

For immediate release

SpringREIT

Spring REIT announces 2018 Annual Results

Satisfactory results despite external & internal headwinds

Long term aim to diversity holdings while retaining core China Investment focus

(Hong Kong, 26 March 2019) – **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 2018 (the “**Reporting Year**”).

From an operational perspective, Spring REIT performed well over the Reporting Year. Full year results in terms of Distribution per Unit (“**DPU**”) were down by 9.0% year-on-year (“**YoY**”), but this is largely due to the impact of costs associated with the terminated acquisition of a commercial property in Huizhou and an unsolicited general offer launched by a unitholder. If these one-off costs are excluded, this year’s DPU would have shown an increase of approximately 9.0% YoY.

The board of directors of the Manager declares a final distribution of HK7.2 cents per unit. Before the adjustment stemming from any issuance of new units between 1 January 2019 and 17 April 2019 and together with the interim distribution of HK12.0 cents per unit, total distribution for the Reporting Year amounts to a total of HK19.2 cents per unit, representing a payout ratio of 98%. Based on the closing price of HK\$3.46 per unit as at 31 December 2018, the full year DPU represents an annual distribution yield of 5.5%.

During the Reporting Year, Spring REIT’s revenue was USD84.34 million, 10.0% higher than that of 2017. The improvement includes the effect of a full year contribution from the 84 properties in United Kingdom (“**UK Portfolio**”), together with stable rental growth from the office and carpark operation in China Central Place (the “**CCP Property**”). After taking into account property operating expenses, net property income amounted to USD63.37 million, representing a 11.0% increase YoY and a net property income margin of 75.1% (2017: 74.4%). Spring REIT’s total distributable income was USD31.82 million, representing a decrease of 6.3% YoY. The net asset value per Unit as at 31 December 2018 was HK\$5.69 (30 June 2018: HK\$6.05; 31 December 2017: HK\$6.22).

Solid Operational Performance

CCP Property

Throughout 2018, we have continued to see steady demand for premium grade A office premises, reflected in a modest increase in average rental rates and stable occupancy rates in the Beijing office market. On the back of the resilient market, the performance of the CCP Property remained satisfactory, exhibited

moderate rental growth for the Reporting Year. For the full year, it reported a 4.2% increase in revenue YoY. Rental income maintained healthy growth, with an increase of 3.4% YoY. The property registered an average occupancy of 95.8% in 2018 (2017: 94.2%) and a total area of 28,843 sqm was leased out and renewed during the Reporting Year. Of the newly leased area, 46% was attributable to new lettings with the remainder being renewals. Average passing rent stood at RMB362 per sqm for 2018 (2017: RMB359 per sqm), up 1.4% YoY on the back of a respectable average rental reversion of 4.7% (2017: 5.9%).

UK Portfolio

Spring REIT completed the acquisition of the UK Portfolio in July 2017. The Reporting Year marks the first full year contribution of the portfolio to operating results. Each of the 84 properties is under a long-term lease with the tenant Kwik-Fit (GB) Limited, with all but one of the leases expiring in March 2032. Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately GBP4.51 million. Spring REIT enjoys substantial pass through of rental income as the leases are “full repairing and insuring” in nature, under which the tenant agrees to pay 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.).

Well-positioned to navigate the challenges in 2019

The market is at a critical juncture as a large supply of new offices is expected to come onto the Beijing market in 2019, coupled with uncertainty in global political and economic environment. From Spring REIT perspective, our high-quality property remains a prime destination for corporations looking for central, prestigious and quality premises in Beijing. As at 31 December 2018, we have 14.9% and 10.7% of the total leasable GFA at CCP Property expiring in the first and second half of 2019, with an average expiring rental rate of RMB382 per sqm and RMB380 per sqm. Looking ahead, and we remain vigilant with a view to deliver sustainable performance in the context of the Beijing market.

Spring REIT’s US\$-denominated term loan facility expires in April 2020, and in 2019 we will be looking closely at refinancing options. We may look at fine-tuning the extent of our interest and currency rate hedging exposure in a way that better serves the interests of Spring REIT.

“As we move into 2019, we will continue to employ our expertise to explore other potential acquisitions in the future, with the aim of further diversifying our holdings while retaining a core China investment focus. We are confident that our core CCP Property in Beijing will continue to deliver satisfactory returns, supplemented by steady returns from the UK Portfolio. I believe that our carefully-developed long-term plans will enhance the value of the portfolio and deliver satisfactory long-term distributions to unitholders,” said Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited.

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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 (the “Manager”), a company incorporated in Hong Kong and 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).

For press enquiries:

Strategic Financial Relations Limited

Cindy Lung Tel: (852) 2864 4867
Antonio Yu Tel: (852) 2114 4319
Christina Cheuk Tel: (852) 2114 4979

Email: cindy.lung@sprg.com.hk
Email: antonio.yu@sprg.com.hk
Email: christina.cheuk@sprg.com.hk

RESULTS HIGHLIGHT

For the Year Ended 31 December	2018	2017	Change
	<i>(in US\$' million)</i>	<i>(in US\$' million)</i>	
Revenue	84.34	76.70	10.0%
Property operating expenses	(20.97)	(19.62)	6.9%
Net property income	63.37	57.08	11.0%
Net property income margin	75.1%	74.4%	+0.7 ppts
G&A expenses	(17.66)	(11.76)	50.2%
Cash interest expenses	(19.06)	(17.47)	9.1%
Profit after taxation	4.65	55.16	(91.6%)
Total distributable income	31.82	33.97	(6.3%)
Average RMB/US\$ rate ¹	6.6157	6.7578	2.1%
Units Information	2018	2017	Change
DPU (<i>HK cents</i>)	19.2	21.1	(9.0%)
Payout ratio	98%	100%	-2.0 ppts
Net asset value per Unit (<i>HK\$</i>)	5.69	6.22	(8.5%)
Number of Units outstanding	1,272,356,925	1,257,705,732	1.2%
As at 31 December	2018	2017	Change
Property valuation	1,419.51	1,488.06	(4.6%)
Total assets	1,495.09	1,586.60	(5.8%)
Total borrowings	531.30	547.48	(3.0%)
Net asset value	925.12	1,000.40	(7.5%)
Gearing ratio	35.5%	34.5%	+1.0 ppts
RMB/US\$ rate ²	6.8785	6.5068	(5.4%)

¹ · Income and expenses are translated at average exchange rates for each month's consolidated income statement.

² · The assets and liabilities of the financial position presented here are translated at the closing exchange rate of the year.