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Spring Real Estate Investment Trust

春泉產業信託

(a Hong Kong collective investment scheme authorized 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**

CONNECTED PARTY TRANSACTION

EARLY REPAYMENT OF THE EXISTING BANK LOAN AND NEW TERM LOAN AND UNCOMMITTED REVOLVING FACILITIES

The board of directors (the “**Board**”) of Spring Asset Management Limited (the “**Manager**”), as manager of Spring Real Estate Investment Trust (“**Spring REIT**”) is pleased to announce that Spring REIT, has on 19 December 2014, through its special purpose vehicle, namely RCA01 (the “**Borrower**”), accepted and agreed to a form of legally binding commitment letter (the “**Commitment Letter**”) issued by Australia and New Zealand Banking Group Limited (“**ANZ**”), Deutsche Bank AG, London Branch (“**DB**”) and Credit Suisse AG, Singapore Branch (collectively, the mandated lead arrangers, underwriters and bookrunners “**MLAUB**”) in connection with a five year floating rate secured term loan facility of US\$480 million (“**New Secured Term Loan**”) and a new uncommitted revolving facility of US\$20 million (“**Revolving Facility**”) (together, the “**New Term Loan Facilities**”).

The funds available under the New Term Loan Facilities are intended to be used by the Borrower for the early repayment of the existing secured term loan facility of the Borrower in the amount of US\$465 million which shall mature on 27 January 2016 (with an option to extend for a further period of one year thereafter) (the “**Existing Term Loan Facility**”), financing the fees and expenses incurred and to be incurred by the Borrower in connection with the New Term Loan Facilities, and/or its general working capital requirements.

BACKGROUND

On 10 January, 2013, Spring REIT, through the Borrower, entered into a facility agreement with ANZ and other lending banks in connection with the Existing Term Loan Facility, which is a three year, secured term loan facility of US\$515 million bearing floating interest rate at three month LIBOR plus 3.5% per annum. The Existing Term Loan Facility will mature on 27 January 2016 (with an option to extend for a further period of one year thereafter). The Borrower also entered into an interest rate cap arrangement with notional principal amount of US\$515 million to economically hedge the interest rate risk arising from the Existing Term Loan Facility.

After the listing of Spring REIT, the Borrower made a US\$50 million early principal repayment of the Existing Term Loan Facility on 28 January 2014. As a result of the early principal repayment, the notional principal amount of the Existing Term Loan Facility is reduced to US\$465 million.

EARLY REPAYMENT OF THE EXISTING BANK LOAN AND NEW TERM LOAN AND UNCOMMITTED REVOLVING FACILITIES

On 19 December 2014, the Borrower accepted and agreed to a form of legally binding Commitment Letter issued by the MLAUB in connection with a five year secured term loan facility of US\$480 million bearing floating interest rate at three month LIBOR plus 2.75% per annum and a new uncommitted revolving facility of US\$20 million bearing floating interest rate at three month LIBOR plus 2.75% per annum. The final maturity date of the New Term Loan Facilities will be five years minus one day from the first drawdown date. It is intended that the Borrower will draw down on the New Secured Term Loan in April 2015. The Commitment Letter reflects general heads of terms agreed by the Borrower and the MLAUB with respect to the New Term Loan Facilities, and remains subject to the final agreement(s) reflecting the New Term Loan Facilities. It is intended that the Manager will issue a separate announcement at the time of execution of the New Term Loan Facility, which is currently anticipated to occur during the first quarter of 2015.

The funds available under the New Term Loan Facilities are intended to be used by the Borrower for the early repayment of the Existing Term Loan Facility in the amount of US\$465 million which shall mature on 27 January 2016 (with an option to extend for a further period of one year thereafter), financing the fees and expenses incurred and to be incurred by the Borrower in connection with the New Term Loan Facilities, and/or its general working capital requirements.

The New Term Loan Facilities will be guaranteed by DB Trustees (Hong Kong) Limited, the trustee of Spring REIT (the “**Trustee**”). The Trustee’s guarantee will be subject to the proviso that its obligations as a guarantor will be limited to the aggregate amount of assets held by it in its capacity as trustee of Spring REIT.

To secure, pari passu and pro rata the Borrower’s obligations under the New Term Loan Facilities, a security package will be granted in favour of a security agent (to be nominated) to hold the same on behalf of each of the New Term Loan Facilities lending banks. The identity of the security agent will be confirmed by way of separate announcement issued by the Manager at the time of execution of the New Term Loan Facilities.

The New Term Loan Facilities will contain certain customary covenants that restrict the Borrower from (subject to certain agreed exceptions including: (i) that Spring REIT may incur additional indebtedness of up to a maximum amount of 45% loan-to-value ratio; and (ii) that Spring REIT may dispose of shares in the Borrower, subject to lender approval), among other things, creating security on or disposing of its assets and incurring additional indebtedness. It will also be subject to conditions precedent, including without limitation: (i) the perfection of a mortgage over the property held by the Borrower (which property (being Tower One and Tower Two of China Central Place, 79 and 81 Jianguo Road, Chaoyang District, Beijing, PRC) is identical to that mortgaged under the Existing Term Loan Facility); (ii) the execution of relevant loan and security documents (including a deed of assignment of the Property Management Agreement (as defined in the Offering Circular of Spring REIT dated 25 November 2013 (“**Offering Circular**”)), a Borrower debenture, a pledge of receivables under the leases and a pledge, assignment or other charge over certain bank accounts of the Borrower); and (iii) the Trustee’s guarantee.

