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SpringREIT

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

(1) MAJOR AND CONNECTED TRANSACTIONS: ACQUISITION AND JOINT VENTURE RELATING TO A COMMERCIAL PROPERTY IN HUIZHOU, THE PRC (2) CONTINUING CONNECTED TRANSACTIONS AND (3) EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

Financial Adviser to the Manager

DBS

Independent Financial Adviser to the Independent Board Committee of the Manager, the Independent Unitholders and the Trustee

ALTUS CAPITAL LIMITED

Acquisition of the Target Property

On 29 April 2022: (a) Spring REIT (through the Offshore Purchaser), the Offshore Seller, the Trustee (being the Offshore Purchaser Guarantor) and Huamao Property (being the Offshore Seller Guarantor) entered into the Offshore Share Purchase Deed, pursuant to which the Offshore Purchaser agreed to acquire, and the Offshore Seller agreed to transfer, the Offshore Sale Shares representing all of the issued shares of the Offshore Target Company, which in turn will immediately after the Reorganisation become the indirect owner of 31% of the equity interest in the Project Company; and, simultaneously, (b) Spring REIT (through the Onshore Purchaser) and the Onshore Seller entered into the Onshore Share Purchase Agreement, pursuant to which the Onshore Purchaser agreed to acquire, and the Onshore Seller agreed to transfer, the Onshore Sale Shares which will immediately after the Reorganisation represent 37% of the equity interest in the Project Company.

The Project Company is the registered legal owner of the land use rights and current ownership rights underlying the Target Property, being a shopping mall known as "Huamao Place" (華貿天地) located in Huizhou, Guangdong Province, the PRC. Upon Completion, Spring REIT (through its SPVs) will own 68% (being the Relevant Proportion) of the equity interest in the Project Company and a corresponding interest in the Target Property, and the JV Partner (being also the Onshore Seller) will retain the remaining 32% of the equity interest in the Project Company and a corresponding interest in the Target Property.

The Target Property comprises: (a) the entire seven-storey shopping mall (including two basement floors) known as "Huamao Place" (華貿天地); and (b) 700 underground and 50 above-ground carpark spaces located at No. 9, First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, the PRC. The Target Property is the retail component of a larger integrated development known as "Huizhou Central Place" (惠州華貿中心) and includes, among other things, three Grade-A office buildings, three residential buildings and a serviced apartment building.

The Agreed Property Value of RMB2,442.0 million, being the entire asset value of the Target Property agreed by the parties and the basis for determining the Consideration, has been arrived at on a willing buyer/seller and arm's length transaction basis after taking into account the quality and historic performance of the Target Property. The Agreed Property Value represents an approximate 9.3% discount to the Appraised Value of RMB2,691 million as at the Valuation Date. Based on the Agreed Property Value, the gross property yield and net property yield are 8.9% and 6.9% respectively.

On Completion, the JV Parties will enter into the Joint Venture Agreement to govern their relationship as shareholders of the Project Company.

Spring REIT had previously entered into a share purchase deed on 19 September 2018 to acquire the entire interest in the Target Property through the acquisition of its holding companies, and gave notice to convene an extraordinary general meeting on 29 October 2018 to seek the necessary unitholders' approvals upon which the acquisition was conditional. The extraordinary general meeting was postponed pending the publication of a supplemental circular, but could not be held prior to the long stop date for satisfying the unitholders' approval condition under the share purchase deed. Accordingly, the Manager did not proceed with the extraordinary general meeting, and the acquisition did not complete. For details of the 2018 Transaction, please refer to the 2018 Acquisition Circular and Spring REIT's announcements from 26 September 2018 to 31 December 2018.

Consideration

The Consideration shall be equal to the aggregate amount of the Offshore Consideration and the Onshore Consideration. The Consideration shall be paid for in cash and the assumption by Spring REIT (through the Onshore Purchaser) of the Novated Payables in the amount of RMB890 million.

The Manager intends to finance the Consideration and the Total Fees and Charges using debt facilities (including the Upsized Existing Facility) and the assumption of the Novated Payables.

Implications under the REIT Code and the Trust Deed

As at the Latest Practicable Date, Huamao Property was: (a) a substantial holder, holding approximately 12.55% of the Units then in issue, and a connected person of Spring REIT pursuant to paragraph 8.1(d) of the REIT Code; and (b) the holding company of the Offshore Seller and the Onshore Seller (which will also become the JV Partner) holding, respectively, 87% of the issued shares of the Offshore Seller and 87% of the equity interest in Beijing Guohua which in turn held the entire equity interest in the Onshore Seller. Therefore, as at the Latest Practicable Date, each of the Offshore Seller and the Onshore Seller was an associate of Huamao Property and a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. Accordingly, the transactions under the Acquisition Agreements and the Joint Venture Agreement constitute connected party transactions of Spring REIT and, since the highest applicable percentage ratio exceeds 5%, such transactions are subject to the announcement, circular, reporting and Unitholders' approval requirements under the REIT Code and the Listing Rules.

Furthermore, as the highest applicable percentage ratio exceeds 25% but is less than 100%, the Acquisition and the Joint Venture, and the transactions contemplated thereby, constitute a major transaction of Spring REIT and are subject to the notification, announcement, circular, reporting and Unitholders' approval requirements under the REIT Code and the Listing Rules.

Therefore, the Acquisition and the Joint Venture will be conditional upon the passing of the Acquisition Ordinary Resolution.

Continuing Connected Transactions

On Completion, the Project Company will enter into: (a) the Property Management Agreement and the PM Office Lease with the Property Manager and the Direct Operation Leasing Framework Agreement with the Direct Operation Lessee (which is also the Property Manager); and (b) the Building Management Agreement (including the BM Carpark Lease thereunder) with the Building Manager.

As at the Latest Practicable Date, the Property Manager was an associate of Huamao Property (for details of Huamao Property's interest in the Property Manager, please refer to section H.1 headed "Connected and Major Transactions" in this announcement) and a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. Accordingly, the transactions under the Property Management Agreement and the PM Office Lease, as well as the Direct Operation Leasing Framework Agreement, will on Completion constitute continuing connected party transactions of Spring REIT, as the Project Company will on Completion become a subsidiary of Spring REIT and a member of the Group.

Since the highest applicable percentage ratio in respect of the transactions under the Property Management Agreement and the PM Office Lease exceeds 5%, such transactions are subject to the announcement, circular, reporting, annual review and Unitholders' approval requirements under the REIT Code and the Listing Rules.

Since the highest applicable percentage ratio in respect of the transactions under the Direct Operation Leasing Framework Agreement exceeds 0.1% but is less than 5%, such transactions are subject to the announcement, reporting and annual review requirements, but exempted from the circular and Unitholders' approval requirement, under the REIT Code and the Listing Rules.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Manager, after having made all reasonable enquiries, although certain indirect shareholders of Huamao Property were also amongst the indirect shareholders of the Building Manager, their minority shareholding interest (less than 6% in the aggregate) in the Building Manager was not sufficient to cause the Building Manager to be regarded as an associate of Huamao Property or otherwise a connected person of Spring REIT through Huamao Property, and the transactions under the Building Management Agreement (including the BM Carpark Lease thereunder) will therefore not constitute connected party transactions of Spring REIT on Completion.

EGM and Circular

The EGM will be held at Room 2401-2, One Admiralty Centre, 18 Harcourt Road, Hong Kong on 26 May 2022 at 4:15 p.m., for the purpose of considering and, if thought fit, passing with or without amendments, the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution.

The Circular containing, among other things: (a) a letter from the Board to the Unitholders with further information on the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution; (b) a letter from the Independent Board Committee to Independent Unitholders regarding the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee regarding the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution; (d) the Accountant's Reports of the Offshore Target Company and the Project Company; (e) the Unaudited Pro Forma Financial Information of the Enlarged Group; (f) the Independent Property Valuer's Property Valuation Report; (g) the Market Consultant's Report; and (h) the notice of the EGM, will be issued and despatched to the Unitholders on 3 May 2022.

Completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions, which includes Unitholders' approval being obtained at the EGM for the Acquisition. Accordingly, the Acquisition may or may not complete. Unitholders, as well as any prospective investors of Spring REIT, are therefore advised to exercise caution when dealing in the Units.

A. THE ACQUISITION AND THE JOINT VENTURE

1. Overview

On 29 April 2022: (a) Spring REIT (through the Offshore Purchaser), the Offshore Seller, the Trustee (being the Offshore Purchaser Guarantor) and Huamao Property (being the Offshore Seller Guarantor) entered into the Offshore Share Purchase Deed, pursuant to which the Offshore Purchaser agreed to acquire, and the Offshore Seller agreed to transfer, the Offshore Sale Shares representing all of the issued shares of the Offshore Target Company, which in turn will immediately after the Reorganisation become the indirect owner of 31% of the equity interest in the Project Company (the "**Offshore Transaction**"); and, simultaneously, (b) Spring REIT (through the Onshore Purchaser) and the Onshore Seller entered into the Onshore Share Purchase Agreement, pursuant to which the Onshore Purchaser agreed to acquire, and the Onshore Seller agreed to transfer, the Onshore Sale Shares which will immediately after the Reorganisation represent 37% of the equity interest in the Project Company (the "**Onshore Transaction**").

The Project Company is the registered legal owner of the land use rights and current ownership rights underlying the Target Property, being a shopping mall known as "Huamao Place" (華貿天地) located in Huizhou, Guangdong Province, the PRC. Upon Completion, Spring REIT (through its SPVs) will own 68% (being the Relevant Proportion) of the equity interest in the Project Company and a corresponding interest in the Target Property, and the JV Partner (being also the Onshore Seller) will retain the remaining 32% of the equity interest in the Project Company and a corresponding interest in the Target Property.

The Agreed Property Value of RMB2,442.0 million, being the entire asset value of the Target Property agreed by the parties and the basis for determining the Consideration, has been arrived at on a willing buyer/seller and arm's length transaction basis after taking into account the quality and historic performance of the Target Property. The Agreed Property Value represents an approximate 9.3% discount to the Appraised Value of RMB2,691 million as at the Valuation Date. Based on the Agreed Property Value, the gross property yield and net property yield are 8.9% and 6.9% respectively.

The Consideration shall be equal to the aggregate amount of the Offshore Consideration and the Onshore Consideration, i.e.:

Offshore Consideration	=	(31% x A) – (31% x B) ± (31% x C) ± D
Onshore Consideration	=	(37% x A) – (37% x B) ± (37% x C)
Total Consideration	=	(68% x A) – (68% x B) ± (68% x C) ± D

where:

"A" = Agreed Property Value of RMB2,442.0 million;

"B" = Amounts outstanding under the PAB Facility as at Completion;

"C" = Project Company Adjusted NAV (i.e. all assets of the Project Company [(1)] minus all liabilities of the Project Company [(2)]) as at Completion; and

"D" = Other Group Adjusted NAV (i.e. all assets of the Target Group [(3)] minus all liabilities of the Target Group [(4)]) as at Completion,

in each case, as set out in the Completion Statement.

Notes:

(1) Excluding the Target Property.

(2) Excluding deferred tax liabilities and amounts outstanding under the PAB Facility.

(3) Excluding assets held through the Project Company and the nominal value of the share capital investment in the HK Intermediary Company, the PRC Intermediary Company and the Project Company.

(4) Excluding liabilities held through the Project Company.

The Illustrative Consideration would be RMB1,637 million. For further details regarding the Illustrative Consideration, please refer to section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement.

The Consideration shall be paid for in cash and the assumption by Spring REIT (through the Onshore Purchaser) of the Novated Payables in the amount of RMB890 million. Based on the Illustrative Consideration of RMB1,637 million, the Consideration paid for in cash would be RMB747 million. For further details regarding the Consideration paid for in cash, please refer to section E headed "Pro Forma Financial Effects of the Acquisition" in this announcement. The Manager considers that the assumption of the Novated Payables, instead of settling such amount in cash, will enable Spring REIT to acquire as much equity interest in the Project Company as possible, having regard to the proposed financing structure below.

The Manager intends to finance the Consideration and the Total Fees and Charges using debt facilities (including the Upsized Existing Facility) and the assumption of the Novated Payables. Since Spring REIT will not be acquiring the entire interest in the Target Property, and expects to have sufficient resources and debt facilities to pay for the Acquisition in cash, Spring REIT does not need to raise financing for the Acquisition through an equity issue. The Manager believes that a debt-funded structure (together with the assumption of the Novated Payables) will provide yield accretion to Unitholders without ownership dilution.

On Completion, the JV Parties will enter into the Joint Venture Agreement to govern their relationship as shareholders of the Project Company.

As at the Latest Practicable Date, Huamao Property was: (a) a substantial holder, holding approximately 12.55% of the Units then in issue, and a connected person of Spring REIT pursuant to paragraph 8.1(d) of the REIT Code; and (b) the holding company of the Offshore Seller and the Onshore Seller (which will also become the JV Partner) holding, respectively, 87% of the issued shares of the Offshore Seller and 87% of the equity interest in Beijing Guohua which in turn held the entire equity interest in the Onshore Seller. Therefore, as at the Latest Practicable Date, each of the Offshore Seller and the Onshore Seller was an associate of Huamao Property and a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. Accordingly, the transactions under the Acquisition Agreements and the Joint Venture Agreement constitute connected party transactions of Spring REIT and, since the highest applicable percentage ratio exceeds 5%, such transactions are subject to the announcement, circular, reporting and Unitholders' approval requirements under the REIT Code and the Listing Rules.

