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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**

(1) PROPOSED SALE OF SHARES IN SPRING ASSET MANAGEMENT LIMITED

(2) PROPOSED SUBSCRIPTION OF SHARES AND PURCHASE OF SHARES IN AD CAPITAL CO., LTD.

(3) CERTAIN CONTINUING CONNECTED PARTY TRANSACTION RELATING TO EXISTING ITOCHU LEASE TRANSACTION

PROPOSED SALE OF SHARES IN SPRING ASSET MANAGEMENT LIMITED

The board of directors (the “**Board**”) of Spring Asset Management Limited (the “**Manager**”), in its capacity as manager of Spring Real Estate Investment Trust (the “**Spring REIT**”), is pleased to announce that AD Capital Co., Ltd. (“**AD Capital**”), the controlling entity (within the meaning ascribed to it under the REIT Code) of the Manager, on 24 March 2015, entered into a share transfer agreement (“**Share Transfer Agreement**”) with Huamao Property Holdings Ltd. (“**Huamao HD**”), an independent third party to Spring REIT, pursuant to which AD Capital agreed to sell and Huamao HD agreed to purchase 882,000 shares in the Manager (“**Share Transfer**”), representing 9.8% of the total issued share capital of the Manager calculated as at the date of this announcement, subject to the terms and conditions of the Share Transfer Agreement. Completion of the Share Transfer is expected to take place in April 2015. Upon completion, AD Capital will hold 90.2% and Huamao HD will hold 9.8% of the total issued share capital in the Manager.

PROPOSED SUBSCRIPTION OF SHARES AND PURCHASE OF SHARES IN AD CAPITAL CO., LTD. (“SHARE TRANSACTIONS”)

On 24 March 2015, AD Capital, the controlling entity (within the meaning ascribed to it under the REIT Code) of the Manager, entered into a share subscription agreement (the “**Share Subscription Agreement**”) with ITOCHU Corporation (“**ITOCHU**”), an independent third party to Spring REIT, pursuant to which ITOCHU agreed to subscribe for 266 shares in AD Capital, representing approximately 14.3% of the issued share capital in AD Capital after the proposed Share Transactions, subject to the terms and conditions of the Share Subscription Agreement.

The Manager also received a notice from AD Capital that, on 24 March 2015, ASUKA Holdings Co., Ltd. (“**ASUKA Holdings**”) and ITOCHU entered into a share purchase agreement (the “**Share Purchase Agreement**”) pursuant to which ASUKA Holdings agreed to sell and ITOCHU agreed to purchase 260 shares in AD Capital, representing approximately 14.0% of the issued share capital in AD Capital after the proposed Share Transactions, subject to the terms and conditions of the Share Purchase Agreement.

Completion of the proposed Share Transactions are subject to terms and conditions set out, respectively, in the Share Subscription Agreement and the Share Purchase Agreement, including that:

- (a) the Manager shall have obtained the approval from independent Unitholders of Spring REIT to increase the annual caps of continuing connected party transactions of the Manager’s REIT Manager Connected Person Group (as defined in the Offering Circular of Spring REIT); and
- (b) AD Capital shall have fulfilled the regulatory requirements in Japan applicable to a financial institution registered with the Financial Services Authority of Japan.

Upon completion of the Share Transactions contemplated under the Share Subscription Agreement and the Share Purchase Agreement, ITOCHU will hold 526 shares, representing 28.3% of the total issued share capital of AD Capital. Development Bank of Japan Inc. (“**DBJ**”) will hold approximately 37.7% and ASUKA Holdings will hold approximately 23.7% of the total issued share capital of AD Capital, respectively. Certain management members of AD Capital jointly hold the remaining 10.3% of the total issued share capital.

ITOCHU is one of the most well-known comprehensive trading companies in the world and ranked no. 183 in Fortune Global 500 in 2014.

CERTAIN CONTINUING CONNECTED PARTY TRANSACTION RELATING TO EXISTING ITOCHU LEASE TRANSACTION

Pursuant to 8.1 of the REIT Code, connected person of a REIT include, among others, any “associated company” (within the meaning ascribed to it under the REIT Code) of the Manager.

ITOCHU is an existing tenant in respect of certain office premises within the property of Spring REIT. Following completion of the proposed share transactions, ITOCHU will become an “associated company” of the Manager, and therefore, a “connected person” of Spring REIT pursuant to the REIT Code. Accordingly, the lease transaction between Spring REIT and ITOCHU will be deemed a “connected party transaction”. The Manager will seek the independent Unitholders’ approval for an extension of the waiver from strict compliance with the requirements for disclosure for the three financial years ending 31 December 2017 and to increase the annual caps for the relevant continuing connected party transactions. Disclosure of details of the proposed extension and modification will be made by way of a circular by the Manager to be issued to Unitholders in accordance with Chapter 10 of the REIT Code.

