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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
THE PAG RENEWED LEASE**

The Board wishes to announce that on 27 May 2022, Spring REIT and the PAG Tenant entered into an agreement to renew the Existing PAG Lease at Office Tower 2 of China Central Place for a further term of 36 months with effect from 1 November 2022.

As the PAG Tenant is a non-wholly owned subsidiary and, therefore, an associate of PAG which is a substantial unitholder of Spring REIT, the PAG Tenant is a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code.

Accordingly, the transactions under the PAG Renewed Lease constitute continuing connected party transactions of Spring REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in respect of the Annual Cap applicable to the transactions under the PAG Renewed Lease exceeds 0.1% but is less than 5%, such transactions and the Annual Cap applicable thereto are subject to the announcement, reporting and annual review requirements but are exempted from the unitholders' approval requirement under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

This announcement is made pursuant to paragraph 10.5A of the REIT Code.

A. BACKGROUND

Reference is made to the announcement of Spring Real Estate Investment Trust (“**Spring REIT**”) dated 9 September 2019 (the “**PAG Lease Announcement**”) in relation to the renewal of the tenancy agreement entered into by PAG Investment Consulting (Beijing) Co., Limited* (the “**PAG Tenant**”) for certain office premises at Office Tower 2 of China Central Place for a term of three years expiring on 31 October 2022 (the “**Existing PAG Lease**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the PAG Lease Announcement.

B. ENTERING INTO OF THE PAG RENEWED LEASE

Background and reasons for and benefits of entering into the PAG Renewed Lease

As disclosed in the PAG Lease Announcement, the Existing PAG Lease is scheduled to expire on 31 October 2022. On 27 May 2022, Spring REIT and the PAG Tenant entered into an agreement to renew the Existing PAG Lease for a further term of 36 months with effect from 1 November 2022 (the “**PAG Renewed Lease**”).

The principal business of Spring REIT is property investment for rental income. Pursuant to the Existing PAG Lease, the PAG Tenant has exercised its right to renew the Existing PAG Lease for another term. The rental amounts under the PAG Renewed Lease were arrived at after arm's length negotiation between the parties with reference to the prevailing market level for similar properties in the locality. Based on the opinion of the independent property valuer, the rental amounts under the PAG Renewed Lease are fair and reasonable and represent the prevailing market rent for similar properties in the locality that are used for similar purposes in the PRC, and the PAG Renewed Lease is on normal commercial terms or better. The PAG Renewed Lease will contribute towards the occupancy rate for Office Tower 2 of China Central Place. Therefore, having regard to the foregoing, the directors of the Manager believe that the entry into and terms of the PAG Renewed Lease are fair and reasonable and in the interests of Spring REIT and its unitholders as a whole.

Key terms of the PAG Renewed Lease

Details of the PAG Renewed Lease are as follows:

Tenant	太盟投資管理諮詢(北京)有限公司 (PAG Investment Consulting (Beijing) Co., Limited*)
Premises	Certain premises with a gross floor area of 544.24 sq.m. in Office Tower 2 of China Central Place, No. 79 Jianguo Road, Chaoyang District, Beijing, the PRC
Lease commencement date	1 November 2022
Term	36 months, expiring on 31 October 2025
Rental amount	(a) (from 1 November 2022 to 31 October 2023) RMB211,165.12 per month (exclusive of property management fee and value added tax) (b) (from 1 November 2023 to 31 October 2025) RMB216,607.52 per month (exclusive of property management fee and value added tax)
Security deposit amount	RMB770,349.96
Fitting-out period	The PAG Tenant is entitled to a 50% discount to the monthly rental amount during the fitting-out period from 1 November 2022 to 31 December 2022
Early termination option	The PAG Tenant does not have the right to terminate the PAG Renewed Lease prior to its expiry, except in limited circumstances such as when there are major defects in the leased premises that are not corrected within a reasonable time

