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**SpringREIT**

**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**

**ANNOUNCEMENT**

**CONTINUING CONNECTED PARTY TRANSACTIONS  
IN RELATION TO TERMINATION OF THE EXISTING MERCURIA  
BEIJING LEASE AND ENTERING INTO OF THE RELOCATION  
MERCURIA BEIJING LEASE**

The Board wishes to announce that, to facilitate an independent third party tenant's request to expand its office premises to the premises subject to the Existing Mercuria Beijing Lease at Office Tower 1 of China Central Place, the Manager, acting in the best interests of Spring REIT and its unitholders, has sought and obtained Mercuria Beijing's agreement to relocate to another premises of a similar but smaller size at Office Tower 2 of China Central Place at the same rent per sq.m. for the remaining term of the Existing Mercuria Beijing Lease. Accordingly, on 28 February 2020, Spring REIT and Mercuria Beijing entered into: (a) the Termination Agreement to terminate the Existing Mercuria Beijing Lease without any further or outstanding liability on either party; and (b) the Relocation Mercuria Beijing Lease at the same rent per sq.m. for the remaining term of the Existing Mercuria Beijing Lease.

As Mercuria Beijing is a wholly-owned subsidiary of Mercuria Investment Co., Limited, 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. Accordingly, the transactions under the Termination Agreement and the Relocation Mercuria Beijing Lease constitute continuing connected party transactions of Spring REIT under the REIT Code.

As: (i) the total rental income receivable under the Relocation Mercuria Beijing Lease during its term (being RMB794,573.90) is less than 5% of the latest net asset value of Spring REIT (as disclosed in its latest published audited accounts and adjusted for any subsequent transactions since their publication, including the interim distribution paid by Spring REIT, the payment of the Manager's fees for the period from 1 January 2019 to 30 September 2019, and the refinancing of bank loan facilities by way of up to US\$555,000,000 secured bank loan facilities and the issue of 160,626,029 new units pursuant to the conversion of HK\$585,000,000 guaranteed convertible bonds); and (ii) Spring REIT has not entered into any other transactions with Mercuria Beijing (including its associate, controlling entity, holding company, subsidiary or associated company) during the 12 months preceding the Relocation Mercuria Beijing Lease, the entering into of the Relocation Mercuria Beijing Lease is not subject to unitholders' prior approval under Chapter 8 of the REIT Code.

This announcement is made pursuant to paragraphs 8.14, 10.3 and 10.4 of the REIT Code.

## A. BACKGROUND

Reference is made to the announcement (the "**Announcement**") of Spring Real Estate Investment Trust ("**Spring REIT**") dated 22 December 2017 in respect of, among other things, the continuing connected party transaction relating to the tenancy agreement entered into by MIBJ Consulting (Beijing) Co., Ltd.\* ("**Mercuria Beijing**") for certain office premises at Office Tower 1 of China Central Place for a term of three years expiring on 31 December 2020 (the "**Existing Mercuria Beijing Lease**"). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Announcement.

## B. TERMINATION OF THE EXISTING MERCURIA BEIJING LEASE AND ENTERING INTO OF THE RELOCATION MERCURIA BEIJING LEASE

### Reasons for terminating the Existing Mercuria Beijing Lease and entering into the Relocation Mercuria Beijing Lease

The Manager has been approached by another tenant of China Central Place (such tenant being an independent third party of Spring REIT), who has expressed interest in expanding its office premises to the premises subject to the Existing Mercuria Beijing Lease at Office Tower 1 of China Central Place. To facilitate such independent third party tenant's request, the Manager, acting in the best interests of Spring REIT and its unitholders, has sought and obtained Mercuria Beijing's agreement to relocate to another premises of a similar but smaller size at Office Tower 2 of China Central Place (the "**Relocation Premises**") at the same rent per sq.m. for the remaining term of the Existing Mercuria Beijing Lease by entering into a relocation lease (the "**Relocation Mercuria Beijing Lease**").

Accordingly, on 28 February 2020, Spring REIT and Mercuria Beijing entered into: (a) a termination agreement (the "**Termination Agreement**") to terminate the Existing Mercuria Beijing Lease without any further or outstanding liability on either party with effect from 29 February 2020, other than the excess deposit of RMB8,797.47 already paid under the Existing Mercuria Beijing Lease shall be applied to offset the rent payable under the Relocation Mercuria Beijing Lease; and (b) the Relocation Mercuria Beijing Lease in respect of the Relocation Premises expiring on 31 December 2020.

### Key terms of the Existing Mercuria Beijing Lease and Relocation Mercuria Beijing Lease

Details of the Existing Mercuria Beijing Lease and Relocation Mercuria Beijing Lease are as follows:

	<b>Existing Mercuria Beijing Lease</b> <i>(terminated as at 29 February 2020)</i>	<b>Relocation Mercuria Beijing Lease</b> <i>(commencing from 1 March 2020)</i>
Premises	Unit 1407, Office Tower 1 of China Central Place, No. 81 Jianguo Road, Chaoyang District, Beijing, The People's Republic of China	Unit 1407, Office Tower 2 of China Central Place, No. 79 Jianguo Road, Chaoyang District, Beijing, The People's Republic of China. Such premises are slightly smaller than the premises under the Existing Mercuria Beijing Lease <sup>(1)</sup>
Lease commencement date	1 January 2018	1 March 2020 <sup>(2)</sup>
Term	36 months, expiring 31 December 2020	10 months, expiring on 31 December 2020 <sup>(3)</sup>
Rental amount	RMB80,579.40 per month (exclusive of property management fee and value added tax)	RMB79,457.39 per month (exclusive of property management fee and value added tax). Such rental amount is based on the same rent per sq.m. as the Existing Mercuria Beijing Lease <sup>(4)</sup>
Rental deposit	RMB289,426.35	RMB280,628.88 <sup>(5)</sup>