PROPOSED SALE OF SHARES IN SPRING ASSET MANAGEMENT LIMITED

A. PROPOSED SALE OF SHARES

The Board of the Manager, in its capacity as manager of Spring REIT, is pleased to announce that AD Capital, the controlling entity (within the meaning ascribed to it under the REIT Code) of the Manager, on 24 March 2015, entered into the Share Transfer Agreement with Huamao HD, an independent third party to Spring REIT, pursuant to which AD Capital agreed to sell and Huamao HD agreed to purchase 882,000 shares in the Manager, representing 9.8% of the total issued share capital of the Manager calculated as at the date of this announcement, subject to the terms and conditions of the Share Transfer Agreement. Completion of the Share Transfer to Huamao HD is expected to take place in April 2015.

Before the proposed Share Transfer, AD Capital held 100% of the total issued share capital in the Manager. Upon completion, AD Capital will hold 90.2% and Huamao HD will hold 9.8% of the total issued share capital in the Manager. There will not be any change to the board composition of the Manager following completion of the Share Transfer.

The following diagrams show the shareholding structure of the Manager before completion of the proposed Share Transfer (Diagram 1) and after completion of the proposed Share Transfer (Diagram 2).

Diagram 1 — Shareholding structure before completion of the Share Transfer

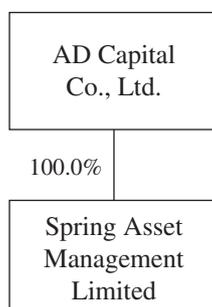
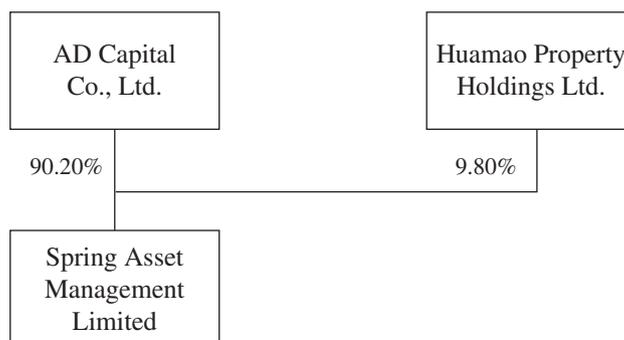


Diagram 2 — Shareholding structure after completion of the Share Transfer



The Manager believes that the Share Transfer will not affect the financial position, business and operation of Spring REIT.

B. ABOUT HUAMA0 HD

Huamao HD is an exempted limited liability company registered under the laws of the Cayman Islands. It indirectly holds 87% of the shares in Beijing Guohua Real-Estate Co., Ltd. (“**Guohua**”), which is a real-estate development company based in China and is the original developer of the China Central Place complex (“**CCP Complex**”) in Beijing. Guohua wholly owns Office Tower 3 of CCP Complex and partially owns certain other assets of CCP Complex, including shopping areas, hotels and residential units.

Following completion of the Share Transfer contemplated under the Share Transfer Agreement, Huamao HD will not become a “connected person” of Spring REIT pursuant to 8.1 of the REIT Code. The Manager will make a separate announcement upon the completion of the Share Transfer.

C. REASONS FOR THE SHARE TRANSFER

The property of Spring REIT currently comprises all of the office floors of Office Tower 1 (including Levels 4 to 28, and the equipment and emergency shelter floor on Level 16, which contains no lettable space) and Office Tower 2 (including Levels 4 to 32, and the equipment and emergency shelter floor on Level 20, which contains no lettable space) in CCP Complex, as well as a total of approximately 600 car parking spaces located in the underground levels of the two office buildings (the “**Property**”).

As the original developer of CCP Complex, Guohua helps liaise with government authorities on behalf of CCP Complex in various aspects, such as matters concerning infrastructure development and urban planning, in and around CCP Complex. Guohua also helps coordinate the implementation of major maintenance activities of common facilities of and around CCP Complex.

The Manager believes that the introduction of Huamao HD as a non-substantial shareholder of the Manager will benefit the Manager and Spring REIT. It is expected that, following the Share Transfer, the Manager will enhance the communication with Guohua in a more timely and efficient manner about future needs and priorities with respect to maintenance and improvement of common facilities of and around CCP Complex. This is expected to help maintain the market position of CCP Complex as a prime mixed-use complexes in Beijing, benefiting the Unitholders of Spring REIT.

