

For immediate release

SpringREIT

Spring REIT announces 2024 Annual Results

- **Maintained a stable distribution for unitholders amid challenging macroeconomic environment, with full-year DPU yield of 8.9%***
- **Encouraging performance from Huamao Place in Huizhou, Greater Bay Area, with a 1.7% increase in net property income recorded for the year**
- **Prudent capital management with 97% of loans are hedged or at stable interest rate, with 83% aligned with the currencies of underlying assets****
- **Disposal of UK Portfolio subsequent to year-end, enhancing financial flexibility while focusing on core assets**

(Hong Kong, 24 March 2025) – **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 2024 (the “**Reporting Year**”).

The Board of Directors of the Manager is pleased to declare a final distribution of HK\$7.6 cents per Unit (2H 2023: HK9.0 cents per Unit). Together with the interim distribution already paid, total distribution for the year amounts to a total of HK16.6 cents per Unit (FY2023: HK\$19.0 cents per Unit), representing a decrease of 12.6% year-on-year (“**YoY**”). Based on the closing price of HK\$1.87 per Unit as at 31 December 2024, the Reporting Year DPU represents a distribution yield of 8.9% (FY2023: 8.3%).

During the Reporting Year, Spring REIT’s revenue was RMB702.47 million (FY2023: RMB732.45 million), down 4.1% YoY. Net property income was RMB515.29 million (FY2023: RMB543.26 million), representing an decrease of 5.1% YoY and a net property income margin of 73.4% (FY2023: 74.2%). Total distributable income was RMB221.25 million (FY2023: RMB252.14 million), representing a decrease of 12.3% YoY.

Resilient performance from CCP Property amid challenging market in Beijing

The China Central Place Office Tower 1 and 2 and the relevant portion of the car park (the “**CCP Property**”) showed its resilience under tough market conditions. During the Reporting Year, revenue of the CCP Property was RMB 433.37 million, representing a 7.8% decrease YoY, reflecting declines in occupancy and rental level since December 2023 in the challenging Beijing office market. After deducting property operating expenses, net property income amounted to RMB318.12 million, down by 8.8%.

*Based on the closing price of HK\$1.87 per Unit as at 31 December 2024.

**83% of loans are denominated in the same currency as the underlying assets, including 78% of HKD loans converted into RMB via cross-currency swaps. The remaining loans are denominated in the currency of their respective underlying assets.

The CCP Property registered an average occupancy rate of 86.1% for the Reporting Year and 88.5% at the end of the year. Average monthly unit rent (net of value-added tax) decreased marginally from RMB360 per sqm in 1H 2024 to RMB354 per sqm in 2H 2024, as a result of mild negative rental reversion under the current challenging environment.

Encouraging performance from Huamao Place (華貿天地) in Huizhou

During the Reporting Year, the Manager continued to enhance Huamao Place's positioning as a unique high-end lifestyle mall, further strengthening its reputation as a premier shopping and leisure destination. To differentiate the mall from competitors and reinforce its exclusivity, a variety of renowned brands have been introduced, some of which have chosen Huamao Place as the location for their first city store or flagship outlet. Apart from optimizing the trade mix, the Manager consistently refine the mall's space configuration. While food and beverage outlets continued to serve as key anchors in sustaining high foot traffic, a range of lifestyle and anime culture tenants were introduced to further diversify the retail mix.

As a flagship mall in Huizhou, Huamao Place recorded respectable operating results with average monthly unit rent increased from RMB170 per sqm in 2H 2023 to RMB175 per sqm for 2H 2024. Average occupancy rate marginally dropped from 97.4% to 94.1% over the same period due to the restructure of the cinema lease. Net property income of the mall increased 1.7% YoY to RMB155.14 million for the Reporting Year.

Prudent capital management to mitigate interest rate and currency risks

During the Reporting Year, Spring REIT achieved near-complete interest rate exposure protection through a combination of interest rate hedges and exposure to the stable PRC loan prime rate, with 97% of its borrowings covered. Additionally, currency risk management was strengthened through a strategic increase of cross-currency swaps from HKD to RMB. Capitalising on the declining borrowing costs in RMB, the alignment of the currency exposure of borrowings with their underlying assets rose from 57% as of 31 December 2023 to 83% by the end of 2024. The success of Spring REIT's comprehensive risk management approach is further evidenced by its weighted average cash interest rate (after interest margin and credit adjustment spread) of approximately 3.6% per annum for the Reporting Year, well below current borrowing rates in Hong Kong and the UK markets.