Renewal option	The PAG Tenant has an option to renew the PAG Renewed Lease for an additional term by providing at least six months' prior written notice before the expiry of the current term and entering into a new lease three months before the expiry of the current term. The rental amount for the additional term is determined through negotiation in accordance with the then prevailing market level
First Right of Refusal	The PAG Tenant shall have the right of first refusal to lease certain premise in Office Tower 2 of China Central Place if available, and the rent for such premise shall be negotiated in good faith based on the then prevailing market rent

Historical rental amounts and Annual Cap

The historical rental amounts payable in each of the years/periods commenced from 1 January 2019 and ended on 31 March 2022 are as follows:

Year/Period	Historical Rental Amount
For the year ended 31 December 2019	RMB2,419,691.04 ⁽¹⁾
For the year ended 31 December 2020	RMB2,533,981.44 ⁽²⁾
For the year ended 31 December 2021	RMB2,533,981.44 ⁽²⁾
For the three months ended 31 March 2022	RMB633,495.36 ⁽²⁾

Notes:

- (1) As disclosed in the announcement dated 29 March 2017 of Spring REIT, the PAG Tenant was a party to a lease of three years from 1 November 2016 to 31 October 2019 (the “**Original PAG Lease**”). As disclosed in the PAG Lease Announcement, the Original PAG Lease was renewed for a further period of three years i.e. the Existing PAG Lease. For the financial year ended 31 December 2019, the rental amount comprised the sums payable under the Original PAG Lease during the period from 1 January 2019 to 31 October 2019 and the sums payable under the Existing PAG Lease during the period from 1 November 2019 to 31 December 2019.
- (2) For each of the financial year ended 31 December 2020 and 31 December 2021 and the three months ended 31 March 2022, the rental amount comprised the sums payable under the Existing PAG Lease.

The annual cap (the “**Annual Cap**”) applicable to the transactions under the PAG Renewed Lease in each of the following years/periods has been determined based on the previous transactions and effective rental amount⁽¹⁾ payable under the PAG Renewed Lease, and is as follows:

Year/Period	Annual Cap
For the two months ending 31 December 2022	RMB417,855.38 ⁽²⁾
For the year ending 31 December 2023	RMB2,507,132.27
For the year ending 31 December 2024	RMB2,507,132.27
For the ten months ending 31 October 2025	RMB2,089,276.89 ⁽³⁾

Notes:

- (1) The effective rental amount under the PAG Renewed Lease represents the aggregate rental amount receivable under the PAG Renewed Lease recognised on a straight-line basis over the term of the PAG Renewed Lease. Lease incentives provided are amortised on a straight-line basis and are recognised as a reduction of rental income over the term of the PAG Renewed Lease.
- (2) This comprises the effective rental amount payable under the PAG Renewed Lease for the two months from 1 November 2022 and ending on 31 December 2022.
- (3) This comprises the effective rental amount payable under the PAG Renewed Lease for the ten months from 1 January 2025 and ending on 31 October 2025.

Information about the PAG Tenant

The principal business activity of the PAG Tenant is investment management. The ultimate beneficial owner of the PAG Tenant is PAG Holdings Limited (“**PAG**”), and the principal business activity of PAG is investment management.

C. REGULATORY IMPLICATIONS

As the PAG Tenant is a non-wholly owned subsidiary and, therefore, an associate of PAG which is a substantial unitholder of Spring REIT, the PAG Tenant is a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code.

Accordingly, the transactions under the PAG Renewed Lease constitute continuing connected party transactions of Spring REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in respect of the Annual Cap applicable to the transactions under the PAG Renewed Lease exceeds 0.1% but is less than 5%, such transactions and the Annual Cap applicable thereto are subject to the announcement, reporting and annual review requirements but are exempted from the unitholders' approval requirement under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

D. OPINIONS

Board

The board of directors of the Manager (the "**Board**") (including the independent non-executive directors of the Manager) is of the view that the PAG Renewed Lease: (a) was entered into at arm's length and in the ordinary and usual course of business of Spring REIT; (b) is consistent with the investment objective of Spring REIT; (c) is on normal commercial terms or better; and (d) is fair and reasonable and in the interests of Spring REIT and its unitholders as a whole.