PROPOSED SUBSCRIPTION OF SHARES AND PURCHASE OF SHARES IN AD CAPITAL CO., LTD.

A. PROPOSED SUBSCRIPTION OF SHARES AND PURCHASE OF SHARES

On 24 March 2015, AD Capital, the controlling entity (within the meaning ascribed to it under the REIT Code) of the Manager, has entered into a Share Subscription Agreement with ITOCHU, an independent third party to Spring REIT, pursuant to which AD Capital agreed to allot and issue, and ITOCHU agreed to subscribe for 266 shares in AD Capital, representing approximately 14.3% of the issued share capital in AD Capital after the proposed Share Transactions, subject to the terms and conditions of the Share Subscription Agreement.

There will not be any change to the board composition of the Manager following completion of the Share Transactions.

The Manager also received a notice from AD Capital that, on 24 March 2015, ASUKA Holdings and ITOCHU entered into a Share Purchase Agreement pursuant to which ASUKA Holdings agreed to sell and ITOCHU agreed to purchase 260 shares in AD Capital, representing approximately 14.0% of the issued share capital in AD Capital after the proposed Share Transactions, subject to the terms and conditions of the Share Purchase Agreement.

Completion of the proposed Share Transactions are subject to terms and conditions set out, respectively, in the Share Subscription Agreement and the Share Purchase Agreement, including that:

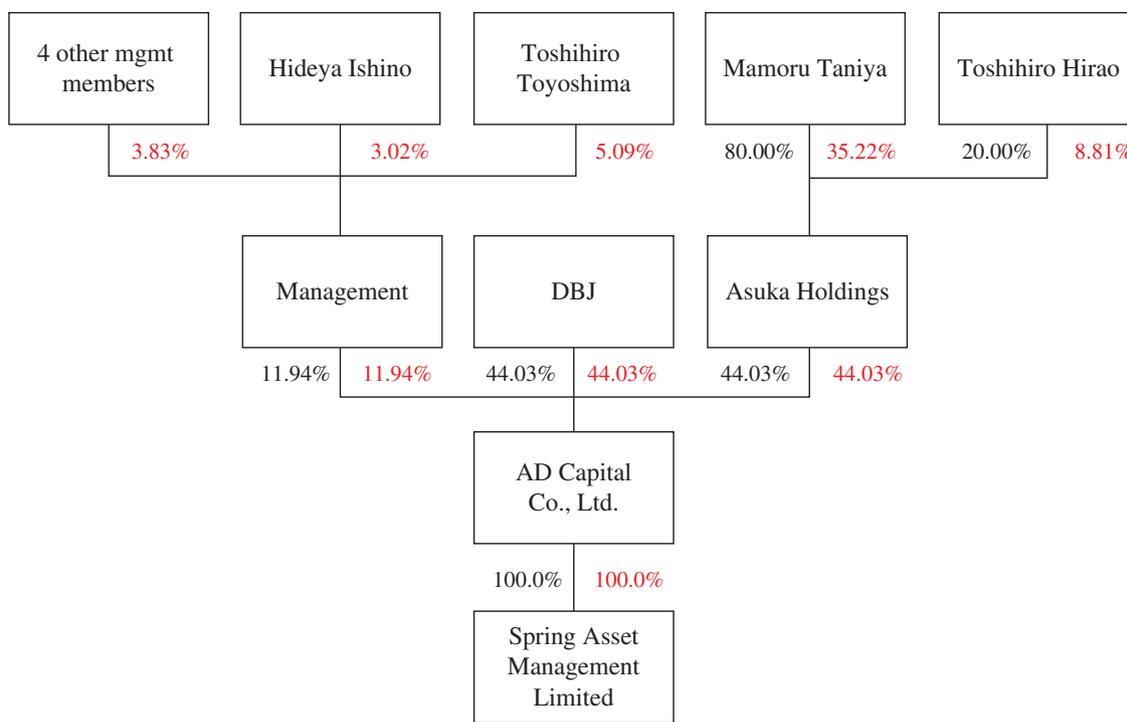
- (a) the Manager shall have obtained the approval from independent Unitholders of Spring REIT to increase the annual caps of continuing connected party transactions of the Manager's REIT Manager Connected Person Group (as defined in the Offering Circular of Spring REIT); and
- (b) AD Capital shall have fulfilled the regulatory requirements in Japan applicable to a financial institution registered with the Financial Services Authority of Japan.

