

*The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information only and does not constitute an invitation or offer to acquire, purchase, or subscribe for the securities of Spring REIT.*



## **Spring Real Estate Investment Trust**

春泉產業信託

*(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*

**(Stock code: 01426)**

**Managed by  
Spring Asset Management Limited**

### **ISSUANCE OF 114,884,000 SUBSCRIPTION UNITS AT AN ISSUE PRICE OF HK\$3.25 PER SUBSCRIPTION UNIT**

On 13 April 2017, the Manager and China Orient Stable Value Fund Limited (the "Subscriber") entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Manager has conditionally agreed to procure Spring REIT to issue, 114,884,000 new Units at the Subscription Price of HK\$3.25 per Unit. The Subscription Price is equal to the higher of (i) the Average 10-Day Closing Price, excluding the effects of the final distribution of Spring REIT to be made for the period from 1 July 2016 to 31 December 2016; and (ii) the Last Closing Price, provided that the Subscription Price would be at a discount or premium of no more than 20% to the Market Price, and is within the parameters set out in Clause 7.2.2 of the Trust Deed.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber, and its ultimate beneficial owner, do not hold any Units in Spring REIT as at the date of this announcement and are Independent Third Parties and are not connected persons of Spring REIT.

The Subscription Units represent (i) approximately 10.1% of the total number of Units in issue at the date of this announcement; (ii) approximately 9.2% of the number of Units in issue as enlarged by the issue of the Subscription Units.

The Subscription Units will be issued pursuant to, and within the limits of the authority conferred upon Spring REIT under paragraph 12.2 of the REIT Code and Clause 7.1.6 of the Trust Deed pursuant to which Units may be issued in any financial year otherwise than on a pro rata basis to all existing Unitholders, without the approval of the Unitholders, if the total number of new Units issued (after making certain adjustments) does not increase the number of Units that were outstanding at the end of the previous financial year by more than 20% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC).

The gross proceeds of the Subscription will amount to approximately HK\$373.37 million. The Manager intends to apply the gross proceeds of the Subscription towards: (i) partial early repayment of amounts drawn down under the Facility; and (ii) the general working capital requirements of Spring REIT.

An application will be made by the Manager to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Units on the Stock Exchange.

**Completion of the Subscription is conditional upon the listing approval in respect of the Subscription Units having been granted by the Stock Exchange. Accordingly, completion of the Subscription may or may not proceed. Unitholders and potential investors should therefore exercise caution when dealing in the securities of Spring REIT.**

On 13 April 2017, the Manager entered into the Subscription Agreement with the Subscriber, the details of which are set out below.

## **THE SUBSCRIPTION AGREEMENT**

### *Date*

13 April 2017

### *Parties*

- (i) The Manager (in its capacity as manager of Spring REIT)
- (ii) The Subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber, and its ultimate beneficial owner, do not hold any Units in Spring REIT as at the date of this announcement and are Independent Third Parties and are not connected persons of Spring REIT.

### ***The Subscription***

Pursuant to the Subscription Agreement, subject to the fulfilment of the Conditions, the Subscriber has conditionally agreed to subscribe for, and the Manager has conditionally agreed to procure Spring REIT to issue, 114,884,000 new Units at the Subscription Price of HK\$3.25 per Unit.

The consideration in the amount of approximately HK\$373.37 million for the Subscription Units shall be payable in cash by the Subscriber at completion of the Subscription under the Subscription Agreement.

### ***Number of Subscription Units***

The Subscription Units represent (i) approximately 10.1% of the total number of Units in issue at the date of this announcement (being 1,133,178,009 Units); (ii) approximately 9.2% of the number of Units in issue as enlarged by the issue of the Subscription Units (being 1,248,062,009 Units).

### ***Subscription Price***

The Subscription Price of HK\$3.25 per Unit of each Subscription Unit:

- (i) is at par with HK\$3.25, being the closing price of the Units as quoted on the Stock Exchange on the date of the Subscription Agreement ("**Last Closing Price**");
- (ii) represents a discount of approximately 0.3% to HK\$3.26, being the average closing price of the Units as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Subscription Agreement ("**Average 10-Day Closing Price**"); and
- (iii) represents a discount of 45.4% to the audited net asset value attributable to Unitholders of approximately HK\$5.95 per Unit as at 31 December 2016 (based on the consolidated net assets of Spring REIT of approximately US\$866.68 million) as at 31 December 2016 and 1,130,562,940 Units in issue as at 31 December 2016).

The Subscription Price was determined after arm's length negotiation between the Manager and the Subscriber, and is equal to the higher of (i) the Average 10-Day Closing Price, excluding the effects of the final distribution of Spring REIT to be made for the period from 1 July 2016 to 31 December 2016; and (ii) the Last Closing Price, provided that the Subscription Price would be at a discount or premium of no more than 20% to the Market Price, and is within the parameters set out in Clause 7.2.2 of the Trust Deed.

