% increase YoY. Total distributable income was RMB125.19 million, representing increases of 5.2% HoH and 10.5% YoY respectively.

### **Resilient performance from CCP Property**

During the Reporting Period, the performance of the China Central Place Tower 1 and 2 and the relevant portion of the car park (the “**CCP Property**”) remained relatively stable amid considerable adversity in the macro environment. Revenue of the CCP Property fell by 0.7% HoH and increased by 1.0% YoY. After deducting property operating expenses of RMB69.41 million, net property income stood at RMB183.63 million, representing an increase of 0.6% HoH and a decrease of 0.1% YoY respectively. Despite the downturn in the overall market, CCP Property has remained resilient, outperforming the market registering a respectable rental reversion of 2.1% while maintaining an average occupancy of 93.4%. (2H 2019: 94.2%, 1H 2019: 92.2%). As of 30 June 2020, there have been no confirmed COVID-19 cases among our tenants and colleagues in the CCP Property. While the pandemic seems to be well contained in Beijing, we continue to have stringent measures in place in order to provide the safest and most hygienic workplace possible.

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

The operation of our portfolio of 84 separate commercial properties in the United Kingdom (“**UK Portfolio**”) has remained largely uninterrupted in comparison with other sectors of the property market, thanks to the fact that car servicing shops are categorised by the British Government as an essential service and have been allowed to continue to operate throughout the pandemic, and has enhanced Spring REIT’s cash flow by delivering a 98.4% pass through of its revenue.

### **Outlook**

Spring REIT primarily operates in Beijing and its performance is sensitive to the economic environment and market dynamics there. New supply, the majority of which is concentrated in the Beijing Central Business District, combined with subdued demand resulting from macro factors like the trade tensions between China and the US and the outbreak of COVID-19, have adversely affected both occupancy rates and average rental rates across all submarkets.

In such context, the Manager is pleased with the performance of our CCP Property in the first half of 2020. However, corporations have become more cost-conscious in their leasing strategies and we do not expect any quick improvement in the market in the second half. In the meantime, we will remain flexible in our leasing policies to retain loyal existing tenants as well as to pursue high-quality new tenants.

In late 2019, the Manager successfully refinanced the loan facility due in April 2020 using a combination of syndicated loan and convertible bonds. The timing of these initiatives could not have been more apt, for that the rapidly deteriorated economic and market conditions would have made these exercises more onerous or expensive. More recently in May 2020, at the annual general meeting, our unitholders approved our proposal to include unit repurchase as an additional tool for capital management. We are thankful that these measures have provided Spring REIT with a stronger balance sheet to weather short term headwind and an enhanced platform for long-term development.

The Manager will remain active in pursuing potential acquisition opportunities but at the same time diligent in its evaluation of such opportunities. Our priority will continue to be properties that deliver a solid and stable cash flow, and China will remain the geographical focus of Spring REIT’s core investment activities.

**Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited**, said “the first half of 2020 has been challenging for Spring REIT and other property owners. However, at Spring REIT we firmly believe in the value of owning premium properties, and that we will be able to continue delivering sustainable returns for our unitholders through proactive leasing strategies complemented by prudent capital management strategies.”

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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 around the world.

Spring REIT is managed by Spring Asset Management Limited, a company incorporated in Hong Kong. As at 30 June 2020, the Manager is 90.2% owned by Mercuria Investment Co., Limited, which is a private equity investment firm listed on the Tokyo Stock Exchange (stock code: 7190).

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## Results Highlights

(in RMB million unless otherwise specified)					
For the Six Months Ended	30-Jun-2019	HoH Change	31-Dec-2019	HoH Change	30-Jun-2020
Revenue	268.92	3.3%	277.67	(1.8%)	272.73
Property operating expenses	(67.02)	8.5%	(72.75)	(4.2%)	(69.72)
Net property income	201.90	1.5%	204.92	0.9%	203.01
Net property income margin	75.1%	-1.3 ppts	73.8%	0.6 ppts	74.4%
G&A expenses	(33.68)	(0.0%)	(33.67)	2.2%	(34.40)
Cash interest expense	(75.09)	2.3%	(76.84)	(28.9%)	(54.60)
Profit after taxation	152.84	(54.1%)	70.22	(478.4%)	(265.68)
Total distributable income	113.32	5.0%	118.97	5.2%	125.19
Unit information	1H 2019		2H 2019		1H 2020
DPU (HK cents)	10.0	(11.0%)	8.9 <sup>1</sup>	6.7%	9.5
Payout ratio	97%	3.0 ppts	100% <sup>2</sup>	-	100%
Net asset value per Unit (HK\$)	5.74	(2.3%)	5.61	(11.9%)	4.94
Number of Units outstanding	1,278,916,863	0.5%	1,285,813,315	13.2%	1,454,929,390
As at	30-Jun-2019		31-Dec-2019		30-Jun-2020
Portfolio valuation	9,824.78	0.5%	9,873.27	(3.8%)	9,500.72
Total assets	10,379.42	0.5%	10,429.37	(3.7%)	10,040.17
Total borrowings	3,646.28	1.6%	3,704.84	(13.1%)	3,218.11
Net asset value	6,461.50	(0.2%)	6,447.78	1.7%	6,555.59
Gearing ratio	35.1%	0.4 ppts	35.5%	-3.4 ppts	32.1%

1. The final distribution per unit of HK8.9 cents for the year ended 31 December 2019 is calculated based on the final distribution to be paid to unitholders of RMB115,534,000 and 1,446,439,344 units in issue as at 27 March 2020, being the date of declaration of the final distribution.
2. Represents the full year payout ratio of 100%.