The Manager understands that completion of the proposed Share Transactions is expected to take place in May 2015. The Manager will make a separate announcement upon the completion of the Share Transactions.

Upon completion of the Share Transactions contemplated under the Share Subscription Agreement and the Share Purchase Agreement, ITOCHU will hold 526 shares, representing 28.3% of the total issued share capital of AD Capital. DBJ will hold approximately 37.7% and ASUKA Holdings will hold approximately 23.7% of the total issued share capital of AD Capital, respectively. Certain management members of AD Capital jointly hold the remaining 10.3% of the total issued share capital.

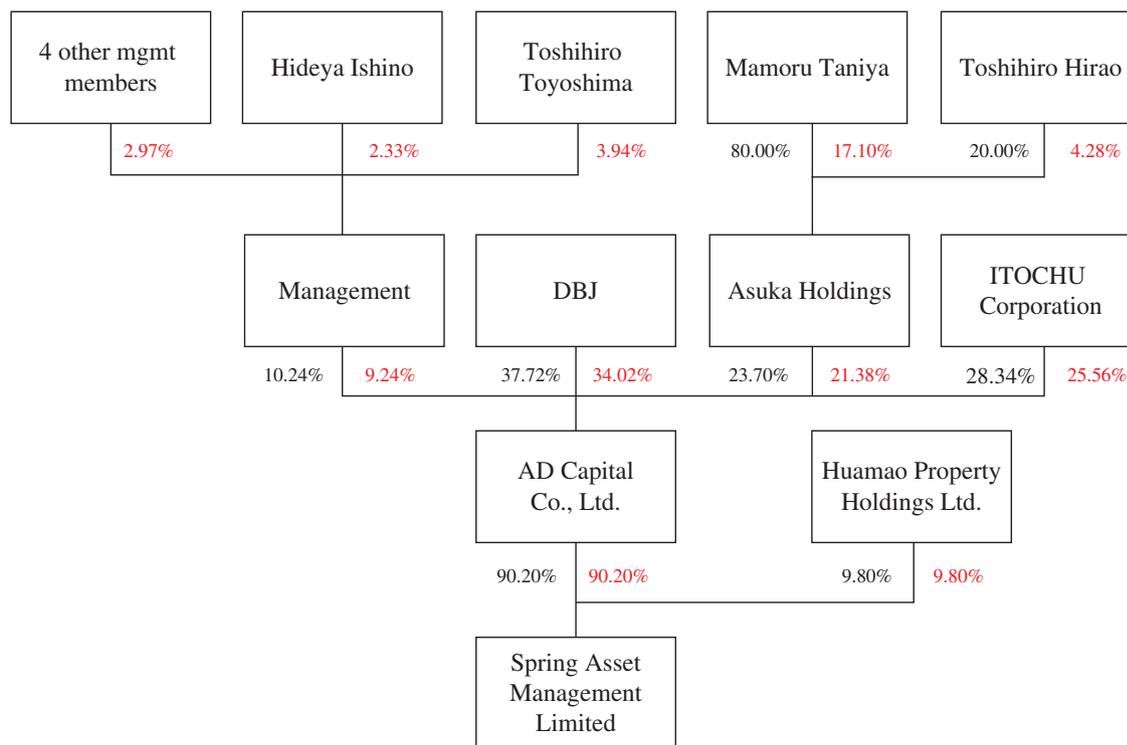
The following diagrams show the shareholding structure of the Manager before completion of the proposed Share Transactions (Diagram 1) and after completion of the proposed Share Transactions (Diagram 2).

Diagram 1 — Shareholding structure before completion of the Share Transactions



numbers in black denote the % of interest in the directly-held vehicle, while numbers in red denote the % of ultimate interest in the Manager.

Diagram 2 — Shareholding structure after completion of the Share Transactions (and the Share Transfer)



numbers in black denote the % of interest in the directly-held vehicle, while numbers in red denote the % of ultimate interest in the Manager.

The Manager believes that the Share Transactions will not affect the financial position, business and operation of Spring REIT.

