



Spring REIT Announces 2021 Interim Results

*Interim DPU grew 13.7% YoY
Encouraging results despite an extremely challenging market condition*

(Hong Kong, 24 August 2021) – **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 2021 (the “**Reporting Period**”).

The Board of Directors of the Manager is pleased to declare an interim distribution of HK10.8 cents per Unit, representing increases of 2.9% half-on-half (“**HoH**”) and 13.7% year-on-year (“**YoY**”). Based on the closing price of HK\$2.86 per Unit as at 30 June 2021, the distribution implies an annualized distribution yield of 7.6%.

The extreme external events of 2020 carried forward into the Reporting Period severely impacting the business environment in which Spring REIT operates. These were mainly associated with the COVID-19 pandemic, continued tensions between China and the US, and the challenging leasing environment in Beijing. The Manager is therefore pleased to report a growth in distributable income of 17.5% YoY amounting to RMB147.07 million. Net property income amounted to RMB195.02 million, representing a 0.3% increase HoH and a 3.9% decrease YoY. Such encouraging results in an extremely challenging period are attributable to the quality of Spring REIT’s property portfolio, favourable foreign exchange and interest rate movements, and past strategic decisions made to strengthen its balance sheet.

Stable Operating Performance from CCP Property

During the Reporting Period, the performance of China Central Place Tower 1 and 2 and the relevant portion of the car park (the “**CCP Property**”) reported a decrease in total revenue of 1.5% HoH, while its rental income remained relatively stable. After deducting property operating expenses of RMB61.55 million, net property income was RMB175.54 million, representing an increase of 0.4% HoH and a decrease of 4.4% YoY.

Both renewals and new leases executed from 2H 2020 took place at a time when rental levels were softening in the overall market. As a result, passing rent during the period declined marginally by 1.1%, implying a negative rental reversion rate of 5.5%. However, the impact on rental income was to an extent mitigated by an improvement in the occupancy rate, which had recovered to 93.6% by the end of June 2021 from 90.2% on 31 December 2020. The improvement in occupancy despite the adverse market conditions has once again demonstrated the resilience of the Beijing leasing operation.

Steady Returns from UK Portfolio

The operation of the portfolio of 84 properties all occupied by the car servicing operator Kwik Fit (“**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.

Positive Momentum for 2H 2021

In the first half of 2021, the economy in China is ahead of the pack and shows signs of increasing stability. China’s efficient handling of the pandemic by its central and local governments, and the limited number of recent cases reported, suggest that we are now seeing the light at the end of the tunnel for COVID-19. The leasing market in Beijing has stabilized and is expected to be supported by a revival of leasing demand going forward. In the short term, the Manager remains cautiously optimistic that the dynamics of the Beijing office market will continue to improve given the positive underlying market trends.

For Spring REIT, most of the major leases due to expire in the second half of 2021 have been secured for renewal. While rental reversion was negative during the reporting period, reflecting softened rental rates in the broader market, the Manager is optimistic that occupancy will continue to improve in the second half as leasing activities return. In the meantime, it will remain vigilant in its approach to Spring REIT’s leasing operations.

Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited, said “While we are encouraged by this set of promising interim result, we remain committed to grow our property portfolio. Our enhanced strategic relationships with Sino-Ocean Group and Huamao Property are paving the way for potential high-quality investment opportunities in the years ahead. We will focus on ensuring that any new acquisitions live up to the standards of quality and reliability of our existing assets. We are firmly committed to steering Spring REIT safely through the challenging macro-economic environment, and unitholders can be assured of our unwavering determination to deliver long-term and sustainable 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 around the world.

As at 30 June 2021, the Manager is 80.4% owned by Mercuria Investment Co., Limited (“**Mercuria Investment**”). Following a group restructuring, with effect from 9 July 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 Highlights

(in RMB million unless otherwise specified)					
For the Six Months Ended	30-Jun-2021	HoH Change	31-Dec-2020	HoH Change	30-Jun-2020
Revenue	256.93	(1.3%)	260.44	(4.5%)	272.73
Property operating expenses	(61.90)	(6.2%)	(65.97)	(5.4%)	(69.72)
Net property income	195.02	0.3%	194.47	(4.2%)	203.01
Net property income margin	75.9%	+1.2 ppts	74.7%	+0.2 ppts	74.4%
G&A expenses	(31.52)	(16.3%)	(37.67)	9.5%	(34.40)
Cash interest expense	(31.22)	(24.2%)	(41.18)	(24.6%)	(54.60)
Profit after taxation	212.34	180.3%	75.76	(128.5%)	(265.68)
Total distributable income	147.07	2.5%	143.53	14.6%	125.19
Unit information	1H 2021	HoH Change	2H 2020	HoH Change	1H 2020
DPU (HK cents)	10.8	2.9%	10.5	10.5%	9.5
Payout ratio	90%	-5.0 ppts	95% ¹	-5.0 ppts	100%
Net asset value per Unit (HK\$)	5.34	2.1%	5.23	5.9%	4.94
Number of Units outstanding	1,466,273,210	0.4%	1,460,972,865	0.4%	1,454,929,390
As at	30-Jun-2021	HoH Change	31-Dec-2020	HoH Change	30-Jun-2020
Portfolio valuation	9,230.51	0.3%	9,202.90	(3.1%)	9,500.72
Total assets	9,765.84	0.5%	9,712.87	(3.3%)	10,040.17
Total borrowings	3,006.47	(0.6%)	3,024.23	(6.0%)	3,218.11
Net asset value	6,515.41	1.3%	6,432.90	(1.9%)	6,555.59
Gearing ratio	30.8	-0.3 ppts	31.1%	-1.0 ppts	32.1%

¹ Represents the full year payout ratio of 95%.