The Manager considers that the terms of the Subscription Agreement (including the Subscription Price) are on normal commercial terms and are fair and reasonable and that the Subscription is in the interests of Spring REIT and the Unitholders as a whole.

### ***Ranking of the Subscription Units***

The Subscription Units, when issued and fully paid up, will rank *pari passu* in all respects among themselves and with the Units in issue at the date of allotment and issue of the Subscription Units.

### ***Conditions of the Subscription***

The completion of the Subscription is conditional upon the fulfilment of the following Conditions:

- (i) Listing Committee having granted approval for the listing of, and permission to deal in, the Subscription Units;
- (ii) the warranties given by the Manager being true, accurate and not misleading in all material respects when made and as of the date of completion of the Subscription; and
- (iii) the warranties given by the Subscriber being true, accurate and not misleading in all material respects when made and as of the date of completion of the Subscription.

The Subscriber may in its absolute discretion waive Condition (ii) above while the Manager may in its absolute discretion waive Condition (iii) above. Condition (i) cannot be waived by either Party.

If the above Conditions are not fulfilled within 10 business days after the date of the Subscription Agreement (or a later date as the parties to the Subscription Agreement may mutually agree on), the obligations and liabilities of the Manager and Spring REIT under the Subscription shall be null and void save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

### ***Completion of the Subscription***

The completion of the Subscription shall take place on the later of: (i) the next business day after the date upon which the last of the Conditions shall have been satisfied; and (ii) 20 April 2017, being the next Business Day after the record date for the final distribution of Spring REIT for the period from 1 July 2016 to 31 December 2016.

For the avoidance of doubt, the Subscription Units shall only be entitled to participate in distributions of Spring REIT for the period commencing the date of their issue and would not

be entitled to participate in the final distribution of Spring REIT for the period from 1 July 2016 to 31 December 2016.

## **USE OF PROCEEDS**

The gross proceeds of the Subscription will amount to approximately HK\$373.37 million and the estimated net proceeds of the Subscription will amount to approximately HK\$372.99 million (being approximately HK\$3.25 per Unit), after deducting advisory, registry and other estimated fees and expenses (including professional fees and out-of-pocket expenses) incurred in connection with the Subscription which would be borne out of the deposited property of Spring REIT. The Manager intends to apply the net proceeds of the Subscription towards: (i) partial early repayment of amounts drawn down under Spring REIT's five-year secured term loan of US\$480 million ("**Facility**"); and (ii) the general working capital requirements of Spring REIT.

For the avoidance of doubt, the issuance of Subscription Units is not related to any connected party transaction that requires the prior approval of the Unitholders under the REIT Code nor the proposed Acquisition of 84 separate commercial properties in the United Kingdom and the Lease CCTs (as detailed in the announcement made by Spring REIT on 17 March 2017).

## **REASONS FOR THE SUBSCRIPTION**

The Manager believes that the Subscription will bring the following benefits to Unitholders:

### **(i) Possible increase in trading liquidity of Units**

The Subscription Units to be issued pursuant to the Subscription will increase the number of Units in issue by 114,884,000, which is an increase of (a) 10.1% of the total number of Units currently in issue; and (b) approximately 9.2% of the number of Units in issue as enlarged by the issue of the Subscription Units. This increase in the total number of Units in issue is expected to improve the level of trading liquidity of the Units.

### **(ii) Enhance Spring REIT's Balance Sheet**

As at the date of this announcement, Spring REIT has in place the Facility of US\$480 million which was drawn down in full. The Manager intends to deploy the majority of the gross proceeds of the Subscription towards the partial early repayment of the Facility, with the remaining proceeds to be used for the general working capital requirements of Spring REIT. For the purposes of demonstrating the effect of the Subscription on the financial position of Spring REIT, and for illustration purposes, if all the gross proceeds of the Subscription were applied to repay the Facility on 31 December 2016, such repayment would reduce Spring REIT's gearing ratio from 34.8% to 31.5%. As Spring REIT's gearing ratio is limited to 45% under the REIT

Code, using the Subscription proceeds in such manner will enhance the balance sheet and financial flexibility of Spring REIT.

## **AUTHORITY TO ISSUE**

The Subscription Units will be issued pursuant to, and within the limits of the authority conferred upon Spring REIT under paragraph 12.2 of the REIT Code and Clause 7.1.6 of the Trust Deed pursuant to which Units may be issued in any financial year otherwise than on a pro rata basis to all existing Unitholders, without the approval of the Unitholders, if the total number of new Units issued (after making certain adjustments) does not increase the number of Units that were outstanding at the end of the previous financial year by more than 20% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC).

