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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 renewed with effect from 1 September 2021 for a further term of two years expiring 31 August 2023. As the Property Manager, being Beijing Hua-re Real Estate Consultancy Co., Ltd., is owned as to 40% by Mercuria Investment, which is a fellow subsidiary of the Manager, the Property Manager is an associate of the Manager and a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. Accordingly, the renewal of the Property Management Agreement constitutes a continuing connected party transaction of Spring REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the renewal of the Property Management Agreement is subject to the announcement, reporting and annual review requirements but is 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.

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 had subsisted beyond 31 December 2017 and the announcement of Spring REIT dated 19 July 2019 in relation to the renewal of the Property Management Agreement for a further term of two years expiring 31 August 2021 (collectively, the “**Relevant CCPTs Announcements**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Relevant CCPTs Announcements.

CONTINUING CONNECTED PARTY TRANSACTION IN RELATION TO PROPERTY MANAGEMENT AGREEMENT

As disclosed in the Relevant CCPTs Announcements, 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 2019 for a two-year period expiring on 31 August 2021. 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

On 26 July 2021, the parties to the Property Management Agreement confirmed in writing to renew the Property Management Agreement on the same terms and conditions for another two-year period commencing from 1 September 2021 and expiring on 31 August 2023. 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.

Following the execution of the written confirmation to renew the Property Management Agreement, the present key terms of the Property Management Agreement (originally entered into on 30 August 2011) for the renewal period are as follows:

Parties	(1) RCA01 (2) Beijing Hua-re Real Estate Consultancy Co., Ltd.
Purpose	Appointment of Beijing Hua-re Real Estate Consultancy Co., Ltd. as property manager to provide certain property management and lease management as well as marketing services in respect of the CCP Property, which is located at No. 79 and No. 81, Jianguo Road, Chaoyang District, Beijing, PRC and comprises all of the office floors of Office Tower 1 and Office Tower 2, China Central Place, Beijing, PRC and a total of approximately 600 car parking spaces located in the underground levels of the two office buildings
Term	Two years from 1 September 2021 to 31 August 2023
Fees	A monthly property management fee equivalent to 2% of the CCP Property's monthly total revenue
Renewal	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

If the Manager wishes to further renew the Property Management Agreement, the parties to the Property Management Agreement shall confirm in writing.

Historical Amounts and Annual Cap

The historical amounts under the Property Management Agreement in each of the years/periods commenced from 1 January 2018 and ended on 31 May 2021 are as follows:

Year/Period	Historical amounts under the Property Management Agreement (approximate)
For the year ended 31 December 2018	RMB11,400,000
For the year ended 31 December 2019	RMB11,000,000
For the year ended 31 December 2020	RMB10,800,000
For the five months ended 31 May 2021	RMB4,300,000

The property management fee under the Property Management Agreement is equivalent to 2% of the total revenue of the CCP Property, being the fee payable prior to the renewal of the Property Management Agreement. It is determined by reference to the prevailing market rates for similar services provided by professional property management service providers for properties of similar size and with similar usage, on arm's length basis and in the ordinary and usual course of business of Spring REIT, and on normal commercial terms or better that are fair and reasonable and in the interests of Spring REIT and its unitholders as a whole.

The annual cap applicable to the transactions under the renewed Property Management Agreement for each of the following years/periods has been determined based on (i) the latest annual historical amounts of the total property management fees incurred by RCA01 for the year ended 31 December 2020 (i.e. RMB10,800,000); and (ii) a buffer of 15% having taken into account (a) contingencies and unforeseeable market fluctuations such as changes in operating performance of the CCP Property; and (b) the potential increase in property management fees arising from increase in rental income, and is as follows:

Year/Period	Annual caps for the Property Management Agreement
For the four months ending 31 December 2021	RMB4,100,000
For the year ending 31 December 2022	RMB12,400,000
For the eight months ending 31 August 2023	RMB8,300,000

Reasons for and Benefits of Renewing the Property Management Agreement

One of Spring REIT's key investment objectives is to provide Unitholders with stable distributions, which are mainly derived from the rental income generated by the CCP Property, the Manager believes that the renewal of the Property Management Agreement is necessary for the continuous operations of Spring REIT and the generation of recurring rental income for Spring REIT.

The Property Manager is appointed by RCA01 as its agent to conduct the day-to-day operation and management of the CCP Property under the Property Management Agreement. The Manager regularly monitors and reviews the performance of the Property Manager, and is satisfied that the Property Manager will continue to provide professional services in respect of the efficient and effective management of the CCP Property during the renewal term.

