

[For immediate release]

# SpringREIT

## Spring REIT announces 2024 Interim Results

- **Stable financial results with 2.0% half-on-half increase in net property income, mainly attributable to the satisfactory performance from Huamao Place in Huizhou, Greater Bay Area**
- **Maintained a steady distribution for unitholders amid challenging macroeconomic environment, with an annualized DPU yield of 9.0%\***
- **Prudent capital management with 97% of loans are hedged or at stable interest rate, with 83% aligned with the currencies of underlying assets\*\***

(Hong Kong, 22 August 2024) – **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 2024 (“**1H 2024**” or the “**Reporting Period**”).

The Board of Directors of the Manager is pleased to declare an interim distribution of HK\$9.0 cents per Unit, remaining steady half-on-half (“**HoH**”) despite a 10.0% decrease year-on-year (“**YoY**”). Based on the closing price of HK\$2.01 per Unit as at 28 June 2024, the Reporting Period distribution per Unit (“**DPU**”) represents an annualized distribution yield of 9.0%.

During the Reporting Period, Spring REIT’s revenue was RMB361.47 million, representing a 2.0% decrease HoH and a 0.5% decrease YoY. Net property income increased 2.0% HoH and 0.3% YoY respectively to RMB274.74 million. Total distributable income amounted to RMB119.33 million, representing a decrease of 1.0% HoH.

### **Beijing CCP Property: Resilience amid economic headwinds**

The China Central Place Office Tower 1 and 2 and the relevant portion of the car park (the “**CCP Property**”) showed its resilience in the face of economic headwinds. During the Reporting Period, revenue of the CCP Property was RMB225.16 million, representing a 4.5% decrease HoH. The rental income generated from the office space decreased 4.6% HoH, reflecting a moderate decline in occupancy rate since 31 December 2023. Property operating expenses decreased 6.7% HoH, mainly due to lower commission expenses as lease renewals dominated the activities during the period. After deducting property operating expenses, net property income amounted to RMB167.16 million, representing a decrease of 3.7% HoH and 4.6% YoY.

The CCP Property registered an average occupancy rate of 87.9% in 1H 2024. Average passing rent (net of Value-Added Tax ) decreased marginally from RMB350 per sqm in 1H 2023 to RMB346 per sqm in 1H 2024.

*\*Based on the closing price of HK\$2.01 per Unit as at 28 June 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.*

## **Huamao Place (華貿天地) in Huizhou: Operational excellence continued**

Huamao Place in Huizhou has strategically adapted its trade mix to reflect new market trends. By decreasing the share of the apparel stores in the mall, space has been freed up to expand its offerings in beauty and high-end cosmetics, catering to the resilient luxury market. The mall's many high-quality food and beverage outlets, featuring both local and international brands, have continued to drive footfall at Huamao Place and enhance the mall's appeal. Meanwhile, the continuous events programme at Huamao Place has also established the mall as a popular weekend destination for many Huizhou locals. These strategic adjustments are designed to maintaining Huamao Place's status as Huizhou's premier high-end retail destination, meeting the ever-evolving preferences of consumers.

As a flagship mall in Huizhou, Huamao Place recorded strong operating results with an average occupancy rate of 97.4% during the Reporting Period. Meanwhile, the mall's average monthly rent increased from RMB165 per sqm in 1H 2023 to RMB172 per sqm for the Reporting Period. Net property income of Huamao Place increased 19.6% HoH to RMB86.7 million for the Reporting Period.

## **UK portfolio: Stable operation and contribution**

The portfolio of 84 properties occupied by the car servicing company Kwik Fit (GB) Limited ("**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 GBP4.76 million. Spring REIT enjoys substantial pass through of rental income as the leases are "full repairing and insuring" in nature, under which the tenant pays 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.).

## **Prudent capital management to mitigate interest rate and currency risks**

Spring REIT's earlier decision to lock in the interest rates of almost all its loan exposures has proved effective in mitigating our interest rate risk in 2024. As at 30 June 2024, the proportion of Spring REIT's borrowings either covered by the interest rate hedging programme or under a relatively stable PRC Loan Prime Rate was approximately 96.6%. The weighted average cash interest rate per annum was stable at approximately 3.9% for the Reporting Period.