*Notes:*

- (1) The Relocation Premises are of a similar but smaller size compared with the premises subject to the Existing Mercuria Beijing Lease.
- (2) The Relocation Mercuria Beijing Lease replaces the Existing Mercuria Beijing Lease which will be terminated as at 29 February 2020.
- (3) The expiry date of the Relocation Mercuria Beijing Lease is the same as that of the Existing Mercuria Beijing Lease. The Relocation Mercuria Beijing Lease is subject to the same terms in respect of early termination and renewal as those of the Existing Mercuria Beijing Lease, further details of which are set out in page 72 of the offering circular of Spring REIT dated 25 November 2013.
- (4) The rental amount under the Relocation Mercuria Beijing Lease reflects (i) the same rent per sq.m. as the Existing Mercuria Beijing Lease, and (ii) a slightly smaller area of the Relocation Premises.
- (5) The rental deposit under the Relocation Mercuria Beijing Lease reflects (i) the same basis as the Existing Mercuria Beijing Lease, and (ii) a slightly smaller area of the Relocation Premises.

As Mercuria Beijing is a wholly-owned subsidiary of Mercuria Investment Co., Limited, 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. Accordingly, the transactions under the Termination Agreement and the Relocation Mercuria Beijing Lease (the “**Connected Lease Transactions**”) constitute continuing connected party transactions of Spring REIT under the REIT Code.

As: (i) the total rental income receivable under Relocation Mercuria Beijing Lease during its term (being RMB794,573.90) is less than 5% of the latest net asset value of Spring REIT (as disclosed in its latest published audited accounts and adjusted for any subsequent transactions since their publication, including the interim distribution paid by Spring REIT, the payment of the Manager’s fees for the period from 1 January 2019 to 30 September 2019, and the refinancing of bank loan facilities by way of up to US\$555,000,000 secured bank loan facilities and the issue of 160,626,029 new units pursuant to the conversion of HK\$585,000,000 guaranteed convertible bonds); and (ii) Spring REIT has not entered into any other transactions with Mercuria Beijing (including its associate, controlling entity, holding company, subsidiary or associated company) during the 12 months preceding the Relocation Mercuria Beijing Lease, the entering into of the Relocation Mercuria Beijing Lease is not subject to unitholders’ prior approval under Chapter 8 of the REIT Code.

## **C. OPINIONS**

### **Board**

The board of directors of the Manager (the “**Board**”) (including the independent non-executive directors) is of the view that the Connected Lease Transactions: (a) were entered into at arm’s length and in the ordinary and usual course of business of Spring REIT; (b) are consistent with the investment objective and strategy of Spring REIT; (c) are on normal commercial terms; and (d) are fair and reasonable and in the best interests of Spring REIT, the unitholders and the independent unitholders of Spring REIT as a whole.

### **Independent Property Valuer**

The Manager has also obtained an opinion from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and the principal valuer of Spring REIT, that the Relocation Mercuria Beijing Lease is at current market level, and the terms of the Relocation Mercuria Beijing Lease are on normal commercial terms under prevailing market conditions.

### **Trustee**

Based and in sole reliance on the opinion of the Board above and the information and assurances provided by the Manager, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, has no objection to the Manager proceeding with the termination of the Existing Mercuria Beijing Lease and entering into of the Relocation Mercuria Beijing Lease. These views are not to be taken as a recommendation or representation by the Trustee of the merits of the termination of the Existing Mercuria Beijing Lease and entering into of the Relocation Mercuria Beijing Lease.

## **D. REVIEW PROCESS**

The Relocation Mercuria Beijing Lease will also be subject to the following review processes:

### **(a) Auditors’ review procedures**

In respect of each relevant financial period, the Manager shall engage and agree with the auditors of Spring REIT to perform certain review procedures on the Relocation Mercuria Beijing Lease. The auditors shall then report to the Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the Securities and Futures Commission (the “**SFC**”)), confirming whether the Relocation Mercuria Beijing Lease:

- (i) has received the approval of the Board (including the independent non-executive directors);
- (ii) has been entered into in accordance with the pricing policies of Spring REIT; and
- (iii) has been entered into in accordance with the terms of the Relocation Mercuria Beijing Lease.

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

The independent non-executive directors of the Manager shall review the Relocation Mercuria Beijing Lease annually and confirm in Spring REIT's annual report for the relevant financial period that the Relocation Mercuria Beijing Lease:

- (i) has been entered into in the ordinary and usual course of business of Spring REIT;
- (ii) is 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) is in accordance with the terms of the Relocation Mercuria Beijing Lease and the Manager's internal procedures governing connected party transactions, if any, on terms that are fair and reasonable and in the interests of the unitholders of Spring REIT as a whole.

**(c) Access to books and records**

The Manager shall allow, and shall procure the counterparty to the Relocation Mercuria Beijing Lease to allow the auditors of Spring REIT sufficient access to its records for the purpose of reporting on the leasing transaction in respect of the Relocation Premises.

**(d) Notification to SFC**

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive directors of the Manager will not be able to confirm the matters set out in (a) and/or (b) above.

## E. GENERAL

A brief summary of the Relocation Mercuria Beijing Lease shall be included in Spring REIT's next published semi-annual or annual report. Information about the Existing Mercuria Beijing Lease was also included in Spring REIT's semi-annual and annual reports published after the Announcement.

The Manager will comply with all connected party transactions requirements under Chapter 8 of the REIT Code in relation to the Relocation Mercuria Beijing Lease, 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, 10.3 and 10.4 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, 28 February 2020

*As at the date of this announcement, the directors of the Manager are Toshihiro Toyoshima (chairman and non-executive director); 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).*

\* *For identification purposes only.*