The property management fee under the Property Management Agreement is determined by reference to the prevailing market rates for similar services provided by professional property management service providers for properties of similar size and with similar usage, on arm's length basis.

Therefore, having regard to the foregoing and the opinion of the independent valuer, the Directors of the Manager are of the view that the renewal and terms of the Property Management Agreement are: (i) in the ordinary and usual course of business of Spring REIT; (ii) on normal commercial terms or better; and (iii) fair and reasonable and in the interests of Spring REIT and its unitholders as a whole.

Regulatory Implications

As the Property Manager, being Beijing Hua-re Real Estate Consultancy Co., Ltd., is owned as to 40% by Mercuria Investment Co., Ltd. ("**Mercuria Investment**"), which is a fellow subsidiary of the Manager ^(Note 1), the Property Manager is an associate of the Manager and a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. As such, the transaction under the Property Management Agreement constitutes a continuing connected party transaction under Chapter 8 of the REIT Code and Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) (the "**Listing Rules**").

*(Note 1) Mercuria Investment was previously the holding company of the Manager and became a fellow subsidiary of the Manager following a group restructuring which resulted in each of Mercuria Investment and the Manager becoming a subsidiary of a newly incorporated holding company, Mercuria Holdings Co., Ltd. ("**Mercuria Holdings**"), with effect from 1 July 2021 and 9 July 2021, respectively.*

As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the renewal of the Property Management Agreement is subject to the announcement, reporting and annual review requirements but is exempted from the unitholders' approval requirement under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

Opinion of the Board

The Board (including the independent non-executive Directors of the Manager, but excluding the Directors who have abstained from voting on the relevant board resolution) is of the view that the renewal and terms of the Property Management Agreement are:

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

Both Mr. Toshihiro Toyoshima (a director of Mercuria Investment and a director of the Property Manager) and Mr. Hideya Ishino (a director of Mercuria Investment) have abstained from voting on the relevant board resolution to approve the renewal of the Property Management Agreement. Save for the foregoing, none of the other Directors of the Manager has a material interest in the Property Management Agreement which required them to abstain from voting on the relevant board resolution to approve the renewal of the Property Management Agreement.

Opinion of the Independent Valuer

The Manager has also obtained an opinion from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, being an independent valuer, that the renewal and terms of the Property Management Agreement is fair and reasonable with reference to the prevailing market rates for similar services provided by professional property management and consultancy service providers for properties of similar size and with similar usage and on normal commercial terms.

Opinion of the Trustee

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

- (i) has no objection to the renewal and terms of the Property Management Agreement;
- (ii) is of the view that the renewal and terms of the Property Management Agreement is consistent with Spring REIT’s investment policy and in compliance with the REIT Code and the Trust Deed;
- (iii) is of the view that the renewal and terms of the Property Management Agreement are in the ordinary and usual course of business of Spring REIT, on normal commercial terms or better and are fair and reasonable with reference to the prevailing market rates and in the interests of Spring REIT and its unitholders as a whole; and
- (iv) confirms that unitholders’ approval is not required under the REIT Code or the Trust Deed for the renewal of the Property Management Agreement.

These views are not to be taken as a recommendation or representation by the Trustee on the merits of the renewal and terms of the Property Management Agreement.

Review and Reporting

The transactions under the Property Management Agreement will continue to 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 transactions under the Property Management Agreement 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 or better; and
- (iii) in accordance with the Property Management Agreement 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 transactions under the Property Management Agreement annually. The auditors of Spring REIT must provide a letter to the Board 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 Property Management Agreement; and
- (iv) has exceed the annual cap.

(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 cannot confirm the matters set out in (a) and/or (b) above.

(d) Annual reports

A brief summary of the transactions under the Property Management Agreement containing the information specified in rule 14A.71 of the Listing Rules shall be included in Spring REIT's next published semi-annual and annual reports.

GENERAL

RCA01 is a wholly-owned special purpose vehicle of Spring REIT and its principal business activity is to hold the CCP Property. 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. In addition to the CCP Property, Spring REIT's current portfolio includes a portfolio of 84 commercial properties in the United Kingdom of Great Britain and Northern Ireland (the "UK") which is leased to Kwik Fit, a leading car servicing provider in the UK with over 600 centres nationwide.

The principal business activity of the Property Manager, being Beijing Hua-re Real Estate Consultancy Co., Ltd., is property management. The ultimate beneficial owners of the Property Manager are Mercuria Holdings, Liu Yan and Liao Zhongyuan. Mercuria Holdings is listed on the Tokyo Stock Exchange, and its principal business activity is business management of group companies and proprietary investment.

This announcement is made pursuant to paragraph 10.5A 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 July 2021

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).