In the meantime, Spring REIT has implemented a proactive approach to currency risk management. By closely monitoring the movements of the RMB currency against the USD and HKD, and capitalising on declining borrowing costs in RMB, the Manager has entered into HKD-RMB cross-currency swaps to align an increased portion, being 82.7%, of Spring REIT's total borrowings with the currencies of the underlying assets, further mitigating foreign exchange exposures.

## **Staying cautiously optimistic in 2H 2024**

Approaching mid-2024, Spring REIT continues to navigate the effects of a complex economic landscape, particularly in China where the economy is deleveraging. The Beijing office market is confronted with challenges such as limited new lettings, prompting a focus on concessions and rent reductions. Spring REIT anticipates continued rent and occupancy pressures in 2024, particularly in Grade A office spaces, amid intense competition for tenants. However, the limited office pipeline in Beijing's CBD market may result in some stabilization later in the year as government

initiatives take effect. At the CCP Property, the emphasis remains on occupancy rather than rent, with a service-driven strategy to meet tenants' business needs.

In contrast, Huamao Place in Huizhou is well-positioned to capitalize on the GBA's long-term growth trajectory fueled by rising affluence, urbanization, and consumption upgrades in the region. In 2024, the local Huizhou management team undertook a series of dedicated efforts that led to encouraging growth in footfall at Huamao Place, despite the challenging economic environment. Plans are in place to allocate additional resources with the goal of further enhancing the mall's social media presence, and promoting Huamao Place as a premier venue for festive events and celebrations.

**Mr. Toshihiro TOYOSHIMA, Chairman of Spring Asset Management Limited**, said "Despite China's current economic adjustments, our focus remains on delivering stable distributions and pursuing long-term growth for our Unitholders. Our cautious yet proactive approach is designed to effectively navigate the current volatile macroeconomic landscape while at the same time positioning Spring REIT for future opportunities as they arise."

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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. 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 30 June 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.

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## RESULTS HIGHLIGHT

(in RMB million unless otherwise specified)					
For the Six Months Ended	30-Jun-2024	HoH Change	31-Dec-2023	HoH Change	30-Jun-2023
Revenue	<b>361.47</b>	(2.0%)	369.03	1.5%	363.42
Property operating expenses	<b>(86.73)</b>	(13.0%)	(99.67)	11.3%	(89.52)
Net property income	<b>274.74</b>	2.0%	269.37	(1.7%)	273.89
Net property income margin	<b>76.0%</b>	+3.0 ppts	73.0%	-2.4 ppts	75.4%
G&A expenses	<b>(44.06)</b>	(9.0%)	(48.40)	19.2%	(40.61)
Cash interest expense	<b>(100.66)</b>	13.3%	(88.81)	(3.9%)	(92.38)
Current income tax	<b>(18.42)</b>	20.2%	(15.33)	(9.0%)	(16.84)
Profit/(loss) after taxation attributable to Unitholders	<b>42.28</b>	174.9%	15.38	n.a.	(92.92)
Profit after taxation attributable to non-controlling interests	<b>17.00</b>	29.2%	13.16	21.6%	10.82
Total distributable income	<b>119.33</b>	(1.0%)	120.48	(8.5%)	131.66
Unit information	1H 2024	HoH Change	2H 2023	HoH Change	1H 2023
DPU (HK cents)	<b>9.0</b>	-	9.0	(10.0%)	10.0
DPU (RMB cents equivalent)	<b>8.2</b>	-	8.2	(7.9%)	8.9
Payout ratio	<b>100%</b>	+2.5 ppts	97.5%*	+0.5 ppts	97%
Net asset value per Unit (HK\$)	<b>4.59</b>	(2.3%)	4.70	1.5%	4.63
Number of Units outstanding	<b>1,450,217,368</b>	0.7%	1,440,497,110	(3.6%)	1,493,567,431
As at	30-Jun-2024	HoH Change	31-Dec-2023	HoH Change	30-Jun-2023
Portfolio valuation	<b>11,981.86</b>	(0.5%)	12,039.34	(0.2%)	12,066.23
Total assets	<b>12,804.75</b>	0.2%	12,785.53	(1.7%)	13,009.14
Total borrowings	<b>5,194.63</b>	2.8%	5,054.49	(1.5%)	5,131.00
Net asset value attributable to Unitholders	<b>6,078.03</b>	(0.9%)	6,130.66	(3.8%)	6,370.88
Gearing ratio	<b>40.6%</b>	+1.1 ppts	39.5%	+0.1 ppts	39.4%

\* Represents the full year payout ratio of 97.5%.