

For immediate release

SpringREIT

Spring REIT announces 2019 interim results

*Positive rental reversion of CCP Property amid adverse market condition
UK portfolio enhances overall cash flow*

(Hong Kong, 22 August 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 interim results of Spring REIT for the six months ended 30 June 2019 (the “**Reporting Period**”).

The Board of Directors of the Manager is pleased to declare an interim distribution of HK10.0 cents per Unit, representing an increase of 38.9% half-on-half (“**HoH**”) and a decrease of 16.7% year-on-year (“**YoY**”). Based on the closing price of HK\$3.36 per Unit as at 28 June 2019, the distribution implies an annualized distribution yield of 6.0%.

During the Reporting Period, revenue was RMB268.92 million, representing a 4.7% decrease HoH and a 2.8% decrease YoY. This was mainly due to a temporary decline in occupancy at the China Central Place Tower 1 and 2 and the relevant portion of the car park (the “**CCP Property**”). After deducting property operating expenses RMB67.02 million, net property income amounted to RMB201.90 million, representing a 4.6% decrease HoH and a 3.1% decrease YoY. Total distributable income was RMB113.32 million, representing a 38.6% increase HoH and a 11.4% decrease YoY. The net property income margin was 75.1% for the Reporting Period (2H 2018: 75.0%; 1H 2018: 75.3%). The net asset value per Unit as at 30 June 2019 was HK\$5.74 (31 December 2018: HK\$5.69; 30 June 2018: HK\$6.05).

Solid Operational Performance

CCP Property

During the Reporting Period, the performance of the CCP Property was affected by a temporary decline in occupancy, as one major tenant left and was replaced in the first quarter. As a result, the average occupancy experienced a temporary decline to 92.2% during the Reporting Period (2H 2018: 95.4%; 1H 2018: 96.1%), but the snapshot occupancy had recovered to 94.6% on 30 June 2019. The monthly average passing rent (net of VAT) stood at RMB362 per sqm, on the back of a positive rental reversion of 1.8% (2018: 4.7%).

UK Portfolio

The UK Portfolio provides stable cash flow for Spring REIT. 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. This means that 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.).

Cautious about Prospects for 2H 2019

The Manager remained cautious for the second half of 2019 due to a subdued Beijing office market and lacklustre demand for office space, which was reflected by a sharp drop in occupancy rates and softer rental levels in the broader market. In the near term, focus of Spring REIT will be on managing the CCP Property leases expiring in the second half of 2019, which accounts for 9% of the total leased GFA and represent an average unit rent of RMB378 per sqm.

With the intensification of the trade war between the US and the PRC, the RMB has become more volatile and has depreciated noticeably. The downward trend may more than offset any achievements we accomplish. We will remain alert and continue to closely monitor the currency market, paying particular attention to its impact on our gearing ratio as well as future distributions.

- End -

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 an investment management 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-2018	HoH Change	31-Dec-2018	HoH Change	30-Jun-2019
Revenue	276.67	2.0%	282.16	(4.7%)	268.92
Property operating expenses	(68.22)	3.2%	(70.42)	(4.8%)	(67.02)
Net property income	208.45	1.6%	211.74	(4.6%)	201.90
Net property income margin	75.3%	-0.3 ppts	75.0%	+0.1 ppts	75.1%
G&A expenses	(42.06)	81.4%	(76.31)	(55.9%)	(33.68)
Cash interest expense	(55.16)	31.9%	(72.74)	3.2%	(75.09)
Profit after taxation	40.98	(126.8%)	(10.99)	(1,490.7%)	152.84
Total distributable income	127.90	(36.1%)	81.78	38.6%	113.32
Unit information	1H 2018		2H 2018		1H 2019
DPU (HK cents)	12.0	(40.0%)	7.2	38.9%	10.0
Payout ratio	96%	+4.0 ppts	100%	-3.0 ppts	97%
Net asset value per Unit (HK\$)	6.05	(6.0%)	5.69	0.9%	5.74
Number of Units outstanding	1,265,180,645	0.6%	1,272,356,925	0.5%	1,278,916,863
As at	30-Jun-2018		31-Dec-2018		30-Jun-2019
Portfolio valuation	9,691.50	0.7%	9,764.06	0.6%	9,824.78
Total assets	10,247.23	0.4%	10,283.94	0.9%	10,379.42
Total liabilities	3,786.68	3.5%	3,920.50	(0.1%)	3,917.92
Net asset value	6,460.55	(1.5%)	6,363.44	1.5%	6,461.50
Gearing ratio	34.4%	+1.1 ppts	35.5%	-0.4 ppts	35.1%