Disposal of UK Portfolio subsequent to year-end

On 18 February 2025, Spring REIT reached an agreement to divest its UK Portfolio, comprising 83 commercial properties, to an independent third-party buyer. The transaction received 99.99% support at the extraordinary general meeting ("EGM") on 10 March 2025. Set to be completed by 28 March 2025, it carries an implied property value of GBP73.5 million, slightly above the end-December 2024 appraisal. Spring REIT has undertaken this strategic move with the aim of refocusing on its core market in the PRC, enhancing its financial flexibility, and streamlining its operations. The divestment is expected to reduce the gearing ratio of Spring REIT while having a marginal impact on its DPU and net asset value per Unit. Given the timing of the disposal and the current volatile economic environment, the Manager's primary focus remains on maintaining a strong balance sheet. The use of the proceeds of the disposal will be subject to prudent financial management. The financial resilience of Spring REIT in the face of economic uncertainties continues to be the Manager's top priority.

Navigating uncertainty with resilience in 2025

In 2025, Spring REIT will endeavour to navigate a complex environment that will be impacted by both global geopolitics and changes in the domestic economy. The Chinese economy is expected to undergo continued positive structural adjustments, including ongoing deleveraging in both the public and private sectors, while its property market is undergoing significant structural shifts. Modest improvements in consumer spending and industrial output have been observed, but the commercial real estate sector continues to face headwinds, with cautious sentiment and weak demand weighing on leasing activity.

Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited, said “The macro outlook for 2025 remains uncertain, but fresh stimulus measures are expected from the government to address economic challenges which are likely to boost the domestic business sector and shore up demand for premium office space in the capital city. Meanwhile, our efforts to reinforce the Huizhou Huamao Place as the city’s premier shopping and leisure destinations are ongoing, and the mall’s success to date bodes well for the coming year. Having shown its resilience in the face of a difficult year, Spring REIT is preparing to work to the best of its ability in 2025 to deliver stable distributions for unitholders in the year ahead.”

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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’s property portfolio comprises (i) two Premium Grade office buildings strategically located in the Central Business District of Beijing, (ii) a landmark shopping mall Huamao Place in Huizhou, Greater Bay Area, and (iii) a long-income portfolio of commercial properties in the United Kingdom (“**UK Portfolio**”)*. 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, a company incorporated in Hong Kong. As at 31 December 2024, 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.

**On 18 February 2025, Spring REIT (through its wholly-owned subsidiary) entered into a sale and purchase agreement with an independent third-party buyer for the sale of the UK Portfolio. The transaction has been approved by independent unitholders on the EGM held on 10 March 2025 and is expected to be completed on 28 March 2025. For details, please refer to the Disposal circular and announcement dated 18 February 2025, as well as the EGM poll results announcement dated 10 March 2025.*

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RESULTS HIGHLIGHT

(in RMB millions unless otherwise specified)			
For the Year Ended 31 December	2024	2023	Change
Revenue	702.47	732.45	(4.1%)
Property operating expenses	(187.18)	(189.19)	(1.1%)
Net property income	515.29	543.26	(5.1%)
Net property income margin	73.4%	74.2%	-0.8 pts
G&A expenses	(88.73)	(89.01)	(0.3%)
Cash interest expenses	(195.56)	(181.19)	7.9%
Current income tax	(34.09)	(32.16)	6.0%
(Loss) / profit after taxation attributable to Unitholders	(46.63)	(77.54)	(39.9%)
Profit after taxation attributable to non-controlling interests	26.94	23.99	12.3%
Total distributable income	221.25	252.14	(12.3%)
Units Information	2024	2023	Change
DPU (HK cents)	16.6	19.0	(12.6%)
DPU (RMB cents equivalent)	15.2	17.1	(11.1%)
Payout ratio	100%	97.5%	+2.5 pts
Net asset value per Unit (HK\$)	4.36	4.70	(7.2%)
Number of Units outstanding	1,459,041,125	1,440,497,110	1.3%
As at 31 December	2024	2023	Change
Property valuation	11,901.92 ¹	12,039.34	(1.1%)
Total assets	12,638.24	12,785.53	(1.2%)
Total borrowings	5,234.72 ²	5,054.49	3.6%
Net asset value attributable to Unitholders	5,887.41	6,130.66	(4.0%)
Gearing ratio	38.0% ³	39.5%	-1.5 pts

Notes:

1. Includes the property valuation of the UK Portfolio.
2. Includes the interest-bearing borrowings of the UK Portfolio.
3. If bank borrowing, included in liabilities classified as held for sale (which was referring to the UK Portfolio) were included, the Group's gearing ratio was 41.4% as at 31 December 2024.