Furthermore, as the highest applicable percentage ratio exceeds 25% but is less than 100%, the Acquisition and the Joint Venture, and the transactions contemplated thereby, constitute a major transaction of Spring REIT and are subject to the notification, announcement, circular, reporting and Unitholders' approval requirements under the REIT Code and the Listing Rules.

Therefore, the Acquisition and the Joint Venture will be conditional upon the passing of the Acquisition Ordinary Resolution.

On Completion, the Project Company will enter into: (a) the Property Management Agreement and the PM Office Lease with the Property Manager, as further discussed in section D.5 headed "Management of the Target Property" below; and (b) the Building Management Agreement (including the BM Carpark Lease thereunder) with the Building Manager, as further discussed in section D.5 headed "Management of the Target Property" below. The Project Company will also enter into the Direct Operation Leasing Framework Agreement with the Direct Operation Lessee (which is also the Property Manager), as further discussed in section D.4.3 headed "Direct Operation Agreements and Direct Operation Leasing Framework Agreement" below, but for the avoidance of doubt, the Property Management Agreement and the PM Office Lease on the one hand and the Direct Operation Leasing Framework Agreement on the other hand are not inter-conditional upon each other.

As at the Latest Practicable Date, the Property Manager was an associate of Huamao Property (for details of Huamao Property's interest in the Property Manager, please refer to section H.1 headed "Connected and Major Transactions" in this announcement) and a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. Accordingly, the transactions under the Property Management Agreement and the PM Office Lease, as well as the Direct Operation Leasing Framework Agreement, will on Completion constitute continuing connected party transactions of Spring REIT, as the Project Company will on Completion become a subsidiary of Spring REIT and a member of the Group.

Since the highest applicable percentage ratio in respect of the transactions under the Property Management Agreement and the PM Office Lease exceeds 5%, such transactions are subject to the announcement, circular, reporting, annual review and Unitholders' approval requirements under the REIT Code and the Listing Rules. Therefore, the transactions under the Property Management Agreement and the PM Office Lease will be conditional upon the passing of the Property Management Ordinary Resolution.

Since the highest applicable percentage ratio in respect of the transactions under the Direct Operation Leasing Framework Agreement exceeds 0.1% but is less than 5%, such transactions are subject to the announcement, reporting and annual review requirements, but exempted from the circular and Unitholders' approval requirement, under the REIT Code and the Listing Rules.

As at the Latest Practicable Date and to the best of the knowledge, information and belief of the Manager, after having made all reasonable enquiries, although certain indirect shareholders of Huamao Property were also amongst the indirect shareholders of the Building Manager, their minority shareholding interest (less than 6% in the aggregate) in the Building Manager was not sufficient to cause the Building Manager to be regarded as an associate of Huamao Property or otherwise a connected person of Spring REIT through Huamao Property, and the transactions under the Building Management Agreement (including the BM Carpark Lease thereunder) will therefore not constitute connected party transactions of Spring REIT on Completion.

2. Key Information on the Target Property

2.1 Description

The Target Property comprises: (a) the entire seven-storey shopping mall (including two basement floors) known as "Huamao Place" (華貿天地); and (b) 700 underground and 50 above-ground carpark spaces located at No. 9, First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, the PRC. The Target Property is the retail component of a larger integrated development known as "Huizhou Central Place" (惠州華貿中心) and includes, among other things, three Grade-A office buildings, three residential buildings and a serviced apartment building.

Situated within the CBD of Huizhou, the Target Property is surrounded by major roads and other public facilities and attractions, such as Huizhou West Lake, Huizhou Museum, Huizhou Science & Technology Museum and Dayun Temple. It is accessible by expressways and intercity railway to the rest of the Greater Bay Area.

Simplified charts showing the expected holding structure of the Target Property immediately before and after Completion are contained in sections A.4 and A.5 headed "Reorganisation" and "Expected Holding Structure of the Target Property after Completion" in this announcement.

2.2 Key information

The table below sets out certain key information on the Target Property as at 28 February 2022, unless otherwise indicated.

Address	Huamao Place, No. 9 First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, the PRC
Month and year of completion	March 2011
Term of land use rights (1)	The period commencing on 1 February 2008 and ending on 1 February 2048

Operating term of Project Company	Long term (2)
Building ownership certificate	Registered on 29 August 2012
Gross floor area	144,925.07 sq.m.
Gross lettable area	107,088.82 sq.m.
Number of carpark spaces	700 underground and 50 above-ground carpark spaces
Number of tenancies	403
Average rent (RMB/sq.m./month) for February 2022 (3)	RMB143.54 (based on gross lettable area)
Percentage of gross lettable area of top 10 tenants (4)	29.3%
Percentage of gross rental income from top 10 tenants for February 2022 (4)	10.3%
Occupancy rate (5)	96.2%
Net property income for the year ended 31 December 2021 (6)	RMB169.1 million
Appraised Value as at the Valuation Date	RMB2,691 million

Cost of the Target Property (being the original land acquisition cost and construction cost attributable to the development of the Target Property) as at 31 December 2021	RMB680.8 million

Notes:

(1) As advised by the Manager's PRC legal adviser, according to the Law of the People's Republic of China on Administration of Urban Real Estate, if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for extension at least one year prior to expiry of the use term, the approval shall be granted except that the land needs to be expropriated for social public interest. Upon approval on extension, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. Further, there is no expiry date regarding the building ownership right. As such, as advised by the Manager's PRC legal adviser, unless the government plans to expropriate the land due to public interest, there will not be any material legal impediment for extension of the land use right.

(2) As advised by the Manager's PRC legal adviser, the Project Company's business licence (營業執照) states that its operating term is for long term and does not specify the expiry date of such term. Except in certain events such as where its business licence is revoked or cancelled due to certain breaches of laws and regulations or where its legal status is extinguished under circumstances permitted by laws and regulations, the Project Company may continue to exist and operate validly.

(3) Average rent (based on gross lettable area) is based on actual rent, which is comprised of fixed rent, and variable rent, operation and management fee, commission income collected from tenants, and price difference retained in the Project Company from the operation of Beauty Stores.

(4) Top 10 tenants by gross lettable area. This includes the Supermarket Lessee occupying approximately 7.2% of the gross lettable area of the Target Property and contributing approximately 1.2% of the Property Company's monthly gross rental income in February 2022. As at the Latest Practicable Date, the Supermarket Lease was in the process of being terminated (please refer to section A.9.3 headed "Litigation with Supermarket Lessee" in this announcement for details), and the Manager understands from the Sellers that the Project Company was proactively identifying and engaging with potential new tenants to replace the Supermarket Lessee. Excluding the Supermarket Lessee, the percentage of gross lettable area of and gross rental income from the next top 10 tenants for the month of February 2022 would be 23.1% and 9.5% respectively.

(5) Occupancy rate calculated based on total leased area over gross lettable area, which excludes the carpark spaces of the Target Property. The occupancy rate of 96.2% as at 28 February 2022 includes area attributable to the Supermarket Lease, representing approximately 7.2% of the gross lettable area of the Target Property and contributing approximately 1.2% of the Project Company's monthly gross rental income in February 2022. As at the Latest Practicable Date, the Supermarket Lease was in the process of being terminated (please refer to section A.9.3 headed "Litigation with Supermarket Lessee" in this announcement for details), and the Manager understands from the Sellers that the Project Company was proactively identifying and engaging with potential new tenants to replace the Supermarket Lessee. Excluding the Supermarket Lessee, the occupancy rate would be 89.1%.

(6) Calculated by deducting direct operating expenses from total revenue. Total revenue consists of rental income and all income accruing or resulting from the operation of the Target Property. Direct operating expenses include property taxes, other taxes, electricity and water, subcontracting property management fee and cost of sales.

Based on the Accountant's Report of the Project Company, the following table contains certain financial information of the Project Company for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with the International Financial Reporting Standards:

	For the year ended 31 December 2019 *(RMB'000)*	**For the year ended 31 December 2020** *(RMB'000)*	**For the year ended 31 December 2021** *(RMB'000)*
Revenue	185,909	185,751	217,911
Fair value gain/(loss) of investment property	125,000	(161,000)	349,315
Profit/(loss) before income tax	244,477	(34,069)	495,956
Profit/(loss) and total comprehensive income/(loss) for the year	180,315	(28,563)	364,119

Based on the Accountant's Report of the Offshore Target Company, the following table contains certain financial information of the Offshore Target Company for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with the International Financial Reporting Standards:

	For the year ended 31 December 2019 *(RMB'000)*	For the year ended 31 December 2020 *(RMB'000)*	For the year ended 31 December 2021 *(RMB'000)*
Revenue	–	–	–
Net profits before income tax	–	–	–
Net profits after income tax	–	–	–

There has been no change in the shareholding of the Offshore Target Company since the date of incorporation and, based on the Accountant's Report and the information provided by the Sellers, the Offshore Target Company has been dormant since its incorporation. No profit or loss is attributable to the HK Intermediary Company or the PRC Intermediary Company as they will only be incorporated prior to Completion pursuant to the Reorganisation.

3. Manager's Rationale to Re-evaluate the Opportunity at Present Time

The Manager first proposed to acquire the Target Property (through a share transaction) from Huamao Focus Limited (being the Offshore Seller in the Acquisition) back in 2018, on the basis that adding this high-quality asset to Spring REIT's portfolio would provide diversification benefits while resulting in DPU accretion of 6.7%[2] and enabling Spring REIT to tap into the strong growth potential of Huizhou and the Greater Bay Area. Spring REIT previously entered into a share purchase deed on 19 September 2018 to acquire the entire interest in the Target Property through the acquisition of its holding companies, and gave notice to convene an extraordinary general meeting on 29 October 2018 to seek the necessary unitholders' approvals upon which the acquisition was conditional. The extraordinary general meeting was postponed pending the publication of a supplemental circular, but could not be held prior to the long stop date for satisfying the unitholders' approval condition under the share purchase deed. Accordingly, the Manager did not proceed with the extraordinary general meeting, and the acquisition did not complete. For details of the 2018 Transaction, please refer to the 2018 Acquisition Circular and Spring REIT's announcements from 26 September 2018 to 31 December 2018.

Since then, the Manager continued to look for new investment opportunities pursuant to its investment policy for Spring REIT, none of which materialised.

During last year, as part of its investment process to identify potential acquisition targets, the Manager reassessed the Target Property and observed that the operating performance of the Target Property had continued to improve, showing resilience even at difficult times during the COVID-19 outbreak. Although the 2018 Transaction did not complete, having assessed the investment potential of the Target Property on an independent and standalone basis, the Manager considers the Acquisition to be both strategically attractive and financially beneficial to Spring REIT and its Unitholders. In particular, the Manager would like to highlight the following merits of the proposed Acquisition:

[2] Based on unaudited pro forma figures for the six months ended 30 June 2018. For details, please refer to the 2018 Acquisition Circular.

Attractively priced compared with appraised valuation

Since the 2018 Transaction, the Target Property's operating performance continued to improve, while showing resilience even during the COVID-19 pandemic. The valuation of the Target Property increased from RMB2,029 million as at 30 June 2018[3] to RMB2,691 million as at the Valuation Date[4]. Based on the analysis conducted by the Independent Property Valuer, such difference is attributable to the following factors: (a) an increase of 10% to 15% in the overall rental level of Huizhou's retail market from 2018 to 2021; (b) positive effects from development plan of the Guangdong-Hong Kong-Macau Greater Bay Area and the development of supporting public facilities around the Target Property (including road traffic, rail transit and urban infrastructure); (c) an increase of 28% in the actual rent of the Target Property for the year ended 31 December 2021 (as compared with the annualised actual rent of the Target Property for the six months ended 30 June 2018[5] disclosed in the 2018 Acquisition Circular), due to operational improvement of the Target Property; (d) the gross lettable area of the Target Property as at 31 December 2021 being approximately 1,736 sq.m. more than that as at 30 June 2018 as a result of changing the use of public space; and (e) a more prudent adoption of base rent having considered the COVID-19 pandemic and the current passing rent of the Target Property reflective of existing market conditions.

The Agreed Property Value of the Target Property was determined after arm's length negotiation. The Agreed Property Value of the Target Property represents a discount of approximately 9.3% to the Appraised Value of RMB2,691 million as at the Valuation Date. Based on the Agreed Property Value, the gross property yield and net property yield are 8.9% and 6.9% respectively[5]. The Manager is of the view that the Acquisition represents a strategic opportunity to acquire a high quality asset at an attractive valuation that will enable Spring REIT to further enhance its property portfolio.

3 Based on the valuation by the then principal valuer of Spring REIT, as disclosed in the 2018 Acquisition Circular.

4 Based on the valuation by the Independent Property Valuer.

5 Since the valuation of the Target Property as at 30 June 2018 was based on the passing rent of the Target Property as at 30 June 2018, for the purpose of analysing the difference in the valuations, the annualised actual rent of the Target Property for the six months ended 30 June 2018, rather than the actual rent of the Target Property for the 12 months ended 31 December 2018, is adopted.

5 Based on revenue and net property income for the year ended 31 December 2021.

Highly yield accretive with optimal use of Spring REIT's financial resources

The Acquisition is part of the Manager's consistent effort to execute its strategy to achieve the objective of Spring REIT to invest in income-producing real estate and seek yield-accretive investment opportunities. Based on the Unaudited Pro Forma Financial Information of the Enlarged Group, the Acquisition would have improved DPU by 12.9% from 22.0 HK cents to 24.8 HK cents for the year ended 31 December 2021, and the NAV attributable to Unitholders per Unit would have remained unchanged at HKD5.54 as of 31 December 2021.

