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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

ANNOUNCEMENT

(1) EXPIRATION OF EXISTING WAIVER IN RESPECT OF CERTAIN RELEVANT CONTINUING CONNECTED PARTY TRANSACTIONS

AND

(2) SUBSISTING CONTINUING CONNECTED PARTY TRANSACTIONS

The Board of the Manager wishes to announce that it will not seek an extension of the existing waiver from strict compliance with the disclosure and unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain categories of continuing connected party transactions of Spring REIT involving leasing transactions or property management arrangements upon its expiry on 31 December 2017. Accordingly, the Manager will comply with all relevant requirements under Chapter 8 of the REIT Code in respect of any Relevant Continuing Connected Party Transaction which: (i) subsists 31 December 2017; or (ii) is entered into by Spring REIT after 31 December 2017.

As at the date of this announcement, the Relevant Continuing Connected Party Transactions which will subsist beyond 31 December 2017 are: (i) the tenancy agreement entered into by Mercuria Beijing in respect of certain office premises at the CCP Property; and (ii) the Property Management Agreement in relation to the provision of certain property management and lease management as well as marketing services by the Property Manager in respect of the CCP Property. Further details regarding the two Relevant Continuing Connected Party Transactions are described in the body of this announcement.

As the total value of these Relevant Continuing Connected Party Transactions is less than 5% of the latest audited net asset value of Spring REIT (as disclosed in its latest published audited accounts and adjusted for any subsequent transaction since their publication), none of such transactions is subject to Unitholders' approval under Chapter 8 of the REIT Code.

Other than the two Relevant Continuing Connected Party Transactions disclosed above, there is no connected party transaction between (i) Spring REIT and (ii) Mercuria Beijing or the Property Manager (including its associate, controlling entity, holding company, subsidiary or associated company which is a connected person as defined under the REIT Code) that was entered into

during the twelve months preceding the Expiry Date, save for those which are covered under the 2015 Extended Waiver or have otherwise been approved by Independent Unitholders.

This announcement is made pursuant to paragraph 8.14 of the REIT Code.

Reference is made to the circular ("**2015 Circular**") of Spring Real Estate Investment Trust ("**Spring REIT**") dated 16 April 2015 in relation to, among other things, the proposed extension of the waiver from strict compliance with the disclosure and unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain categories of continuing connected party transactions of Spring REIT. Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the 2015 Circular.

EXPIRATION OF THE 2015 EXTENDED WAIVER

As disclosed in the 2015 Circular, the Manager had sought from, and subsequently been granted by, the SFC an extension of the Initial Waiver (the "**2015 Extended Waiver**") from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain categories of continuing connected party transactions involving: (1) leasing transactions; or (2) property management arrangements entered into between (i) the Spring REIT Group (being the Manager, Spring REIT and other companies or entities held or controlled by Spring REIT) and (ii) the Connected Persons Group (being any connected person of the Manager or of RCA Fund 01, L.P. and RCAC (as the general partner of RCA Fund 01., L.P.)) and/or the Manager Connected Persons Group (being the Manager, its controlling entities, holding companies, subsidiaries and associated companies, its Directors, senior executives and officers and their respective associates) ("**Relevant Continuing Connected Party Transaction(s)**"). The 2015 Extended Waiver will expire on 31 December 2017 (the "**Expiry Date**").

In view of there being only two Relevant Continuing Connected Party Transactions which will subsist beyond the Expiry Date, the Board of the Manager wishes to announce that it will not seek an extension of the 2015 Extended Waiver upon its expiry. Accordingly, the Manager will comply with all disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of any Relevant Continuing Connected Party Transaction which either: (i) subsists after the Expiry Date; or (ii) is entered into by Spring REIT after the Expiry Date.

As at the date of this announcement, there are two Relevant Continuing Connected Party Transactions which will subsist beyond the Expiry Date. Further details of these transactions are described below.

RELEVANT CONTINUING CONNECTED PARTY TRANSACTIONS

Continuing Connected Leasing Transaction

On 19 December 2017, MIBJ Consulting (Beijing) Co., Ltd.* (formerly known as Asuka DBJ (Beijing) Investment Consulting Co., Ltd.*) ("**Mercuria Beijing**") entered into a tenancy agreement (the "**Mercuria Beijing Lease**") in respect of certain office premises owned by Spring REIT at China Central Place located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, People's Republic of China (the "**CCP Property**").

As Mercuria Beijing is a wholly-owned subsidiary of Mercuria Investment Co., Limited (formerly known as AD Capital Co., Ltd.) ("**Mercuria**"), which is the controlling shareholder and an associated company of the Manager, Mercuria Beijing is an associated company of the Manager and a connected person of Spring REIT pursuant to paragraph 8.1(g) of the REIT Code. As such, the transaction under Mercuria Beijing Lease constitutes a continuing connected party transaction of Spring REIT.

Details of the Mercuria Beijing Lease are as follows:

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|-------------------------|--|
| Tenant | MIBJ Consulting (Beijing) Co., Ltd.* (formerly known as Asuka DBJ (Beijing) Investment Consulting Co., Ltd.*) |
| Premises | Certain areas in Office Tower 1 China Central Place, No. 81 Jianguo Road, Chaoyang District, Beijing, People's Republic of China |
| Lease commencement date | 1 January 2018 |
| Term | 3 years, expiring 31 December 2020 |
| Rent | RMB 80,579.40 per month (exclusive of property management fee and value added tax) |

The total rental income receivable under the Mercuria Beijing Lease during its term (being 3 years, expiring 31 December 2020) is RMB2,900,858.40, representing 0.05% of the latest audited net asset value of Spring REIT (as disclosed in its latest published audited accounts and adjusted for any subsequent transaction since their publication). As the total value of the Mercuria Beijing Lease is less than 5% of the latest audited net asset value of Spring REIT (as disclosed in its latest published audited accounts and adjusted for any subsequent transaction since their publication), the transaction thereunder is not subject to Unitholders' approval under Chapter 8 of the REIT Code.