The Subscription Units represent an approximate 10.1% increase from the total number of Units outstanding on 31 December 2016. On 27 March 2017, Spring REIT issued 2,615,069 Units to the Manager in satisfaction of 80% of the Manager's base fee ("**Base Fee Units**"), which represents an approximate 0.23% increase from the total number of Units outstanding on 31 December 2016. The issuance of the Subscription Units and Base Fee Units (being 117,499,069 Units in aggregate) represents an approximate 10.4% increase from the total number of Units outstanding on 31 December 2016, and therefore within the 20.0% limit for the issue of Units on a non pro rata basis. Accordingly, the prior approval of the Unitholders is not required for the issue of the Subscription Units under the Subscription.

Spring REIT has not conducted any other equity fund raising exercise in the past twelve months before the date of this announcement.

## **APPLICATION FOR LISTING**

An application will be made by the Manager to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Units on the Stock Exchange.

## **EFFECT ON UNITHOLDING**

The unitholding in Spring REIT as at the date of this announcement and immediately after the completion of the Subscription upon the issue of the Subscription Units (assuming that there are no other changes in unitholding), for illustration purposes, are as follows:

Unitholders	Existing unitholding as at the date of this announcement		Unitholding immediately after the completion of Subscription	
	<i>Number of Units</i>	<i>Approx. %</i>	<i>Number of Units</i>	<i>Approx.%</i>
<b>Connected Persons</b>				
RCA Fund	345,204,000	30.5	345,204,000	27.7
Spring Asset Management Limited	19,661,009	1.7	19,661,009	1.6
Directors and Senior Executives	2,293,000	0.2	2,293,000	0.2
<b>Independent Third Parties</b>				
The Subscriber	0	0	114,884,000	9.2
Other public Unitholders	766,020,000	67.6	766,020,000	61.4
<b>Total</b>	<b>1,133,178,009</b>	<b>100</b>	<b>1,248,062,009</b>	<b>100</b>

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber, and its ultimate beneficial owner, will not become significant holders or connected persons of Spring REIT upon completion of the Subscription.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber is not acting in concert or is not presumed to be acting in concert under the Hong Kong Code on Takeovers and Mergers with other Unitholders and the issuance of Subscription Units to the Subscriber would not give rise to an obligation on part of the Subscriber and its parties in concert, if any, to make a mandatory general offer under Rule 26 of the Hong Kong Code on Takeovers and Mergers.

## **EFFECT ON NET ASSET VALUE PER UNIT**

The audited net asset value of Spring REIT as at 31 December 2016 is US\$866.68 million. The net asset values per Unit in Spring REIT as at the date of this announcement and immediately after the completion of the Subscription upon the issue of the Subscription Units (assuming that there are no changes in net asset value), for illustration purposes, are HK\$5.95 and HK\$5.69 respectively.

As stated above, the Manager is of the view that the Subscription would result in a possible increase in trading liquidity of the Units of Spring REIT and enhance the balance sheet of Spring REIT. For these reasons, the Manager considers that the terms of the Subscription Agreement (including the Subscription Price) are on normal commercial terms and are fair and reasonable and that the Subscription is in the interests of Spring REIT and the Unitholders as a whole.

## **WAIVER FROM STRICT COMPLIANCE WITH THE VALUATION REQUIREMENTS UNDER 6.2 AND REQUIREMENTS UNDER 10.7(B)(IV) OF THE REIT CODE**

The Manager has applied for a waiver ("**Waiver Application**") from strict compliance with the valuation requirements under 6.2, and requirements under 10.7(b)(iv), of the REIT Code in respect of the proposed Subscription, on the following basis:

- (a) it is desirable, and in the interest of Spring REIT and its Unitholders, for Spring REIT to be able to raise capital opportunistically and efficiently by way of conducting subscriptions (on short notice and within a short timeframe) when suitable market conditions and opportunities arise. It will be difficult for the Manager to conduct the Subscription on short notice and within a short timeframe if the principal valuer is required to revalue the entire portfolio of Spring REIT and the Manager is required to publish a unitholder circular, in connection with the Subscription; and it is submitted that listed companies conducting similar subscriptions on short notice and within a short timeframe (as is common) are not required to obtain / publish the same;
- (b) the Subscription Price is equal to the higher of (i) the Average 10-Day Closing Price, excluding the effects of the final distribution of Spring REIT to be made for the period from 1 July 2016 to 31 December 2016; and (ii) the Last Closing Price, provided that the Subscription Price would be at a discount or premium of no more than 20% to the Market Price, and is within the parameters set out in Clause 7.2.2 of the Trust Deed. This is to ensure that the Subscription Units are fairly and transparently priced in light of current market conditions, and it is therefore submitted that a revaluation of Spring REIT's portfolio is not required to achieve the same objective;
- (c) the Manager will: (i) publish an announcement in respect of the Subscription, containing all relevant details regarding the same, to ensure the fair and transparent disclosure of the details of the Subscription; (ii) ensure that the Subscription is conducted in the manner set out in the announcement made in respect of the Subscription; and (iii) ensure that the Subscription is conducted pursuant to, and within the limits of the provisions of the Trust Deed and paragraph 12.2 of the REIT Code; and in light of such disclosure and ability to conduct the Subscription without Unitholder approval, it is submitted that a unitholder circular will not provide any additional relevant information to Unitholders and is therefore not required;
- (d) the Manager considers the Subscription to be in the best interests of Spring REIT and the Unitholders as a whole; and