For the 2018 Transaction, it was optimal to issue new Units in order to acquire 100% of the Target Property. For the current transaction, the proposed acquisition of a 68% interest in the Target Property will be fully funded by debt facilities (including the Upsized Existing Facility) and the assumption of the Novated Payables, without the need for issuing new units. Considering the current and expected gearing ratio, debt financing capacity and yield accretion potential, the Manager believes such structure is a balanced approach to achieve attractive yield accretion while maintaining a reasonable level of financial leverage.

The Target Property is well-managed and crisis-tested

Since the 2018 Transaction was proposed, the management of the Target Property has been implementing its tenant optimisation strategy of attracting renowned brands to position the Target Property as a premium retail destination. In the past three years, 50% of the tenants have been replaced with new tenants who are more compatible with the upscale image of the Target Property, including international and domestic top-tier brand names like Estee Lauder, Lancôme, Hugo Boss and BOSE, that are rarely seen in shopping malls in Huizhou City. Such tenant optimisation efforts have led to a meaningful increase of 13.4% in the average monthly rent (in terms of gross lettable area) of the Target Property since 31 December 2019. Despite a 4.4% drop in the average monthly rent from RMB129.07 for the year ended 31 December 2019 to RMB123.37 for the year ended 31 December 2020 due to the COVID-19 outbreak in the PRC, the average monthly rent exhibited a strong 18.6% rebound to RMB146.36 for the year ended 31 December 2021 .

The Manager maintains its positive view on the operation and management of the Target Property, especially after the first wave of the COVID-19 outbreak, during which the Target Property delivered resilient performance with minimal rental concession. In addition, the fundamental prospects of the retail industry in the Greater Bay Area remain strong, with growth outpacing Beijing in the past five years and projected CAGR of 7.7% over the next five years. The Manager believes the crisis-tested management team, and the uniqueness of the Target Property, in terms of market domination, location, and its readiness to leverage on the economic development in the Greater Bay Area, will contribute to the Target Property's ability to generate stable and growing income.

Joint ownership arrangement enables a balanced approach to managing business risks

As the PRC economy emerges from the COVID-19 pandemic, the Manager is of the view that acquiring a 68% (instead of 100%) interest in the Target Property allows Spring REIT to mitigate operational risks amidst the uncertainty of the COVID-19 era, and limits Spring REIT's obligations and liabilities pertaining to the Target Property to its proportionate interest in the Project Company. Further, since the Manager does not have prior experience operating shopping malls in Huizhou, the Manager also considers it necessary to retain the management to ensure continuity, particularly in the event of any resurgence of a COVID-19 outbreak. By virtue of the Onshore Seller retaining 32% of its interest in the Target Property post-Completion, Spring REIT benefits from having its interest aligned with the existing owner of the Target Property, who has proven experience in managing the Target Property in times of crisis. Although the management will be retained, Spring REIT will have majority control of the Target Property commensurate with its majority ownership, with the JV Partner having only limited veto rights as set out in the Joint Venture Agreement, details of which are set out in section A.7 headed "Joint Venture Agreement" in this announcement.

Given that the transaction structures are different for strategic reasons and market conditions have changed since the 2018 Acquisition, the terms of the present Acquisition are necessarily different to the 2018 Acquisition. Having taken into account the above, as well as the other reasons for and benefits of the Acquisition and Joint Venture as set out in section C below, the Manager considers the acquisition of the Target Property, and the joint ownership arrangement under the Joint Venture, to be in the best interests of the Unitholders.

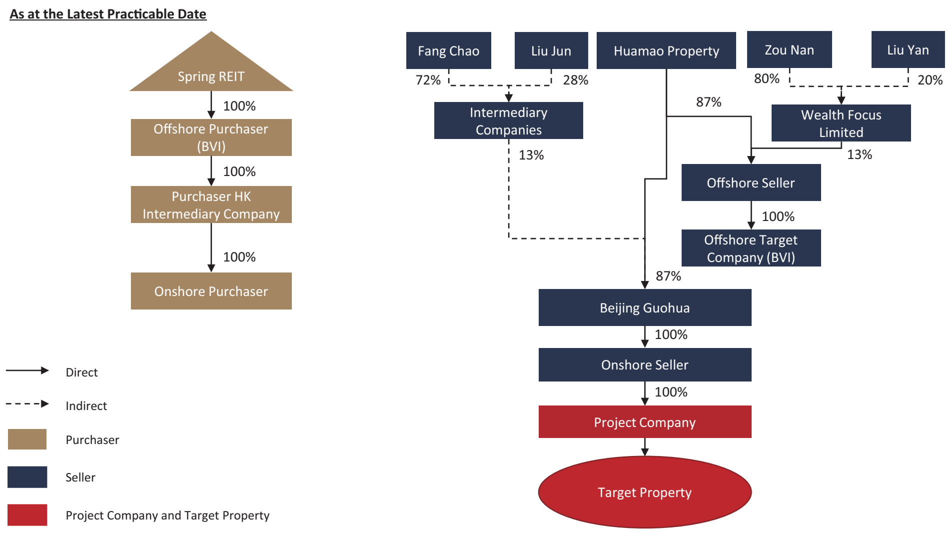
4. Reorganisation

The proportion of the 31% and 37% interest in the Project Company (and corresponding interest in the Target Property) to be acquired between the Offshore Transaction and the Onshore Transaction respectively was determined based on arm's length negotiation with the Sellers, and takes into account the commercial objectives of both sides. The Manager is satisfied, based on competent legal and other professional advice it has received, that the proposed transaction structure in itself would not result in any material difference in Spring REIT's economic position and risk exposure compared with a wholly-offshore transaction structure.

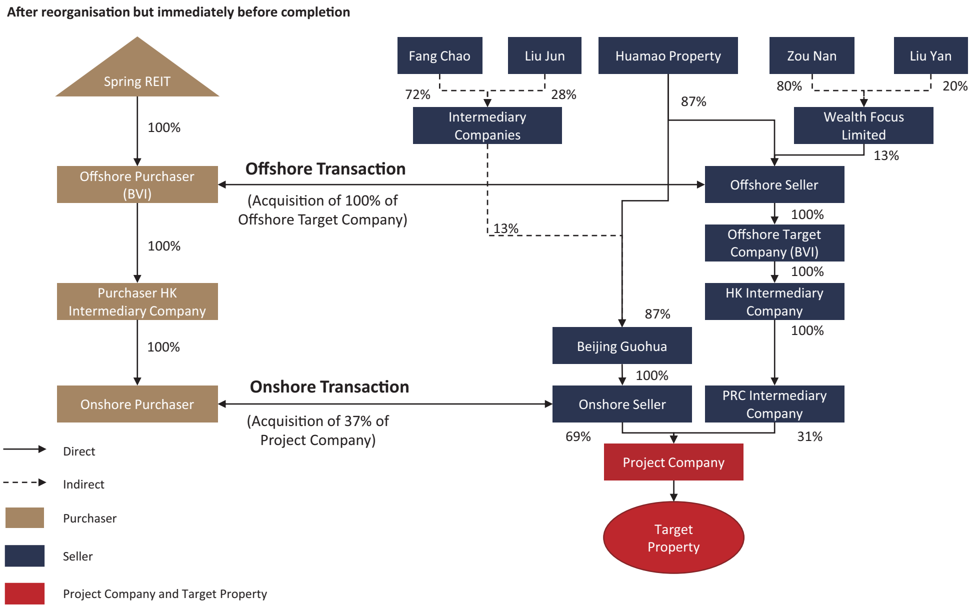
Accordingly, prior to Completion and as a condition precedent under the Offshore Share Purchase Deed, the Offshore Seller will reorganise the holding structure of the Project Company (the "**Reorganisation**"), by: (a) incorporating the HK Intermediary Company and the PRC Intermediary Company; and (b) procuring the Project Company to: (i) increase its registered capital from RMB400 million to approximately RMB579.7 million; and (ii) issue equity interest, representing 31% of the total equity interest in the Project Company, to the PRC Intermediary Company. Reorganisation by way of capital injection by the PRC Intermediary Company allows the Offshore Target Company to indirectly own 31% of the Project Company upon completion of the Reorganisation without having to mobilise a substantial amount of capital from offshore to onshore, thus minimising the time and logistics required for the Reorganisation and reducing the complexity of the Reorganisation to facilitate the Offshore Transaction. The subscription price of RMB179.7 million for the Project Company Subscription Shares (representing 31% of the total equity interest in the Project Company post-Reorganisation) was determined based on the RMB400 million registered capital attributable to the subsisting total equity interest in the Project Company before the Reorganisation (representing 69% of the total equity interest in the Project Company post-Reorganisation). The subscription price payable by the PRC Intermediary Company for the Project Company Subscription Shares will be paid from time to time using the proceeds of the loans to be drawn down under the Project Company Facility, as further discussed in section B.4 headed "Project Company Facility" below. Such settlement arrangement ensures that on Completion, the Project Company will not be holding excess cash balance, which would have the effect of increasing the Project Company Adjusted NAV and thereby inflating the amount of the Consideration.

The Manager has been advised by its PRC legal adviser that, under PRC law, the timeframe for settling any unpaid registered capital of a PRC company is governed by its articles of association. The articles of association of the Project Company will be amended and restated prior to Completion, and will provide that the subscription price for the Project Company Subscription Shares shall be settled within 30 years after the Completion Date. The Manager has obtained a legal opinion from competent PRC legal adviser confirming that: (a) subject to the agreement effecting the capital increase and subscription being duly executed by the parties thereto, such agreement is legally valid and enforceable under PRC law; and (b) subject to the agreement for the Project Company Facility being duly executed by the parties thereto, such agreement and the creation and provision of the Project Company Facility to the Onshore Purchaser thereunder is legally valid and enforceable under PRC law.

Set out below is a simplified chart showing the holding structure of the Target Property as at the Latest Practicable Date:

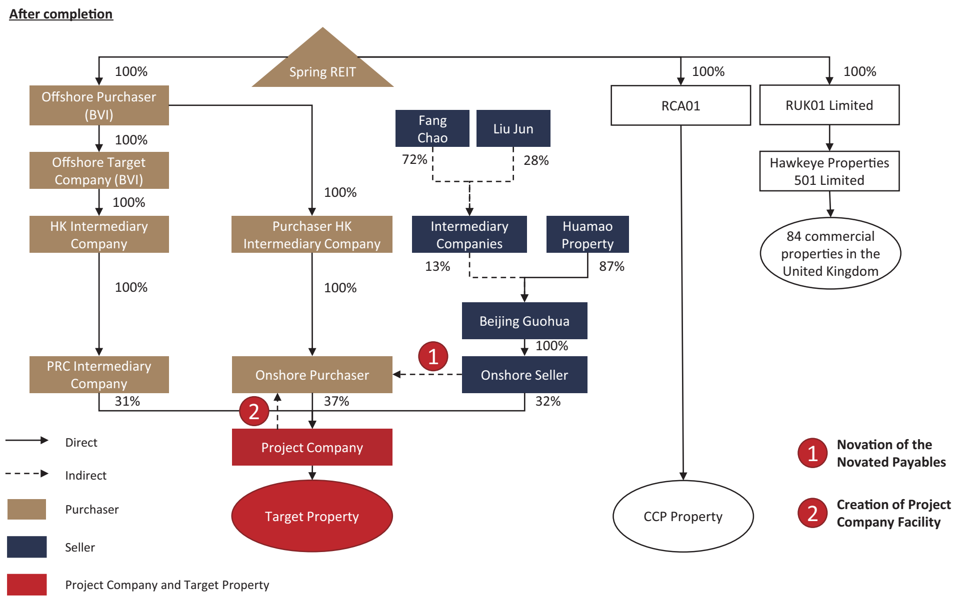


Set out below is a simplified chart showing the expected holding structure of the Target Property after the Reorganisation but immediately before Completion:



5. Expected Holding Structure of the Target Property after Completion

Set out below is a simplified chart of the expected holding structure of the Target Property immediately after Completion:



6. Acquisition Agreements

6.1 General

On 29 April 2022, Spring REIT (through the Purchasers) entered into the Acquisition Agreements, pursuant to which it would acquire an aggregate 68% interest in the Target Property from Huamao Property, as further discussed in section A.1 headed "Overview" above.

6.2 Consideration and Payment Terms for the Acquisition

The Consideration shall be equal to the aggregate amount of the Offshore Consideration and the Onshore Consideration.

The Offshore Consideration shall be equal to 31% of the Agreed Property Value minus 31% of the amounts outstanding under the PAB Facility as at Completion, and adjusting such net amount to:

(a) either:

  (i) add 31% of the Project Company Adjusted NAV as at Completion (if it is a positive amount); or

  (ii) subtract 31% of the absolute value of the amount of the Project Company Adjusted NAV as at Completion (if it is a negative amount), in each case as set out in the Completion Statement; and

(b) either:

  (i) add the amount of the Other Group Adjusted NAV as at Completion (if it is a positive amount); or

  (ii) subtract the absolute value of the amount of the Other Group Adjusted NAV as at Completion (if it is a negative amount), in each case as set out in the Completion Statement.

The Onshore Consideration shall be equal to 37% of the Agreed Property Value minus 37% of the amounts outstanding under the PAB Facility as at Completion, and adjusting such net amount to either:

(a) add 37% of the Project Company Adjusted NAV as at Completion (if it is a positive amount); or

(b) subtract 37% of the absolute value of the amount of the Project Company Adjusted NAV as at Completion (if it is a negative amount), in each case as set out in the Completion Statement.