Notwithstanding the early repayment of the Existing Term Loan Facility, the existing interest rate caps (originally entered into to hedge interest rate risks of the Existing Term Loan Facility and hence not related to the New Term Loan Facilities), which cap LIBOR at 1.3% for an underlying principal amount of US\$515 million until the maturity of the existing caps in January 2016 (details of which has been disclosed in the Offering Circular), will remain effective and in place. Currently, the Manager has no intention to extend the existing interest rate caps when they fall due in January 2016. As of the date of this Announcement, the Borrower has not entered into any interest rate hedging arrangements (including interest rate caps) in respect of the New Term Loan Facilities. The Manager will closely monitor exchange rate and interest rate movements and may, depending on market conditions, consider putting in place exchange and interest rate hedging arrangements in respect of the New Term Loan Facilities. The Manager confirms that there are no other existing interest rate swaps, or hedging arrangements.

BENEFITS OF OBTAINING THE FACILITY

Should the Facility be made available by the MLAUB (and by any lending bank), the Manager is of the view that the liquidity and financial resources of Spring REIT would be enhanced:

- (i) The capital structure of Spring REIT would also be optimized by a longer term financing, reducing the pressure of doing the refinancing on a more frequent manner; and
- (ii) Leveraging on the current low interest rate environment and the listed status of Spring REIT, the Manager is able to obtain a facility with a lower interest spread (the Existing Term Loan Facility has an interest margin of 350 basis points, the New Term Loan Facilities will have an interest margin of 275 basis points only), meaning that Spring REIT will be able to benefit from a reduced interest margin over the next five years.

As the New Term Loan Facilities will mainly be used to refinance the Existing Term Loan Facility, financing the fees and expenses incurred, and to be incurred, by the Borrower in connection with the New Term Loan Facilities and for its general working capital requirements, the entering into of the New Term Loan Facilities will not have significant impact on the gearing ratio of Spring REIT, which is currently below the maximum 45% permitted under the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission (“**REIT Code**”).

Assuming the full drawdown of the New Term Loan Facilities in the aggregate principal amount of US\$500 million, the gearing ratio of Spring REIT would increase from approximately 33.5% as at 30 June 2014 to approximately 35.7%.

Assuming the full drawdown of the New Secured Term Loan in the aggregate principal amount of US\$480 million, the gearing ratio of Spring REIT would have been increased from approximately 33.5% as at 30 June 2014 to approximately 34.7%.

It is expected that the New Term Loan Facilities will not have a material impact on the financial position of Spring REIT with respect to the latest unaudited financial statements of Spring REIT as at 30 June 2014.

No penalties, fees and/or expenses will be incurred due to the early termination of the Existing Term Loan Facility, provided that prepayment of the Existing Term Loan Facility is made on the Interest Payment Date (as defined in the Existing Term Loan Facility documents).

CONNECTED PARTY TRANSACTION

DB, as MLAUB and one of the lenders of the New Term Loan Facilities, is a connected person of Spring REIT solely as a result of its being an associate of the Trustee within the meaning of the REIT Code. Therefore, the entering into of the Commitment Letter between, inter alia, the Borrower and DB and the transactions contemplated thereunder constitute a connected party transaction for Spring REIT under Chapter 8 of the REIT Code.

As disclosed in the Offering Circular, the Manager has obtained a waiver from the Securities and Futures Commission of Hong Kong from strict compliance with the disclosure and reporting and Unitholders' approval requirements under Chapter 8 of the REIT Code, in respect of the provision of "ordinary banking and financial services" by the DB Group to Spring REIT and the companies directly or indirectly owned and controlled by Spring REIT, subject to certain conditions. The new loans to be extended by DB fall within the definition of "ordinary banking and financial services". Accordingly, the entering into of the Commitment Letter and the transactions contemplated thereunder are exempt from Unitholder's approval and certain disclosure and reporting requirements under Chapter 8 of the REIT Code. However, certain information about the New Term Loan Facilities will be disclosed in the annual report of Spring REIT in accordance with the waiver granted.

All parties to the New Term Loan Facilities (other than DB) are independent third parties.

After due consideration of the terms of the New Term Loan Facilities, the Board of Directors (including the independent non-executive Directors) are satisfied that: (i) the offer and acceptance of the Commitment Letter and the transactions contemplated thereunder are at arm's length, on normal commercial terms, and are fair and reasonable and in the interests of Spring REIT and the Unitholders of Spring REIT as a whole notwithstanding that the offer and acceptance of the Commitment Letter thereunder is a connected party transaction under Chapter 8 of the REIT Code; and (ii) the Commitment Letter thereunder is consistent with the investment objectives and strategy of Spring REIT.

The Trustee has confirmed that it has no objection to the Manager proceeding with the transactions as contemplated under the Commitment Letter.

This is a mandatory announcement pursuant to 8.14, 10.3 and 10.4(d) of the REIT Code.

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

Hong Kong, 19 December 2014

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