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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

CONTINUING CONNECTED PARTY TRANSACTION IN RELATION TO PROPERTY MANAGEMENT AGREEMENT

The Board wishes to announce that the Property Management Agreement will be automatically extended on 1 September 2019 for a further term of two years expiring 31 August 2021. The transaction under the Property Management Agreement constitutes a continuing connected party transaction of Spring REIT under the REIT Code.

As: (i) the total property management fees payable to the Property Manager for the term expiring 31 August 2021 are expected 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); and (ii) save for the Property Management Agreement, Spring REIT has not entered into any other transactions with the Property Manager (including its associate, controlling entity, holding company, subsidiary or associated company) during the 12 months preceding 1 September 2019, the transaction under the Property Management Agreement is not subject to Unitholders' prior approval under Chapter 8 of the REIT Code.

This announcement is made pursuant to paragraphs 8.14 and 10.3 of the REIT Code.

Reference is made to the announcement of Spring Real Estate Investment Trust ("**Spring REIT**") dated 22 December 2017 in relation to, among other things, certain continuing connected party transactions of Spring REIT that have subsisted beyond 31 December 2017 (the "**Relevant CCPTs Announcement**"). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Relevant CCPTs Announcement.

CONTINUING CONNECTED PARTY TRANSACTION IN RELATION TO PROPERTY MANAGEMENT AGREEMENT

As disclosed in the Relevant CCPTs Announcement, RCA01 (a special purpose vehicle wholly-owned by Spring REIT and the owner of the CCP Property) and 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 on 30 August 2011. The term of the Property Management Agreement was extended on 1 September 2017 for a two-year period expiring on 31 August 2019. Pursuant to the terms thereof, the term of the Property Management Agreement may be further extended with each extension being for two years, unless and until a party thereto notifies the other party in writing otherwise.

Renewal of the Property Management Agreement

As the parties to the Property Management Agreement have each confirmed that they will not notify the other party in writing otherwise, the term of the Property Management Agreement will be automatically extended on 1 September 2019 for another two-year period expiring on 31 August 2021. A monthly property management fee equivalent to 2% of the CCP Property's monthly total revenue will continue to be payable to the Property Manager in consideration for the services provided under the Property Management Agreement. Other than the two-year extension of its term, the other terms of the Property Management Agreement will remain unchanged.

As the Property Manager, being Beijing Hua-re Real Estate Consultancy Co., Ltd., 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 Mr. Toshihiro Toyoshima is a director of both the Manager and the Property Manager, the Property Manager is also an associate of a director of the Manager and a connected person of Spring REIT pursuant to paragraph 8.1(f). 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 2017 and 2018 (being USD3,347,000, representing 0.4% 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 term expiring on 31 August 2021 to represent 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). Other than the renewal of the Property Management Agreement, Spring REIT has not entered into any other transactions with the Property Manager (including its associate, controlling entity, holding company, subsidiary or associated company) during the 12 months preceding 1 September 2019. Accordingly, the transaction under the Property Management Agreement is not subject to Unitholders' approval under Chapter 8 of the REIT Code.

Manager's views

The Manager regularly monitors and reviews the performance of the Property Manager, and is satisfied that the Property Manager will continue to provide quality services in respect of the CCP Property for the renewal term. The Board (including the independent non-executive Directors, with Mr. Toshihiro Toyoshima abstaining from voting on the relevant board resolution) is of the view that the renewal of the Property Management Agreement is 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.

A brief summary of the transactions under the Property Management Agreement shall be included in Spring REIT's next published semi-annual and annual reports.

Review Processes

The transactions under the Property Management Agreement will continue to 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 the abovementioned 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 the abovementioned 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.

The Manager will comply with all connected party transactions requirements under Chapter 8 of the REIT Code in relation to the Property Management Agreement, including where it is further renewed or varied, unless any waiver is granted in respect of the same.

This announcement is made pursuant to paragraphs 8.14 and 10.3 of the REIT Code.

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, 19 July 2019

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).