None of the directors of the Manager has a material interest in the PAG Renewed Lease and/or is required to abstain from voting on the board resolutions of the Manager to approve the PAG Renewed Lease.

Independent property valuer

The Manager has also obtained an opinion from Knight Frank Petty Limited, an independent property valuer and the principal valuer of Spring REIT, that the rental amounts under the PAG Renewed Lease are fair and reasonable and represent the prevailing market rent for similar properties in the locality that are used for similar purposes in the PRC, and the PAG Renewed Lease is on normal commercial terms or better.

Trustee

Based and in sole reliance on the respective opinions of the Board and the independent property valuer above and the information and assurances provided by the Manager, the Trustee, having taken into account its duties set out in the trust deed constituting Spring REIT (the "**Trust Deed**") and the REIT Code:

- (a) has no objection to the Manager to enter into the PAG Renewed Lease;
- (b) is of the view that the PAG Renewed Lease is consistent with Spring REIT's investment policy and in compliance with the REIT Code and the Trust Deed;

- (c) is of the view that the PAG Renewed Lease is on normal commercial terms or better, fair and reasonable and in the interests of Spring REIT and its unitholders as a whole; and
- (d) confirms that unitholders' approval is not required under the REIT Code or the Trust Deed for the entry into of the PAG Renewed Lease.

These views are not to be taken as a recommendation or representation by the Trustee on the merits of the PAG Renewed Lease.

E. REVIEW AND REPORTING PROCESS

The PAG Renewed Lease will also be subject to the following review and reporting processes:

(a) Annual review by the independent non-executive directors of the Manager

The independent non-executive directors of the Manager shall review the PAG Renewed Lease annually and confirm in Spring REIT's annual report for the relevant financial period that the transactions under the PAG Renewed Lease have been entered into:

- (i) in the ordinary and usual course of business of Spring REIT;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the PAG Renewed Lease on terms that are fair and reasonable and in the interests of Spring REIT and its unitholders as a whole.

(b) Annual review by the auditors of Spring REIT

In respect of each relevant financial period, the Manager shall engage the auditors of Spring REIT to report on the PAG Renewed Lease annually. The auditors of Spring REIT must provide a letter to the board of directors of the Manager confirming whether anything has come to their attention that causes them to believe that any transaction:

- (i) has not been approved by the Board;
- (ii) was not, in all material respects, in accordance with the pricing policies of Spring REIT;

(iii) was not entered into, in all material respects, in accordance with the terms of the PAG Renewed Lease; and

(iv) has exceeded the Annual Cap.

The Manager shall allow, and procure the PAG Tenant to allow, the auditors of Spring REIT sufficient access to its records for the purpose of reporting on the PAG Renewed Lease.

(c) Notification to the Securities and Futures Commission

The Manager shall promptly notify the Securities and Futures Commission and publish an announcement if the independent non-executive directors of the Manager and/or the auditors of Spring REIT will not be able to confirm the matters set out in (a) and/or (b) above.

(d) Annual reports

A brief summary of each transaction containing the information specified in rules 14A.71 and 14A.72 of the Listing Rules shall be included in Spring REIT's annual reports.

Changes to Annual Cap or terms

If the Annual Cap is exceeded or Spring REIT proposes to renew the PAG Renewed Lease or effect a material change to its terms, Spring REIT shall comply with the relevant requirements under the REIT Code and the Listing Rules.

F. GENERAL

Spring REIT is a real estate investment trust, the units of which were first listed on The Stock Exchange of Hong Kong Limited on 5 December 2013. Spring REIT's current portfolio includes all office floors of Office Tower 1 and Office Tower 2 of China Central Place (which are located in Beijing, the PRC) and a portfolio of 84 commercial properties in the UK which is leased to Kwik Fit, a leading car servicing provider in the UK with over 600 centres nationwide.

This announcement is made pursuant to paragraph 10.5A 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, 27 May 2022

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

* *For identification purposes only.*