The "**Project Company Adjusted NAV**" shall be equal to: (a) all assets of the Project Company (other than the Target Property); minus (b) all liabilities of the Project Company (other than deferred tax liabilities and the aggregate outstanding amounts owed by the Project Company under the PAB Facility), in each case as at Completion as shown in the Completion Statement which shall be prepared and agreed or determined in accordance with the Acquisition Agreements. Based on the Accountant's Reports, the Manager understands that the deferred tax liabilities arise mainly from revaluation gains and depreciation in respect of the Target Property which in its view are unlikely to crystalise in the future as Spring REIT intends to hold its investment in the Target Property as a long term investment.

The "**Other Group Adjusted NAV**" shall be equal to: (a) all assets of the Target Group (other than the assets held through the Project Company and the nominal value of the share capital investment in the HK Intermediary Company, the PRC Intermediary Company and the Project Company); minus (b) all liabilities of the Target Group (other than liabilities held through the Project Company), in each case as at Completion as shown in the Completion Statement which shall be prepared and agreed or determined in accordance with the Offshore Share Purchase Deed.

Based on the Accountant's Report, and information provided by the Sellers, for illustrative purposes: (a) the outstanding amount under the PAB Facility is expected to be RMB800.0 million as at Completion; (b) the Project Company Adjusted NAV was approximately RMB206.2 million as at 31 December 2021; (c) the Other Group Adjusted NAV was nil as at 31 December 2021; (d) the requisite adjustments as prescribed by the Acquisition Agreements are expected to lead to (i) an increase in the Project Company Adjusted NAV by RMB823.8 million, which mainly entails recognition of called-up capital receivable, cash replenishment to fulfill the minimum cash balance at Completion and changes in intercompany balances; and (ii) a decrease in the Other Group Adjusted NAV by RMB179.7 million which mainly entails recognition of called-up capital payable by the PRC Intermediary Company.

Based on Relevant Proportion Agreed Property Value, Relevant Proportion of (a), (b) and (d-i), and (c) and (d-ii), and for illustrative purpose only, the illustrative consideration would be RMB1,637.2 million (the "**Illustrative Consideration**"). The Illustrative Consideration comprises an illustrative Offshore Consideration of RMB648.6 million and an illustrative Onshore Consideration of RMB988.6 million.

The Agreed Property Value of RMB2,442 million, being the entire asset value of the Target Property agreed by the parties and the basis for determining the Consideration, has been arrived at on a willing buyer/seller and arm's length transaction basis after taking into account the quality and historic performance of the Target Property. The Agreed Property Value represents an approximate 9.3% discount to the Appraised Value of RMB2,691 million as at the Valuation Date.

Pursuant to the Acquisition Agreements, the Consideration shall be paid or procured to be paid by the Purchasers in the following manner:

(a) on the Completion Date, the following amounts shall be paid in the following manner:

    (i) the "**Initial Offshore Consideration**" (being an amount equal to 31% of the Agreed Property Value minus 31% of the amount outstanding under the PAB Facility as at Completion as set out in the Pro Forma Completion Statement, and adjusting such net amount to: (A) either: (1) add 31% of the Project Company Adjusted NAV as at Completion as set out in the Pro Forma Completion Statement (if it is a positive amount); or (2) subtract 31% of the absolute value of the amount of the Project Company Adjusted NAV as at Completion as set out in the Pro Forma Completion Statement (if it is a negative amount); and (B) either: (1) add the Other Group Adjusted NAV as at Completion as set out in the Pro Forma Completion Statement (if it is a positive amount); or (2) subtract the absolute value of the amount of the Other Group Adjusted NAV as at Completion as set out in the Pro Forma Completion Statement (if it is a negative amount)) less the Tax Holdback Amount shall be paid or procured to be paid in cash;

(ii) the “**Initial Onshore Consideration**” (being an amount equal to 37% of the Agreed Property Value minus 37% of the amount outstanding under the PAB Facility as at Completion as set out in the Pro Forma Completion Statement, and adjusting such net amount to either: (A) add 37% of the Project Company Adjusted NAV as at Completion as set out in the Pro Forma Completion Statement (if it is a positive amount); or (B) subtract 37% of the absolute value of the amount of the Project Company Adjusted NAV as at Completion as set out in the Pro Forma Completion Statement (if it is a negative amount)) shall be paid or procured to be paid by the novation of the Onshore Seller’s obligations and liabilities under the Novated Payables in the amount of RMB890 million to the Onshore Purchaser on a dollar-for-dollar basis, and payment of the balance (the “**Purchaser Deferred Payment**”) shall be deferred and will be made without any interest when the Onshore True-up Payment becomes due and payable, provided that if the amount of the Initial Onshore Consideration is less than RMB890 million, payment of the balance (the “**Seller Deferred Payment**”) shall be deferred and will be made without any interest when the Onshore True-up Payment becomes due and payable;

(b) the Tax Holdback Amount of RMB67 million shall be paid in the manner described in section A.6.3 below;

(c) within five business days after the agreement or determination of the Completion Statement (which shall be prepared by the Sellers), if the sum of:

(i) 31% of the Project Company Adjusted NAV as set out in the Completion Statement minus 31% of the Project Company Adjusted NAV as set out in the Pro Forma Completion Statement; plus

(ii) the Other Group Adjusted NAV as set out in the Completion Statement minus the Other Group Adjusted NAV as set out in the Pro Forma Completion Statement; plus

(iii) 31% of the aggregate outstanding amounts owed under the PAB Facility as set out in the Pro Forma Completion Statement minus 31% of the aggregate outstanding amount owed under the PAB Facility as set out in the Completion Statement,

is:

(A) a positive amount, the Offshore Purchaser shall pay such amount to the Offshore Seller in cash; or

(B) a negative amount, the Offshore Seller shall pay such amount to the Offshore Purchaser in cash,

(d) within 30 business days (or such other longer period as agreed by the Onshore Seller and Onshore Purchaser in writing) after determination of the Completion Statement (which shall be prepared by the Sellers), if the sum of:

(i) 37% of the Project Company Adjusted NAV as set out in the Completion Statement minus 37% of the Project Company Adjusted NAV as set out in the Pro Forma Completion Statement; plus

(ii) 37% of the aggregate outstanding amounts owed under the PAB Facility as set out in the Pro Forma Completion Statement minus 37% of the aggregate outstanding amount owed under the PAB Facility as set out in the Completion Statement,

is:

(C) a positive amount, and in the case of the Purchaser Deferred Payment being payable, the Onshore Purchaser shall pay such amount together with the Purchaser Deferred Payment to the Onshore Seller in cash; or

(D) a negative amount, and in the case of the Purchaser Deferred Payment being payable and the absolute value of such amount being lower than the amount of the Purchaser Deferred Payment, the Onshore Purchaser shall pay the difference to the Onshore Seller in cash; or

(E) a negative amount, and in the case of the Purchaser Deferred Payment being payable and the absolute value of such amount being higher than the amount of the Purchaser Deferred Payment, the Onshore Seller shall pay the difference to the Onshore Purchaser in cash; or

(F) a negative amount, and in the case of the Seller Deferred Payment being payable, the Onshore Seller shall pay the absolute value of such amount together with the Seller Deferred Payment to the Onshore Purchaser in cash; or

(G) a positive amount, and in the case of the Seller Deferred Payment being payable and the amount of the Seller Deferred Payment being lower than such amount, the Onshore Purchaser shall pay the difference to the Onshore Seller in cash; or

(H) a positive amount, and in the case of the Seller Deferred Payment being payable and the amount of the Seller Deferred Payment being higher than such amount, the Onshore Seller shall pay the difference to the Onshore Purchaser in cash,

and such amounts in (c) and (d) shall be referred to as the "**Offshore True-up Payment**" and the "**Onshore True-up Payment**" respectively and the "**True-up Payments**" collectively.

The Sellers shall procure the Pro Forma Completion Statement to be prepared in accordance with the Acquisition Agreements and delivered to the Purchasers as soon as reasonably practicable but in any event no later than seven business days prior to the Completion Date, for review by and consultation with the Purchasers, the Manager and/or the Manager's accountants. The Sellers and the Purchasers shall use their respective commercially reasonable endeavours to agree on the Pro Forma Completion Statement at least two business days prior to (but excluding) the Completion Date.

The Sellers shall procure a draft of the Completion Statement to be prepared in accordance with the Acquisition Agreements and delivered to the Purchasers as soon as reasonably practicable but in any event no later than 20 business days after the Completion Date. Upon such delivery, the parties shall submit the draft Completion Statement to the agreed upon auditor who shall, as soon as possible and in any event within 20 business days after receipt of the same or as otherwise agreed by the Sellers and the Purchasers, complete the review of the draft Completion Statement and deliver the audited financial statements of each member of the Target Group as at the close of business on the Completion Date and the factual finding letter on the agreed upon procedures performed for the draft Completion Statement, to the Sellers, the Purchasers and the Manager. The Completion Statement reviewed by the agreed upon auditor shall be final and binding on the parties, in the absence of fraud or manifest error.

All amounts payable under the Offshore Share Purchase Deed shall be paid in USD and all amounts payable under the Onshore Share Purchase Agreement shall be paid in RMB. The Manager expects that the Offshore Consideration will be settled using the proceeds drawn down under the Upsized Existing Facility and the Onshore Consideration will be mostly settled by the assumption by Spring REIT (through the Onshore Purchaser) of the Novated Payables in the amount of RMB890 million and the balance using the proceeds drawn down under the Upsized Existing Facility.

The Manager shall publish further announcement(s) regarding the Initial Offshore Consideration, the Initial Onshore Consideration and True-up Payments as soon as practicable after such amounts have been determined.

6.3 Tax Holdback Amount

As advised by the Manager's tax adviser, the Offshore Purchaser should hold back at least 10% (being the withholding income tax rate) of the Offshore Consideration to fulfil its withholding obligation under the China Indirect Transfer Rules (which, based on the above-mentioned illustrative Offshore Consideration, would be RMB64.9 million). To allow some buffer, payment of the Tax Holdback Amount of RMB67 million shall be deferred until within five business days after the Offshore Seller has proved that it has complied with certain obligations under the China Indirect Transfer Rules and paid the corresponding tax payable under the China Indirect Transfer Rules in connection with the Offshore Seller's sale of the Offshore Sale Shares (the "**China Indirect Transfer Taxes**"). The Tax Holdback Amount shall be paid in cash.

6.4 Conditions Precedent

Completion under the Offshore Share Purchase Deed is subject to and conditional upon satisfaction of the following Conditions:

(1) the resolution approving the Acquisition and the Joint Venture having been passed by the Independent Unitholders at the EGM;

(2) the Reorganisation having been completed by the Offshore Seller in accordance with applicable laws and regulations, and the Offshore Seller having provided reasonable documentary proof of the same to the Offshore Purchaser;

(3) there being no statute, regulation or court decision in the PRC which would prohibit or invalidate the Acquisition and the transactions contemplated under the Transaction Documents at Completion;

(4) the conditions precedent under the Onshore Share Purchase Agreement having been satisfied (or waived, where such conditions precedent are capable of being waived);

(5) there having been no material adverse change which, individually or in aggregate, has resulted or is reasonably expected to result in the Target Group or the Target Property suffering or sustaining an aggregate loss equal to 10% or more of the Agreed Property Value;

(6) there being no material breach of any warranties of the Sellers under the Acquisition Agreements on Completion that has resulted or is reasonably expected to result in the Purchasers, the Target Group or the Target Property suffering or sustaining an aggregate loss equal to 10% or more of the Agreed Property Value;

(7) there being no material breach of any warranties of the Purchasers under the Acquisition Agreements on Completion that has resulted or is reasonably expected to result in the Sellers suffering or sustaining an aggregate loss equal to 10% or more of the Agreed Property Value;

(8) the consent of PAB in respect of the Acquisition and all other related transactions contemplated under the Transaction Documents not having been revoked; and

(9) the Project Company having drawn down the amount of RMB800 million under the PAB Facility Agreement and applied such proceeds of the PAB Facility towards the purposes permitted under the PAB Facility Agreement (being the refinancing of bank and intercompany loans and the payment of property renovation fees and property operating expenses).

Completion under the Onshore Share Purchase Agreement is subject to and conditional upon satisfaction of the following Conditions:

(10) save for the Residual Payables, the intercompany balances owing by and to the Project Company on the one hand and to and by members of the Sellers' group on the other hand having been restructured and consolidated into the Novated Payables, and the Project Company having entered into the relevant agreement relating to the Novated Payables with the Onshore Seller;

(11) the transfer of the Onshore Sale Shares from the Onshore Seller to the Onshore Purchaser having been registered with the local authorities;

(12) the release registration of the Existing Guohua PAB Share Pledge with the competent local authorities in the PRC having been completed, and the Onshore Sale Shares being free from encumbrances; and

(13) the conditions precedent under the Offshore Share Purchase Deed having been satisfied (or waived, where such conditions precedent are capable of being waived).

The Offshore Purchaser may waive Conditions (5), (6) and (8) by notice in writing to the Offshore Seller. The Offshore Seller may waive Condition (7) by notice in writing to the Offshore Purchaser. Conditions (1) to (4) and (9) to (13) cannot be waived. The Offshore Purchaser's ability to waive Conditions under the Offshore Share Purchase Deed shall always be subject to compliance with the REIT Code, the Listing Rules and other applicable laws, rules and regulations.