- (e) the valuation report of the real estate held by Spring REIT would be included in the next-published annual report of Spring REIT, this being the annual report of Spring REIT for the year ended 31 December 2016 to be issued in April 2017.

The SFC has granted such waiver subject to the following conditions:

- (a) the Subscription shall be conducted and the issuance of the Subscription Units shall be made strictly in accordance with the manner set out in this announcement and the provisions of the Trust Deed;
- (b) an announcement shall be issued by the Manager in accordance with 10.3 and 10.4(k) of the REIT Code containing details of the Subscription; and
- (c) issuance of the Subscription Units is sufficiently covered under the general mandate permitted under 12.2 of the REIT Code and no unitholders' approval would otherwise have to be sought under such rule.

## **FURTHER ANNOUNCEMENTS**

The Manager shall make a further announcement: (a) on the date on which in-principle approval from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Units on the Stock Exchange is received; (b) on the date on which Subscription Units are issued pursuant to the Subscription; and (c) as and when required in accordance with applicable regulatory requirements (including but not limited to the REIT Code).

**Completion of the Subscription is conditional upon the listing approval in respect of the Subscription Units having been granted by the Stock Exchange. Accordingly, completion of the Subscription may or may not proceed. Unitholders and potential investors should therefore exercise caution when dealing in the securities of Spring REIT.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

<b>"Conditions"</b>	the conditions of the Subscription as set out in the paragraph headed "Conditions of the Subscription"
<b>"connected person(s)"</b>	has the meaning ascribed to this term in the REIT Code
<b>"Directors"</b>	the directors of the Manager
<b>"Facility"</b>	Spring REIT's five-year secured term loan of US\$480 million
<b>"HK\$"</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>"Independent Third Party"</b>	a person who is not a connected person of Spring REIT under the REIT Code
<b>"Manager"</b>	Spring Asset Management Limited (in its capacity as manager of Spring REIT), a company incorporated under the laws of Hong Kong
<b>"Market Price"</b>	has the meaning ascribed to this term in the Trust Deed, this being the higher of the Last Closing Price and the Average 10-Day Closing Price
<b>"REIT Code"</b>	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being
<b>"SFC"</b>	The Securities and Futures Commission of Hong Kong
<b>"SFO"</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being
<b>"significant holder(s)"</b>	has the meaning ascribed to this term in the REIT Code
<b>"Spring REIT"</b>	Spring Real Estate Investment Trust (春泉產業信託), a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
<b>"Stock Exchange"</b>	The Stock Exchange of Hong Kong Limited
<b>"Subscriber"</b>	China Orient Stable Value Fund Limited, which to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of Spring REIT

<b>"Subscription"</b>	the subscription by the Subscriber for the Subscription Units on and subject to the terms and conditions set out in the Subscription Agreement
<b>"Subscription Agreement"</b>	the subscription agreement dated 13 April 2017 and entered into between the Manager and the Subscriber, pursuant to which the Subscriber agrees to subscribe and the Manager agrees to procure Spring REIT to issue the Subscription Units
<b>"Subscription Price"</b>	HK\$3.25 per Unit
<b>"Subscription Units"</b>	114,884,000 new Units to be issued by Spring REIT under the Subscription
<b>"Trust Deed"</b>	the deed of trust constituting Spring REIT dated 14 November 2013 and entered into between the Trustee and the Manager, as the same may be amended and supplemented from time to time by any supplemental deed
<b>"Unit"</b>	one undivided unit in Spring REIT
<b>"Unitholder"</b>	any person registered as holding a Unit on the register of Unitholders
<b>"US\$"</b>	means United States dollar, the lawful currency of the United States

By order of the board of directors of  
**Spring Asset Management Limited**  
(as manager of Spring Real Estate Investment Trust)  
**Mr. Toshihiro Toyoshima**  
*Chairman of the Manager*

Hong Kong, 13 April 2017

*As at the date of this announcement, the directors of the Manager are Toshihiro Toyoshima (Chairman and non-executive director); Lau Jin Tin, Don, Nobumasa Saeki, and Leung Kwok Hoe, Kevin (executive directors); Hideya Ishino (non-executive director); and Simon Murray, Lam Yiu Kin and Liping Qiu (independent non-executive directors).*