B. ABOUT ITOCHU

ITOCHU is one of the most well-known comprehensive trading companies in the world and ranked no. 183 in Fortune Global 500 in 2014. It has a trading business spanning around the globe and has established 130 bases in 65 countries and regions around the world. ITOCHU was listed on the Osaka Securities Exchange and the Tokyo Stock Exchange in 1950. ITOCHU is involved in domestic trading, import/export, and overseas trading of various products such as textile, machinery, metals, minerals, energy, chemicals, food, information and communications technology, general products, insurance, logistics services, construction, realty and finance, as well as business investment in Japan and overseas. As at 31 March 2014 (U.S. GAAP base), the total assets of ITOCHU was 7,848.4 billion Japanese yen and the shareholders' equity attributable to parent company was 2,147.0 billion Japanese yen. For the accounting year of 2013 (ended 31 March 2014), the total revenue of ITOCHU amounted to 5,530.9 billion Japanese yen with a net profit of 310.3 billion Japanese yen.

C. REASONS FOR THE PROPOSED SHARE TRANSACTIONS

AD Capital is a private equity investment firm owned by DBJ, Asuka Holdings and certain minority management shareholders. AD Capital is principally engaged in investing in companies and projects in growth sectors in Japan, China and other parts of Asia and it has made selective investments in real estate. As the holding company of the Manager, AD Capital maintains continuous communications with the Manager on prospective real estate investment opportunities.

ITOCHU is a leading trading conglomerate in Japan as well as a Fortune Global 500 companies. With business presence in 65 countries and regions around the world, ITOCHU has extensive business contacts and local knowledge in various markets. Its real estate division provides services that extend from development and construction to sales, operation, leasing, brokering and financial management of real estate projects, with a geographical focus in Japan and other parts of Asia.

By establishing a closer business relationship with ITOCHU through ITOCHU's participation in the shareholding of AD Capital, AD Capital believes it will be well-positioned to leverage the experience and resources of ITOCHU in order to facilitate future cooperation with ITOCHU on business opportunities in real estate area, including to identify and present Spring REIT with potential real estate investment opportunities that would enhance the long-term development prospect of Spring REIT.

Currently, the Manager is not in discussion with ITOCHU on any cooperation opportunities with respect to future real estate investments.

CERTAIN CONTINUING CONNECTED PARTY TRANSACTION RELATING TO EXISTING ITOCHU LEASE TRANSACTION

Pursuant to 8.1 of the REIT Code, connected person of a REIT include, among others, any "associated company" (as defined in the REIT Code) of the Manager.

Paragraph 8.14 of the REIT Code provides that all Connected Party Transactions should be announced, other than Connected Party Transactions falling within Paragraphs 8.9 or 8.10 of the REIT Code if the value of such transactions does not exceed HK\$1 million.

ITOCHU is an existing tenant in the Property holding a lease with a duration of three years, commencing on 1 April 2013 and expiring on 31 March 2016 in respect of certain areas in the Office Tower 2 of the Property ("**ITOCHU Lease Transaction**"). The ITOCHU Lease Transaction was entered into in the ordinary and usual course of business of Spring REIT, on normal commercial terms and was based on prevailing market price. The aggregate amount of annual rent paid by ITOCHU to Spring REIT group concerning ITOCHU Lease Transaction during a financial year exceeds HK\$1 million.

Following completion of the Share Transactions contemplated under the Share Subscription Agreement and the Share Purchase Agreement, ITOCHU will become an “associated company” of the Manager, and therefore, a “connected person” of Spring REIT pursuant to 8.1 of the REIT Code. Accordingly, ITOCHU will become a member of the “REIT Manager Connected Persons Group” and ITOCHU Lease Transaction will be deemed a connected party transaction within the category of “leasing transactions between Spring REIT Group and the REIT Manager Connected Persons Group” (please see the paragraph below).

As disclosed in the offering circular of Spring REIT dated 25 November 2013, subject to certain conditions, the Manager has obtained from the Securities and Futures Commission of Hong Kong a waiver from strict compliance with the requirements for disclosure and, where applicable, independent Unitholders’ approval under Chapter 8 of the REIT Code concerning “leasing transactions between Spring REIT Group and the REIT Manager Connected Persons Group”, for a period up to and including 31 December 2015 (the “**Initial Waiver**”). Taking into account the ITOCHU Lease Transaction, the existing annual cap for the financial year ended 31 December 2015 for leasing transactions would exceed the annual monetary limits of the Initial Waiver.

The Manager will seek the independent Unitholders’ approval for an extension of the Initial Waiver for a further period of three full financial years ending 31 December 2017 and to increase the annual caps for the relevant connected party transactions. Disclosure of details of the proposed extension and modification will be made by way of a circular by the Manager to be issued to Unitholders in accordance with Chapter 10 of the REIT Code.

GENERAL

This announcement is made pursuant to 10.3 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, 26 March 2015

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, Liping Qiu and Lam Yiu Kin (independent non-executive directors).