6.5 *Completion*

Completion under the Offshore Share Purchase Deed and the Onshore Share Purchase Agreement shall take place simultaneously on the 10th business day after the satisfaction or waiver of all the Conditions, or such other date as may be agreed by the Purchasers and the Sellers in writing. Subject to the Conditions being satisfied (or waived, as the case may be), the Manager expects Completion to take place on or before the Long Stop Date. As soon as practicable following Completion, the Manager will issue an announcement to inform Unitholders that Completion has occurred.

6.6 *Termination*

In the event that: (a) the Offshore Purchaser has not notified the Offshore Seller by 30 June 2022 that Condition (1) has been fulfilled; (b) the Offshore Purchaser has notified the Offshore Seller in writing, prior to Conditions (1) and (10) being fulfilled, to terminate the Offshore Share Purchase Deed as a result of Condition (5) not being fulfilled; or (c) any of the Conditions has not been fulfilled or waived prior to the Long Stop Date, then unless the Purchasers and the Sellers have otherwise agreed in writing, the parties shall not be bound to proceed with the Acquisition and the Acquisition Agreements shall terminate concurrently.

If all Conditions have been fulfilled or waived before the Long Stop Date, but Completion has not taken place due to either Offshore Purchaser or either Offshore Seller failing to comply with its completion obligations, then the party which has not failed to comply with its completion obligations may by written notice elect to: (a) defer Completion by a period of not more than 28 days to such date as it may specify in the notice; (b) waive any of the other party's completion obligations at its discretion and proceed to Completion; or (c) terminate the Offshore Share Purchase Deed without liability on its part. If one Acquisition Agreement is terminated, the other Acquisition Agreement shall terminate concurrently.

6.7 Warranties and Indemnities

Each Acquisition Agreement contains customary warranties made by the relevant Seller in respect of, among others, the Project Company and the Target Property (and, in the case of the Offshore Share Purchase Deed, the Target Group).

The maximum aggregate liability of the Offshore Seller and the Onshore Seller respectively shall not exceed 100% of the Offshore Consideration and 100% of the Onshore Consideration respectively in respect of claims for any breaches of fundamental warranties and 20% of the Offshore Consideration and 20% of the Onshore Consideration respectively in respect of claims for breaches of all other warranties. The liability of the Offshore Seller and the Onshore Seller is also subject to a minimum per claim threshold of, respectively, the Offshore Proportion of the amount of RMB1 million and the Onshore Proportion of the amount of RMB1 million. Amounts shall only be recoverable from the Offshore Seller if the aggregate amount recoverable in respect of all claims against the Offshore Seller exceeds the Offshore Proportion of the amount of RMB10 million (in which case the Offshore Seller will be liable for the entire amount), and amounts shall only be recoverable from the Onshore Seller if the aggregate amount recoverable in respect of all claims against the Onshore Seller exceeds the Onshore Proportion of the amount of RMB10 million (in which case the Onshore Seller will be liable for the entire amount). Each Acquisition Agreement also provides for a limitation period of two years after the Completion Date for all claims made thereunder (other than those claims relating to fundamental warranties or tax warranties, in which case the limitation period is, respectively, five years and seven years after the Completion Date).

Each Acquisition Agreement also contains several indemnities from the relevant Seller, including but not limited to indemnities relating to: (a) (in the case of the Offshore Share Purchase Deed only) any delay or failure to pay the China Indirect Transfer Taxes; (b) (in the case of the Offshore Share Purchase Deed only) the Reorganisation; and (c) the Joint Operation Agreements. The relevant Seller's liabilities under these indemnities shall not be subject to the abovementioned limitations which are only applicable to warranties, save that the aggregate of all of the Offshore Seller's liabilities under the Offshore Share Purchase Deed shall not exceed 100% of the Offshore Consideration and the aggregate of all of the Onshore Seller's liabilities under the Onshore Share Purchase Agreement shall not exceed 100% of the Onshore Consideration (in each case, the "**Maximum Liability Cap**").

The Offshore Seller Guarantor has unconditionally and irrevocably guaranteed to the Offshore Purchaser the due and punctual payment of all amounts payable by the Offshore Seller under the Offshore Share Purchase Deed and due and punctual performance and observance by the Offshore Seller of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Offshore Share Purchase Deed. On Completion, the Onshore Seller shall deliver to the Onshore Purchaser an undertaking to be provided by an entity acceptable to the Onshore Purchaser (the "**Onshore Undertaker**"), under which the Onshore Undertaker shall procure that the Onshore Seller and its wholly-owned subsidiaries shall maintain aggregate net assets in excess of the amount of: (a) the Onshore Consideration at all times until the end of the period of two years from the Completion Date; and, thereafter, (b) 20% of the Onshore Consideration at all times for so long as the Onshore Seller's obligations under or pursuant to the Onshore Share Purchase Agreement remain in force. Taking into consideration: (a) the abovementioned warranty and indemnity coverage from the Sellers (including the Sellers' limitation cap, thresholds and period with respect to claims) which the Manager considers to be fair and reasonable, on normal commercial terms after arm's length negotiations and the best terms available to the Purchasers in the circumstances, and are in the interests of Spring REIT and the Unitholders as a whole; (b) the abovementioned guarantee provided by the Offshore Seller Guarantor and the balance sheet position, economic and financial standing and creditworthiness of the Onshore Seller and its wholly-owned subsidiaries for the time being and the abovementioned undertaking to be provided by the Onshore Undertaker; (c) the satisfactory results of the Manager's due diligence review in respect of the Offshore Target Company, the Project Company and the Target Property; and (d) the Manager's PRC legal adviser's opinion set out in sections A.9, D.3, D.4.2 and D.4.3 below, the Manager is satisfied that the interests of Spring REIT and the Unitholders as a whole in respect of potential claims are adequately and sufficiently protected.

6.8 *Sellers' tax obligations*

Offshore Share Purchase Deed

As advised by the Manager's tax adviser, the obligation to pay PRC Enterprise Income Tax under the China Indirect Transfer Rules for the Offshore Seller's sale of the Offshore Sale Shares should be borne by the Offshore Seller with the Offshore Purchaser only having a withholding and remitting obligation.

Pursuant to the Offshore Share Purchase Deed, the Offshore Seller shall at its own expense report or cause to be truly, accurately and completely reported all relevant information on the sale of the Offshore Sale Shares to the relevant PRC tax authority in accordance with the China Indirect Transfer Rules. The Offshore Seller shall: (a) provide the Offshore Purchaser, as soon as reasonably practicable, with evidence that the reporting has been made to the relevant PRC tax authority; (b) promptly follow-up with and submit all further documents that may be requested by the relevant PRC tax authority in respect of such report; and (c) promptly keep the Offshore Purchaser informed of the foregoing.

To the extent that the Offshore Seller is determined by the relevant PRC tax authority to be required by the China Indirect Transfer Rules to pay taxes in connection with its sale of the Offshore Sale Shares, the Offshore Seller shall: (a) within such period of time as required by the relevant PRC tax authority, cause such taxes to be paid; and (b) provide the Offshore Purchaser, as soon as reasonably practicable, with evidence that such taxes have been paid in the form of tax payment certificate(s) issued by the relevant PRC tax authority. The payment of the Tax Holdback Amount shall be made in the manner described in section A.6.3 headed "Tax Holdback Amount" in this announcement.

The Offshore Seller has provided an indemnity for any delay or failure to report and pay China Indirect Transfer Taxes or comply with other obligations under the China Indirect Transfer Rules stated in the Offshore Share Purchase Deed. Such indemnity will not be subject to the monetary and time limitations of liability applicable to warranties, as set out in section A.6.7 headed "Warranties and Indemnities" in this announcement, but will be subject to the Maximum Liability Cap under the Offshore Share Purchase Deed.

The Manager's tax adviser has provided advice to the Manager in respect of the estimated amount of indirect enterprise income tax payable under the PRC Enterprise Income Tax Law and the China Indirect Transfer Rules in respect of the Offshore Seller's sale of the Offshore Sale Shares. In view of the above and the advice from its tax adviser, the Manager is of the view that the protection provided by the Offshore Seller in respect of enterprise income tax obligations under the PRC Enterprise Income Tax Law and the China Indirect Transfer Rules, including the Tax Holdback Amount and the abovementioned indemnity, is sufficient and that the interests of the Unitholders are adequately protected.

Onshore Share Purchase Agreement

As advised by the Manager's tax adviser, on the basis that the Onshore Seller under the Onshore Share Purchase Agreement is a PRC tax resident enterprise, any gain arising from the Onshore Seller's sale of the Onshore Sale Shares would be subject to PRC Enterprise Income Tax, which should be payable by the Onshore Seller, while the Onshore Purchaser should not be obligated to withhold the tax payable.

7. Joint Venture Agreement

On Completion, the JV Parties will enter into the Joint Venture Agreement to govern their relationship as shareholders of the Project Company. The Manager has obtained a legal opinion from competent PRC legal adviser confirming that, subject to the Joint Venture Agreement being duly executed by the parties thereto, the Joint Venture Agreement and the joint venture arrangements thereunder are legal, valid, binding and enforceable under PRC law.

The key terms of the Joint Venture Agreement are as follows:

7.1 Capital commitment

The aggregate capital commitment of Spring REIT (through the PRC Intermediary Company and the Onshore Purchaser) shall be approximately RMB394.2 million, representing 68% (being the Relevant Proportion) of the post-Reorganisation registered capital in the Project Company. The capital commitment of the JV Partner shall be approximately RMB185.5 million, representing 32% of the post-Reorganisation registered capital of the Project Company. Such capital commitments under the Joint Venture Agreement will, at the time of entry into the Joint Venture Agreement, have already been fully committed by each party and no further capital commitments will be required from each of them under the Joint Venture Agreement (although, following Completion and separate to the Joint Venture Agreement, the PRC Intermediary Company will settle the unpaid subscription price for the Project Company Subscription Shares from time to time as described in section A.4 headed "Reorganisation").

7.2 Profit sharing

Any distribution by the Project Company shall be determined by the board of directors of the Project Company from time to time and shall be made to the JV Parties pro rata to their respective equity interest in the Project Company.

7.3 Board Composition

The board of directors of the Project Company shall comprise three directors, one of whom may be nominated by the JV Partner and the remaining two of whom may be nominated by the Trustee (through the PRC Intermediary Company and the Onshore Purchaser). Spring REIT (through the PRC Intermediary Company and the Onshore Purchaser) shall be entitled to select which of the Trustee's nominees shall be the chairman of the Project Company board. The quorum for board meetings of the Project Company shall be any two directors.

7.4 *Matters Requiring Unanimous Approval*

Board resolutions shall be approved by at least two directors, save that the following matters shall require the unanimous approval of all three directors: (a) amendments to the Project Company's articles of association; (b) distributions by the Project Company to its shareholders on a non-pro rata basis; (c) liquidation, dissolution and winding-up of the Project Company; (d) increase or reduction of the registered capital of the Project Company; (e) merger or demerger of the Project Company; (f) transactions between the Project Company and the JV Parties or their affiliates outside the ordinary course of business (excluding the Project Company Facility and other transactions contemplated by or in connection with the Onshore Share Purchase Agreement); and (g) financing, provision of loans and security, assumption of debts by the Project Company outside the ordinary course of business (excluding the Project Company Facility and other transactions contemplated by or in connection with the Onshore Share Purchase Agreement).

7.5 *Transfer of Shares*

No JV Party shall have the right to dispose of any part of its equity interest in the Project Company to a third party transferee who is not its affiliate, unless it has first offered its entire equity interest in the Project Company to the other JV Parties who have declined or are deemed to have declined to accept such offer. Any transfer must be in respect of the transferor's entire equity interest in the Project Company and not merely a part of such equity interest. Any proposed transfer by the JV Partner of its equity interest in the Project Company to actual or potential connected persons which requires Spring REIT to obtain any approval under the REIT Code and/or the Listing Rules shall be subject to Spring REIT obtaining such approval. The transferee of any permitted transfer of equity interest in the Project Company shall enter into a deed of adherence to become bound by the Joint Venture Agreement.

7.6 Events of Default

An event of default occurs when: (a) a JV Party breaches any provisions under the Joint Venture Agreement relating to restrictions on the transfer of equity interest in the Project Company; (b) a JV Party becomes insolvent; (c) a change of control occurs in respect of a JV Party; or (d) a JV Party and/or its affiliates has materially or continuously breached any provisions under the Joint Venture Agreement which has resulted in another JV Party suffering a material loss and fails to cure such breach in a timely manner.

The remedies of a non-breaching JV Party against a breaching JV Party for an event of default include: (a) compensation by the breaching JV Party for all losses suffered by the non-breaching JV Party(ies); (b) suspension of board representation and other management rights of the breaching JV Party in respect of the Project Company; and (c) the right of the non-breaching JV Party(ies) to require the breaching JV Party to sell its entire equity interest in the Project Company to them at a discount of 10% to fair market value.

7.7 Termination

There is no fixed term in respect of the Joint Venture Agreement. The Joint Venture Agreement shall terminate: (a) upon the JV Parties' mutual agreement in writing; or (b) when all of the equity interest in the Project Company are being owned and held by one shareholder or all the JV Parties cease to be the shareholders of the Project Company.

7.8 REIT Code

The duties, obligations and liabilities of the PRC Intermediary Company and the Onshore Purchaser under the Joint Venture Agreement shall be subject always to the requirements under the REIT Code, the Listing Rules and all other laws and regulations applicable to Spring REIT, including the requirement that their aggregate obligations and liabilities to the Project Company are proportionate to their aggregate equity interest in the Project Company.