The Board (including the independent non-executive Directors) is of the view that the Mercuria Beijing Lease was entered into at arm's length and in the ordinary and usual course of business of Spring REIT, is on normal commercial terms and at the prevailing market level, and is fair and reasonable and in the interest of Spring REIT and the Independent Unitholders as a whole. The Manager has also obtained an opinion from Knight Frank Petty Limited, an independent property valuer and the principal valuer of Spring REIT (the "**Principal Valuer**"), that the Mercuria Beijing Lease is at current market level, and the terms thereof are on normal commercial terms under prevailing market conditions and are considered as fair and reasonable.

Continuing Connected Property Management Arrangement

On 30 August 2011, RCA01 (a special purpose vehicle wholly-owned by Spring REIT and the owner of the CCP Property) and Beijing Hua-re Real Estate Consultancy Co., Ltd., (the "**Property Manager**") entered into the Property Management Agreement in relation to the provision of certain property management and lease management as well as marketing services by the Property Manager in respect of the CCP Property.

Pursuant to the terms thereof, the initial term of the Property Management Agreement shall automatically be extended for two years on the same terms, and may be further extended thereafter with each extension being for two years, unless and until a party thereto notifies the other party in writing otherwise. On 1 September 2017, the term of the Property Management Agreement has been automatically extended for the two-year period expiring on 31 August 2019.

A monthly property management fee equivalent to 2% of the CCP Property's monthly total revenue is payable to the Property Manager in consideration for the services provided under the Property Management Agreement.

As the Property Manager is owned as to 40% by Mercuria, which is the controlling shareholder and an associated company of the Manager, the Property Manager is an associated company of the Manager and a connected person of Spring REIT pursuant to paragraph 8.1(g) of the REIT Code. As such, the transaction under the Property Management Agreement constitutes a continuing connected party transaction under the REIT Code. Based on the total property management fees payable under the Property Management Agreement as disclosed in Spring REIT's annual reports for 2015 and 2016 (being USD3,235,000, representing 0.34% of the latest audited net asset value of Spring REIT (as disclosed in its latest published audited accounts and adjusted for any subsequent transaction since their publication)), the Manager expects the total property management fees payable to the Property Manager for the current term expiring on 31 August 2019 to be less than 5% of the latest audited net asset value of Spring REIT (as disclosed in its latest published audited accounts and adjusted for any subsequent transaction since their publication). Accordingly, the transaction under the Property Management Agreement is not subject to Unitholders' approval under Chapter 8 of the REIT Code.

The Board (including the independent non-executive Directors) is of the view that the Property Management Agreement was entered into at arm's length and in the ordinary and usual course of business of Spring REIT, is on normal commercial terms and at the prevailing market level, and is fair and reasonable and in the interest of Spring REIT and the Independent Unitholders as a whole. The Manager has also obtained an opinion from the Principal Valuer that the renewal of the Property Management Agreement is on normal commercial terms and the property management fee under prevailing market conditions is considered as fair and reasonable.

Other than the two Relevant Continuing Connected Party Transactions disclosed above, there is no connected party transaction between (i) Spring REIT and (ii) Mercuria Beijing or the Property Manager (including its associate, controlling entity, holding company, subsidiary or associated company which is a connected person as defined under the REIT Code) that was entered into during the twelve months preceding the Expiry Date, save for those which are covered under the 2015 Extended Waiver or have otherwise been approved by Independent Unitholders.

This announcement is made pursuant to paragraph 8.14 of the REIT Code, and a brief summary of the two Relevant Continuing Connected Party Transactions described above shall be included in Spring REIT's next published semi-annual or annual report.

Review Processes

The two Relevant Continuing Connected Party Transactions described above will also be subject to the following review processes:

(a) Auditors' review procedures

The Manager shall engage and agree with the auditors of Spring REIT to perform certain review procedures on these Relevant Continuing Connected Party Transactions in respect of each relevant financial period. The auditors shall then report to the Manager on the factual findings based on the work performed by them, confirming whether such transactions:

- (i) have received the approval of the Directors (including the independent non-executive Directors);
- (ii) have been entered into in accordance with the pricing policies of Spring REIT; and
- (iii) have been entered into in accordance with the terms of the agreements governing the transactions.

(b) Review by the independent non-executive directors of the Manager

The independent non-executive Directors of the Manager shall review these Relevant Continuing Connected Party Transactions annually and confirm in Spring REIT's annual report for the relevant financial period that such transactions have been entered into:

- (i) in the ordinary and usual course of business of Spring REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Spring REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement and the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

If the Mercuria Beijing Lease or the Property Management Agreement is renewed or varied, or if a new Relevant Continuing Connected Party Transaction is entered into, the Manager will comply with all connected party transactions requirements under Chapter 8 of the REIT Code unless any waiver is granted in respect of the same.

Other than as disclosed above, the Manager is not aware of any other Relevant Continuing Connected Party Transaction that will be subsisting beyond the Expiry Date as at the date of this announcement.

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

Hong Kong, 22 December 2017

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