8. Arm's Length Terms

The Transaction Documents and the indebtedness and facilities to be assumed and taken out by Spring REIT as described in section B below have been entered into, or shall be entered into, by the parties thereto on normal commercial terms (including in respect of those terms relating to limitation of liability) following arm's length negotiations.

9. Due Diligence Review

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Offshore Target Company, the Project Company and the Target Property, and no material irregularities or material non-compliance issues have been noted. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code (including the Practice Note on Overseas Investments by SFC-authorised REITs) and the Manager's compliance manual. The Manager's PRC legal adviser has advised the Manager that: (a) it is of the view that the Project Company can legally and beneficially own, use, occupy, transfer and lease out the Target Property in accordance with the relevant PRC laws free from encumbrances, subject to the conditions of the PAB Facility, Leases, Joint Operation Agreements and Direct Operation Agreements, and that the Reorganisation will not affect the foregoing; and (b) all necessary licences and consents required in the PRC have been obtained by the Project Company. For details of the advice of the Manager's PRC legal advisers, please refer to section D.3 headed "Ownership" in this announcement. After the Reorganisation, the Manager's legal advisers will conduct bring-down legal due diligence to confirm that each of the HK Intermediary Company and the PRC Intermediary Company has been duly incorporated and the Reorganisation has been carried out and completed in accordance with PRC laws and regulations (to the extent they are applicable), before proceeding to Completion. In view of the foregoing, and having regard to the advice of its PRC legal adviser, the Manager is of the view that Spring REIT will immediately upon Completion hold (through the Purchasers and the Target Group) good, marketable, legal and beneficial title in the Relevant Proportion of the Target Property.

The Building Consultant has also carried out an inspection and a survey of the Target Property. Such inspection revealed that both the building and structural fabrics, and the building services installations of the Target Property were maintained in good condition with only minor rectification works required to be carried out.

9.1 Non-registration of Leases

Based on information provided by the Sellers, as at 28 February 2022, there were 394 Leases at the Target Property, two of which had not been registered as at the Latest Practicable Date. As the cooperation of the relevant lessees and authorities is required to complete and perfect such registration, it is possible that, for reasons outside the Project Company's control, not all currently unregistered Leases will be registered before Completion. Following Completion, the Manager will work with the JV Partner and endeavour to register such Leases as soon as practicable. The Manager expects that the currently unregistered Leases will be registered shortly after Completion.

As advised by the Manager's PRC legal adviser, although it is a term in a few of the Leases that the Project Company shall at its own cost register the relevant Lease within 30 days of the date of such Lease, no lessees have enforced or indicated that they would enforce such right to withhold payment of rent, property management charges or other fees under the Leases as at the Latest Practicable Date. Further, according to the Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on 1 December 2010, a fine of RMB1,000 to RMB10,000 shall be imposed on the Project Company if the Project Company fails to rectify the situation within a prescribed time limit upon notification by the authority, although it is presently unclear whether such fine applies to each unregistered Lease on a per-lease basis. Assuming a separate fine applies to each unregistered Lease, the maximum aggregate amount of penalty payable by the Project Company in respect of such unregistered Leases if the Project Company fails to rectify the situation within the prescribed time limit is approximately RMB20,000.

As advised by the Manager's PRC legal adviser, the non-registration of the Leases would not affect the enforceability or legality of such Leases, nor adversely affect the Project Company's legal title to the Target Property, and the Project Company has not been required to rectify or pay penalties in respect of unregistered Leases as at the Latest Practicable Date. Any loss or liability arising out of or in connection with the Project Company's failure to register the Leases would be covered under the indemnity provided by the Sellers under the Acquisition Agreements, and the Manager does not consider this issue to pose a material risk. The Manager considers such protection to be sufficient and that the interests of the Unitholders are adequately protected.

9.2 Civil Defence Shelter

The Manager's PRC legal adviser has advised that ownership to certain underground premises with a gross floor area of approximately 10,876.22 sq.m. (an area equal to approximately 6.98% of the gross floor area of the Target Property) belongs to the state and not to the Project Company, and such premises must in times of war be used as a civil defence shelter and cannot be sold or otherwise transferred by the Project Company. However, during all other times, the underground premises are allowed under PRC law to be used as carparks, and the Manager has been advised by its PRC legal adviser that, based on information provided by the Sellers, 263 underground carparks fall within such premises and that the Project Company may lease or grant a licence to use such premises as carparks and collect rent or licence fees in respect of the same and grant operational rights to third parties in respect of such premises.

9.3 Litigation with Supermarket Lessee

Pursuant to a Lease dated 18 April 2016 entered into between the Project Company and an independent third party lessee (the "**Supermarket Lessee**"), the Project Company (as lessor) and the Supermarket Lessee (as lessee) agreed to lease certain premises at the first underground floor within the Target Property with a gross floor area of approximately 7,659 sq.m. for a term of 15 years commencing from 1 May 2016 (the "**Supermarket Lease**").

Based on information provided by the Sellers, on 23 August 2021, the Project Company issued a termination notice to the Supermarket Lessee for alleged breach of the Supermarket Lease's sublease provisions. On 22 December 2021, the Project Company received a notice of claim filed by the Supermarket Lessee against the Project Company, disputing the grounds for the termination of the Supermarket Lease and seeking: (a) a declaration that such termination was ineffective; and (b) indemnity for its legal costs of RMB100. According to the first instance judgment issued by Huicheng District People's Court of Huizhou City (惠州市惠城區人民法院) dated 30 March 2022, the termination notice issued by the Project Company to the Supermarket Lessee was held ineffective and the Project Company was ordered to pay the legal costs of RMB130. As at the Latest Practicable Date, the Project Company had filed an appeal to the Huizhou Municipal Intermediate People's Court of Guangdong Province (廣東省惠州市中級人民法院).

The Sellers have provided an indemnity under the Acquisition Agreements for any liabilities or claims relating to the Supermarket Lease, including any claims for losses of whatsoever nature relating to or arising from the early termination (or attempted early termination) of such lease. Such indemnity will not be subject to the monetary and time limitations of liability applicable to warranties, as set out in section A.6.7 headed "Warranties and Indemnities" in this announcement, but will be subject to the Maximum Liability Cap.

Based on further information provided by the Sellers, the Supermarket Lease relates to approximately 7.2% of the gross lettable area of the Target Property as at 28 February 2022, and such lease contributed approximately 1.2% of the Project Company's monthly gross rental income in February 2022. The Sellers have advised that the Supermarket Lessee has continued to pay rent pending final resolution of the above-mentioned dispute.

In the event the Project Company is successful in its appeal and is able to terminate the Supermarket Lease, the Manager understands from the Sellers that the resulting operational impact is expected to be insignificant for the following reasons: (a) the Supermarket Lease contributed only a small proportion of the Project Company's rental income (approximately 1.2% of monthly gross rental income in February 2022); and (b) notwithstanding the potential loss of the Supermarket Lessee, the shopping mall is mature with a diverse collection of high-quality shops, bringing in ample daily footfall of more than 30,000 on weekdays and more than 50,000 on weekends. The

Project Company has formulated a contingent leasing strategy to proactively identify and engage with potential new lessees as a replacement for the Supermarket Lessee, on the criteria that the service and product offering of the new lessees could fit the high-end market positioning of the shopping mall with rich footfall attraction potential that could provide resilience against rising e-commerce competition.

Having regard to: (a) (where the Project Company is unsuccessful in its appeal) the indemnity provided by the Sellers under the Acquisition Agreements; and (b) (where the Project Company is successful in its appeal) the expected insignificant operational impact and the contingent leasing strategy to identify replacement lessees for the Supermarket Lessee, the Manager considers that the above-mentioned dispute will not pose a material risk to Spring REIT and the interests of the Unitholders are adequately protected.

10. Fees and Charges

10.1 General

The estimated Total Fees and Charges payable by Spring REIT in relation to the Acquisition is approximately RMB47.7 million and consists of the Acquisition Fee, the Other Acquisition Fees and Expenses and the Trustee's Additional Fee. Details of these fees and their amounts are set out in sections 10.2 to 10.4 below.

10.2 Acquisition Fee

On Completion, the Manager will be entitled under the Trust Deed to receive an acquisition fee not exceeding 1.0% of the acquisition price of any real estate in the form of land acquired directly or indirectly by Spring REIT (pro-rated if applicable to the proportion of the interest in the real estate acquired) (i.e. the total consideration actually paid by Spring REIT for the acquisition of the relevant real estate) (the "**Acquisition Fee**"). Since Spring REIT's acquisition of the Relevant Proportion of the Target Property is structured as a share transaction rather than an asset transaction, using the Agreed Property Value which reflects the mutually agreed price for the Target Property and eliminates the impact of NAV adjustments, the Acquisition Fee as determined pursuant to the Trust Deed will be RMB16.6 million, which is equal to 1.0% of the Relevant Proportion Agreed Property Value. The Acquisition Fee shall be paid to the Manager in the form of cash in HKD.

10.3 Other Acquisition Fees and Expenses

Spring REIT incurred or is expected to incur other estimated fees and expenses in connection with the Acquisition (including advisory fees, professional fees and stamp duty), which are anticipated to be approximately RMB31.0 million in aggregate (the "**Other Acquisition Fees and Expenses**"). The Other Acquisition Fees and Expenses are one-off transaction expenses of a non-recurring nature in connection with the Acquisition.

10.4 Trustee's Additional Fee

Pursuant to the Trust Deed, the Trustee is entitled to charge additional fees for duties undertaken by the Trustee which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of normal day-to-day business operations of Spring REIT. The Trustee has agreed with the Manager that it will charge Spring REIT a one-time additional fee based on the time and costs incurred by it for duties undertaken by the Trustee in connection with the Acquisition, with such additional fee expected to be HKD100,000 (the "**Trustee's Additional Fee**").

10.5 Ongoing Fees

After Completion, pursuant to the Trust Deed and in addition to the fees payable to the Manager and Trustee in respect of the Existing Properties:

(a) the Manager will be entitled under the Trust Deed to receive management fees attributable to the Target Group comprising: (i) a base fee of 0.4% per annum of the value of the Deposited Property attributable to Spring REIT's interest in the Target Group; and (ii) a variable fee of 3% per annum of the Net Property Income (as defined in the Trust Deed) (before reduction therefrom of the base fee and the variable fee) attributable to Spring REIT's interest in the Target Group; and

(b) the Trustee will be entitled under the Trust Deed to receive fees not exceeding 0.0175% per annum of the value of the Deposited Property attributable to Spring REIT's interest in the Target Group, which may be increased from time to time to a maximum cap of 0.06% per annum of the value of the Deposited Property attributable to Spring REIT's interest in the Target Group. The total fees payable to the Trustee in respect of the Deposited Property is subject to a minimum amount of RMB56,000 per month.

B. FINANCING OF THE ACQUISITION

The Manager intends to finance the Consideration and the Total Fees and Charges using debt facilities (including the Upsized Existing Facility) and the assumption of the Novated Payables, details of which are set out in section B.5 headed "Upsized Existing Facility" in this announcement.

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 3 to the Circular, the pro forma gearing ratio of Spring REIT is anticipated to increase from 30.0% (as at 31 December 2021) to approximately 36.3% immediately following Completion, assuming: (a) completion of the Acquisition; (b) HKD975.0 million (equivalent to approximately RMB794.9 million) drawn down under the Upsized Existing Facility to finance the cash Consideration and the Total Fees and Charges; and (c) the settlement of the ICBC Facility and drawdown of the PAB Facility by the Project Company. Such ratio is below the 50% limit permitted under the REIT Code.

1. General

At Completion, the PAB Facility entered into by the Project Company will still be subsisting, and the Relevant Proportion of the amounts outstanding under such facility as at Completion will be deducted from the Relevant Proportion Agreed Property Value when determining the Consideration. A part of the Consideration will also be satisfied by Spring REIT assuming the Onshore Seller's obligations and liabilities under the Novated Payables. The Project Company Facility will also be in place at Completion.

In addition, the Manager intends to draw down on the Upsized Existing Facility, at Completion to, among other things, finance the cash portion of the Consideration and the Total Fees and Charges.

2. PAB Facility

Pursuant to the PAB Facility Agreement, PAB agreed to provide the Project Company with a 10-year loan facility of RMB900 million maturing in 2032. Under the terms of the PAB Facility, the loan shall bear interest at a rate of 60 basis points above the loan prime rate for more than five years as announced by the National Interbank Funding Center on the business day immediately preceding the drawdown date and updated monthly.

As at the Latest Practicable Date the PAB Facility had not been drawn down by the Project Company but, as a condition of Completion, the Project Company will draw down the amount of RMB800 million under the PAB Facility (for details, please refer to section A.6.4 headed "Conditions Precedent" in this announcement). At Completion, the amount of outstanding principal under the PAB Facility is expected to be RMB800 million (with the Relevant Proportion being RMB544 million).

For illustrative purpose only, based on the total assets of the Project Company as of 31 December 2021, the subsequent settlement of the ICBC Facility and the above-mentioned expected drawdown of the PAB Facility are expected to increase the gearing ratio of the Project Company from 6.6% (as at 31 December 2021) to 18.3%. As shown in the unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2021 in Appendix 3 to the Circular, the settlement of the ICBC Facility and the draw down of the PAB Facility would have led to an increase in finance costs for the year ended 31 December 2021 by RMB18.9 million (after income tax).

Repayment of the principal under the PAB Facility shall be made by semi-annual instalments. If any principal or interest is due and payable but remains outstanding, the Project Company shall not make any form of distribution or dividend payment.

As at the Latest Practicable Date, the indebtedness under the PAB Facility was secured by: (a) the PAB Property Mortgage; (b) a pledge over accounts receivable of the Project Company in relation to the Target Property; and (c) guarantees given by the Onshore Seller and its associates (the "**Guohua Guarantors**") on a joint and several basis; and (d) the Existing Guohua PAB Share Pledge. The existing guarantees given by the Guohua Guarantors and the Existing Guohua PAB Share Pledge shall be replaced by the PAB Guarantees and the PAB Share Pledges upon Completion. In addition, following Completion and during the term of the PAB Facility, the Project Company shall maintain a minimum reserve of RMB40 million in, and make a monthly deposit of RMB7 million into, the supervised account maintained with PAB, which can be used for debt service.

Upon Completion, Spring REIT (through the Onshore Purchaser) will also guarantee such indebtedness on a several and proportionate basis with the Guohua Guarantors, with reference to the respective equity interest held by Spring REIT (through its SPVs) on the one hand and the JV Partner on the other hand in the Project Company (the "**PAB Guarantees**"). In addition, to the extent required by PAB, each of the shareholders of the Project Company following Completion (i.e. the PRC Intermediary Company, the Onshore Purchaser and the JV Partner) shall pledge all of their equity interest in the Project Company in favour of PAB to secure the indebtedness under the PAB Facility, provided that the aggregate liability secured by the share pledges to be provided by Spring REIT's SPVs shall be on a several and proportionate basis (i.e. shall not exceed its pro rata portion, based on the respective equity interest held by Spring REIT (through its SPVs) on the one hand and the JV Partner on the other hand in the Project Company) (the "**PAB Share Pledges**").

Subject to rule 14A.89 of the Listing Rules, each of the PAB Guarantees and the PAB Share Pledges will constitute an exempted connected party transaction of Spring REIT upon Completion. Please refer to section H.1 headed "Connected and Major Transactions" in this announcement for further details.

3. Novated Payables

As at the Latest Practicable Date, there are certain intercompany balances owing by and to the Project Company. Pursuant to the Acquisition Agreements, the Sellers shall procure that prior to and as a condition of Completion, such intercompany balances (save for the Residual Payables) are consolidated into a net payables of RMB890 million owing by the Onshore Seller to the Project Company (with any remaining balance in excess of RMB890 million (save for the Residual Payables) to be discharged prior to Completion), which shall be unsecured and interest-free, and such payables shall be novated to the Onshore Purchaser on Completion as part settlement of the Onshore Consideration. The Project Company is expected to settle the Residual Payables of RMB10.5 million, which shall be interest-free, using its own cash after Completion.

Following the novation, the Onshore Purchaser will assume the Onshore Seller's obligations and liabilities under the Novated Payables at Completion, such that the Novated Payables will become an indebtedness owing by the Onshore Purchaser to the Project Company. The Novated Payables will not have a maturity date nor will the agreement for the Novated Payables provide that they are repayable on demand (although the Manager's PRC legal adviser has advised that under such circumstances, the creditor can request the debtor to repay the debt at any time, but should give the debtor a reasonable time period to arrange for repayment), and will continue to remain unsecured and interest-free.

Upon Completion, Spring REIT (through its SPVs) will own and control 68% of the equity interest in the Project Company. As majority owner, Spring REIT should be able to make key operational decisions of the Project Company (including the request for repayment of the Novated Payables), save for limited board reserved matters as described in section A.7.4 headed "Matters Requiring Unanimous Approval" in this announcement (which do not include matters relating to the Novated Payables). As at the Latest Practicable Date, the Manager had no definitive timetable for the Project Company to request repayment by the Onshore Purchaser of the Novated Payables.

Subject to rule 14A.90 of the Listing Rules, the Novated Payables will constitute an exempted connected party transaction of Spring REIT upon Completion. Please refer to section H.1 headed "Connected and Major Transactions" in this announcement for further details.

The Manager has been advised by its PRC legal adviser that the assumption of the Novated Payables complies with the applicable PRC laws and regulations. The Manager considers that the assumption of the Novated Payables, as opposed to paying the equivalent amount in cash, will enable Spring REIT to acquire as much equity interest in the Project Company as possible, without having to issue new Units, so as to enhance yield for Unitholders with no ownership dilution.

4. Project Company Facility

As at the Latest Practicable Date and immediately prior to the Reorganisation, the Onshore Seller held and is expected to hold the entire equity interest in the Project Company representing a fully paid-up registered capital of RMB400 million. As a result of the Reorganisation to enable the Offshore Transaction, the Project Company will issue the Project Company Subscription Shares to the PRC Intermediary Company such that immediately after such issue, the Onshore Seller and the PRC Intermediary Company will hold 69% and 31% respectively of the equity interest in the Project Company. The subscription price of approximately RMB179.7 million for the Project Company Subscription Shares will be paid from time to time by drawing down the Project Company Facility of up to approximately RMB179.7 million, which will be unsecured and interest-free. The Project Company Facility may be drawn down for an initial period of three years and may be renewed under the same terms thereafter by mutual agreement. If the term is not renewed, all outstanding amounts under the Project Company Facility shall become due and payable at the end of the term. Save for the foregoing, the Project Company shall not be entitled to demand repayment.

As at the Latest Practicable Date, the Manager had no definitive timetable to draw down the Project Company Facility. The Manager will take into account Spring REIT's ability to service its debts as and when they fall due, when deciding whether and when to draw down the Project Company Facility.

Subject of rule 14A.90 of the Listing Rules, the transactions under the Project Company Facility will constitute exempted connected party transactions of Spring REIT upon Completion. Please refer to section H.1 headed "Connected and Major Transactions" in this announcement for further details.

5. Upsized Existing Facility

The Manager has entered into a facility letter with a lending bank (the "**Bank Lender**") as arranger for the provision of a HKD denominated loan facility for an available amount of HKD1,731.6 million (the "**Upsized Existing Facility**"), by upsizing the existing loan facilities of Spring REIT. The Manager intends to finance RMB794.9 million of the cash Consideration and the Total Fees and Charges by drawing down on the Upsized Existing Facility.

The Upsized Existing Facility will bear interest at a margin of 1.55% per annum over HIBOR, and will mature and become repayable 3 years from the effective date of the Upsized Existing Facility. The Trustee will provide an unconditional and irrevocable guarantee in favour of the lenders in respect of the Upsized Existing Facility.

The terms and conditions of the Upsized Existing Facility described in this announcement are indicative only and subject to change depending on the market conditions at the time the Upsized Existing Facility is finalised and the relevant loan agreement(s) are signed, and do not represent the complete set of the actual terms and conditions. The actual terms and conditions of the Upsized Existing Facility may differ from, or may comprise additional or fewer terms and conditions as compared with, the indicative terms and conditions described in this announcement. To the extent that there are any material changes to the indicative terms and conditions described in this announcement, the Manager will issue an announcement to provide details of such changes.

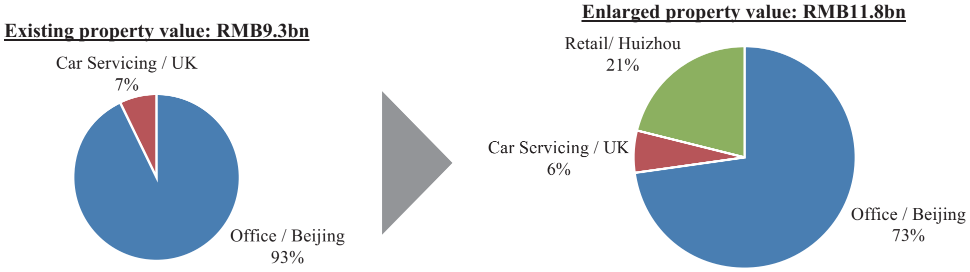
C. REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE JOINT VENTURE

1. Yield Accretive Acquisition and Alignment of Interest

The Manager intends to finance the Consideration and the Total Fees and Charges using debt facilities (including the Upsized Existing Facility) and the assumption of the Novated Payables. Since Spring REIT will not be acquiring the entire interest in the Target Property, and expects to have sufficient resources and debt facilities to pay for the Acquisition in cash, Spring REIT does not need to raise financing for the Acquisition through an equity issue. The Manager believes that a debt-funded structure (together with the assumption of the Novated Payables) will provide yield accretion to Unitholders with no ownership dilution. In addition, by virtue of the Onshore Seller retaining 32% of its interest in the Target Property post-Completion, Spring REIT benefits from having its interest aligned with the existing owner of the Target Property who has the requisite experience and local knowledge to manage the Target Property.

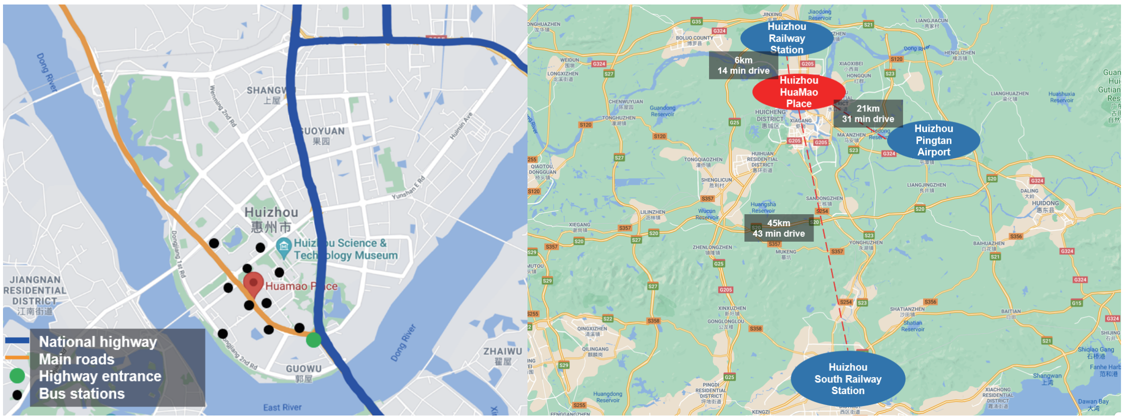
Based on the Unaudited Pro Forma Financial Information of the Enlarged Group as set out Appendix 3 to the Circular, it is expected that, on a pro forma basis assuming the Relevant Proportion of the Target Property had been held and operated by Spring REIT for the year ended 31 December 2021, the Acquisition would have been yield accretive and would have improved the earnings of Spring REIT and DPU to Unitholders. As shown in the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the year ended 31 December 2021 in Appendix 3 to the Circular, the DPU of Spring REIT would have increased by 12.9% from 22.0 HK cents to 24.8 HK cents, whilst the total distributable income of Spring REIT would have increased by 13.2% from RMB297.7 million to RMB336.9 million for the year ended 31 December 2021. Net property income yield, being the net property income as a percentage of the value of investment properties, of the Enlarged Group would have also increased from 4.3% to 4.7% for the year ended 31 December 2021. The acquisition of 68% interest in a yield accretive, quality income-producing property is in line with Spring REIT's investment strategy to invest in income-producing real estate and seek yield accretive investment opportunities.

2. Diversification and Enlargement of Spring REIT's Property Portfolio while Reducing Risk Exposure



Spring REIT's Existing Properties comprise the CCP Property and 84 commercial properties in the United Kingdom which are currently operating as car servicing centres. As at 31 December 2021, office property comprised approximately 93% of Spring REIT's existing portfolio by value. The Acquisition, which will enlarge the value of Spring REIT's property portfolio by approximately 27% on a consolidated basis, will be Spring REIT's first investment in a retail property asset in the PRC and its first investment in the Greater Bay Area. On a non-consolidated basis, Spring REIT's 68% interest in the Target Property will bring a corresponding increase to the value of Spring REIT's property portfolio by approximately 18%. As a result of the Acquisition, the composition and locations of Spring REIT's portfolio assets will be diversified to shopping mall and the Greater Bay Area. This also reduces Spring REIT's exposure to concentration risk and other risks associated with its reliance on the income generated by the CCP Property or the performance of the Beijing office market.

3. Prime Location and Proximity to Public Transportation



The Target Property is located in Jiangbei, the CBD of Huizhou, and is well positioned to attract potential customer groups including white-collar workers, middle and upper class residents and young students. According to the Market Consultant's Report, the Target Property has clear transportation advantages, including close proximity to Huizhou Railway Station, Huizhou Pingtan Airport, a national highway entrance and around 20 direct bus lines, thus extending its catchment coverage beyond Huizhou.

4. Consistent Market Leader with Demonstrated Resilience in Economic Downturn

The Target Property has been a dominant regional market leader in terms of gross merchandise value as well as high-end market positioning. According to the Market Consultant's Report, in 2021, the Target Property ranked first in terms of gross merchandise value (with a gross merchandise value of approximately RMB2,130 million, based on information provided by the Sellers), and ahead of the second-place (namely Huizhou Ganghui Mall, which had a gross merchandise value of approximately RMB1,500 million to RMB2,000 million for the same period). With a gross floor area of 144,925.07 sq.m., as at 31 December 2021, the Target Property was the fourth largest shopping mall in Huizhou in terms of retail gross floor area and well-supported by international and domestic top-tier brand names like Estee Lauder, Lancôme, Hugo Boss and BOSE, which are rarely seen in shopping malls in Huizhou city.

	Year ended 31 December		
	2019	**2020**	**2021**
Average rent (RMB/sq.m./month)	129.07	123.37	146.36
Average occupancy rate (%) [(1)]	98.4%	98.6%	97.1%

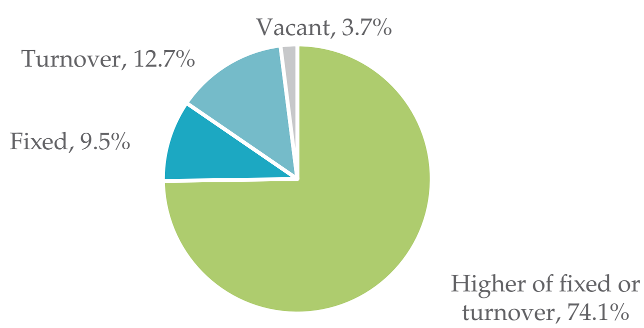
Notes:

(1) Average occupancy rate for the relevant period.

Based on information contained in the Market Consultant's Report, since 2018, the rate of growth in the Target Property's average monthly rent has outpaced that of retail properties in first-tier cities in the PRC. The average monthly rent of the Target Property grew at a CAGR of approximately 7.8% during the period from 2018 to 2021, as compared to the CAGR between 2018 and 2021 of -1.0%, -2.5%, 6.3%, -5.0% and 0.0% achieved by retail properties in Beijing, Shanghai, Guangzhou, Shenzhen and Huizhou, respectively. Despite the first wave of COVID-19 in first half of 2020 which led to substantial economic downturn, only minimal rent concession was granted to the tenants by the Project Company which was discontinued immediately thereafter, and the Target Property managed to deliver a stable operating performance in 2020. The Target Property has consistently maintained a high occupancy rate every year since its opening. As at 31 December 2021, the Target Property enjoyed a high occupancy rate of 96.3%, exceeding the average occupancy rate of approximately 80% in 2021 for shopping malls in Huizhou.

As at 31 December 2021, approximately 83.6% of the gross lettable area was leased on a fixed rent or higher of fixed/turnover rent basis. The Manager is of the view that such lease structure composition provides a reasonable revenue cushion in case of an economic downturn when retail sales might be negatively impacted, as well as growth potential by tracking tenants' sales in good years.

Huamao Place's Tenancy Type



5. Experienced Management Team with Solid Track Record

Historically managed by staff of Huamao Group (華貿集團) who have extensive experience in the commercial and retail real estate sector in the PRC, the Target Property is successfully positioned as an iconic landmark in Huizhou with exceptional track record over the past 10 years. The management team has leveraged on its well-established reputation and connections to secure exclusive agreements from international and domestic top-tier fashion brand names to set up their sole or flagship store in the Huizhou region in the Target Property. Beijing Guohua is the developer of China Central Place, a prime mixed-use development complex in the CBD of Beijing comprising office, hotel, retail and residential components. Huamao Group manages certain retail portions of the China Central Place complex and is a joint owner of the SKP Beijing property, one of the largest department stores by sales in the PRC which is also located within the China Central Place complex. The Manager understands that key management staff of the Property Manager and the Building Manager will be selected from the team that has historically been managing the Target Property, and will therefore have extensive experience in providing the relevant services in respect of the Target Property. This will ensure continuity of management services after Completion.

For the purpose of attracting consumer spending and footfall, the Target Property has introduced famous chain restaurant brands, for example, Pizzahut and Haidilao hot pot, and other entertainment (for example, virtual reality theme park, cinema and beauty and health clubs) that are difficult to be replaced by rising e-commerce competitors. The Target Property offers a diversified tenant mix and brand coverage, with the following breakdown by gross lettable area as at 28 February 2022: apparel (33.2%), food (25.8%), entertainment (7.9%), kid's fashion and lifestyle (5.3%) and other sectors (24.0%). As compared to its nearest comparable shopping mall (namely, Huizhou Kaisa Plaza) which had an average daily footfall of nearly 18,000 in 2021, the Target Property achieved an average daily footfall of more than 30,000 on weekdays and more than 50,000 on weekends (based on information provided by the Sellers) which demonstrated the Target Property's strong advantage in attracting consumers.

6. Accurate and Tested Strategies for Optimising Footfall and Tenant Mix

According to the Market Consultant's Report, since its opening in April 2011, the Target Property has consistently delivered strong performance and is now well positioned to select and retain the best brands on its premises. Based on information provided by the Sellers, the management team conducts assessments on tenancy profile in a timely manner in view of latest market situation and replaces approximately 20% of underperforming tenants upon renewal every year. Tenancy periods have generally been kept relatively short in order to achieve maximised optimisation flexibility and support the consistent rental increment upon tenancy renewal. As at 31 December 2021, the weighted average lease expiry, being the weighted average of existing tenant remaining tenancy on the tenant's leased gross lettable area, was 29.0 months (excluding the Supermarket Lease which was in the process of being terminated as at the Latest Practicable Date). For new tenants that the management team plans to onboard, the tenancy period will be kept at similar level as that of the existing tenants. This tenancy period optimisation strategy could also contribute to limit the impact brought by actual or potential economic downturns, including COVID-19.

The management team also maintains a high occupancy rate by initiating negotiation with existing tenants six months in advance of tenancy expiry and aiming to complete negotiations no later than two months before the tenancy expiry to ensure sufficient buffer time for the seamless replacement of new tenants.

7. Capture of Strong Growth Potential of the Greater Bay Area and Huizhou

According to the Market Consultant's Report, Huizhou exhibited a higher growth rate in its residential population compared to the national average level during the period between 2016 and 2021. During the period from 2016 to 2021, Huizhou's total residential population grew from 5.6 million to 6.1 million, representing a CAGR of 1.5%. With the continuous improvement of transportation connecting surrounding cities, Huizhou's Household Registration Policy, and the advantageous geographical location, Huizhou is expected to continue attracting population inflow.

Huizhou has enjoyed steady economic growth over the past five years as well. Huizhou's nominal GDP increased from RMB336.0 billion to RMB497.7 billion between 2016 and 2021, representing a CAGR of 8.2% during this period, and is projected to reach RMB707.1 billion by 2026, with a projected CAGR of 7.3% between 2021 and 2026. According to the Market Consultant's Report, from 2016 to 2021, Huizhou's total retail sales value of consumer goods grew in line with its growing GDP and income levels, outpacing that of Guangzhou, and is expected to reach RMB298.0 billion by 2026, representing a projected CAGR of 8.5% between 2021 and 2026.

The Greater Bay Area has also seen strong economic growth, with its nominal GDP increasing from RMB9.5 trillion to RMB12.6 trillion between 2016 and 2021, implying a CAGR of 5.9% during this period, and its GDP is expected to grow at a projected CAGR of 6.2% from 2021 to 2026. In 2021, the Greater Bay Area accounted for 10.8% of the total GDP of mainland China, Hong Kong and Macau. Given the continuous net residential population inflow and stable GDP growth, the retail industry of the Greater Bay Area is expected to maintain a projected CAGR of 7.7% in terms of total retail sales value of consumer goods over the next five years.

Based on the above, the Manager is of the view that the Acquisition will complement Spring REIT's presence in Beijing (and to a lesser extent, the United Kingdom) with a new presence in the Greater Bay Area, capturing the growth potential from the region's economic growth and increasing strategic importance to the PRC.

D. INFORMATION ON THE TARGET PROPERTY

1. The Target Property

For key information concerning the Target Property, please refer to section A.2 above.

2. Property Valuation

Knight Frank Petty Limited, the current principal valuer of Spring REIT, has been appointed as the Independent Property Valuer to appraise the value of the Target Property for the purpose of the Acquisition. The Appraised Value of the Target Property (as assessed by the Independent Property Valuer as at the Valuation Date) was RMB2,691 million. The Agreed Property Value represents an approximate 9.3% discount to the Appraised Value.

In arriving at the Appraised Value, the Independent Property Valuer has made use of the income capitalisation method, which is appropriate for valuation of properties with stable and uniform lease terms, and cross-checked with reference to the market approach. The income capitalisation method takes into account the rental income of the Target Property derived from existing Leases, Joint Operation Agreements and Direct Operation Agreements and the rental income which is achievable in the existing market, with due allowance for reversionary income potential, which were then capitalised to determine the market value at an appropriate capitalisation rate. The market approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

As the Appraised Value only relates to the valuation of the Target Property, it does not take into account the financing and shareholding structure of the Target Property and is not equivalent to the value of the Target Group. Accordingly, the parties have agreed to adjust the Relevant Proportion Agreed Property Value in the manner described in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement.

3. Ownership

Spring REIT will not directly hold its interest in the Target Property. Instead, such interest in the Target Property will be held on trust for Spring REIT by the Trustee in accordance with the provisions of the Trust Deed. More specifically, the Trustee will, through the SPVs of Spring REIT, hold Spring REIT's 68% interest in the Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Target Property.

The Manager's PRC legal adviser has advised that the Project Company has legally obtained the state-owned land use rights in respect of the Target Property and that it is the registered legal user of the land use rights and the registered legal owner of the building ownership rights underlying the Target Property. The Project Company has legal ownership of the Target Property and can legally and beneficially own, use, occupy, transfer and lease out the Target Property in accordance with the relevant PRC laws. The Manager's PRC legal adviser has also advised that the Project Company is the sole user of the land use rights and the sole owner of the building ownership rights underlying the Target Property and that such rights are free from encumbrances, subject to the conditions of the PAB Facility, Leases, Joint Operation Agreements and Direct Operation Agreements.

Based on the above, the Manager's PRC legal adviser is of the view that the Project Company can legally and beneficially own, use, occupy, transfer and lease out the Target Property in accordance with the relevant PRC laws free from encumbrances, subject to the conditions of the PAB Facility, Leases, Joint Operation Agreements and Direct Operation Agreements. Based on the above advice of its PRC legal adviser, the Manager is of the view that the Project Company has good, marketable, legal and beneficial title to the Target Property.

According to the *Law of the People's Republic of China on Administration of Urban Real Estate* (中華人民共和國城市房地產管理法), if the land user intends to continue to use the land upon expiry of the use term (being 1 February 2048 in respect of the Target Property), such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. For the reasons above, the Manager's PRC legal adviser has advised that a land user may extend the land use right in accordance with PRC laws and administrative regulations, unless the PRC government plans to expropriate the land due to public interest, and there will not be any material legal impediment for extension of the land use right.

The Manager's PRC legal adviser has advised that there is no material legal impediment on the remittance of dividends on retained earnings of the Project Company out of the PRC to the respective holding companies of the Onshore Purchaser and the PRC Intermediary Company, provided that such remittance is made and tax-levied in accordance with the procedures set out under the relevant PRC laws and regulations, including but not limited to those on foreign investment, tax, foreign exchange and business registration, and that such remittance is not made in breach of the terms relating to the PAB Facility (including the PAB Property Mortgage).

4. Tenancies

The terms of the Leases, the Joint Operation Agreements and Direct Operation Agreements which were subsisting as at 28 February 2022 have been reviewed by the Manager's PRC legal advisers as part of legal due diligence.

4.1 Leases

The major Leases entered into for the Target Property are generally for terms ranging from one to five years, while the proportion of lessees with a lease term of more than 5 years is approximately 5.6%. Most Leases have fixed terms, but in some leases the lessees and the Project Company (as lessor) have agreed on an optional term for renewal apart from the fixed term, in which case, the rental increase shall be re-determined through negotiation between both parties in accordance with the market conditions for commercial retail premises.

At the time of entering into a Lease, the lessees are required to provide a non-interest bearing security deposit, which is generally an amount equivalent to three months' rent. Most of the lessees are required to pay their rent on or before the 25th day of each month. Consistent with market practice, fitting-out periods during which no rent is payable, which vary depending on market conditions at the time of negotiation, lease terms and lease areas, are commonly granted to the lessees.

Under the Leases, the lessees are responsible for payment of building and operations management fees, utilities and other outgoings. The lessees are also responsible for repair costs and all other expenses relating to the interior of the premises, while the Project Company (as lessor) is responsible for repair costs relating to the main building structure. In the event that the premises or any part of it is rendered unfit for use by fire, typhoon or other force majeure events other than as a result of the negligence or fault of the lessees, according to most of the Leases, the Project Company (as lessor) or the lessees shall be entitled to terminate the relevant Leases upon serving prior written notice to the other party if the situation has not been rectified for more than six months. The lessees are not permitted to assign or sublet the premises under the Leases.

The majority of the Leases do not enable the lessees to terminate their Leases ahead of the scheduled expiration dates, unless the Project Company (as lessor) delays in delivery of the premises or the premises have defects which render the premises unusable and the circumstances are serious. If a lessee unilaterally terminates the Lease for reasons other than the ones mentioned above without the Project Company's consent, such lessee shall pay to the Project Company an amount equivalent to the sum of all rent for the rest of the lease period and forfeit the security deposit as liquidated damages. The Project Company is entitled to forfeit all the security deposit paid and all the rent prepaid by such lessee to offset the liquidated damages and losses. In addition, the Project Company has the right to terminate a Lease upon the occurrence of certain events, such as delay in rental payment over a specified period or breach of covenants by the lessee.

4.2 Joint Operation Agreements

General

Historically, certain parties (the "**operators**") that do not have a local legal entity to enter into leases at the Target Property have instead entered into Joint Operation Agreements with the Project Company. All such operators are internationally or regionally recognised fashion retailers, except for one which is an internationally recognised jewellery chain.

The economic features of Joint Operation Agreements are akin to Leases in that: (a) the Project Company receives a monthly rent-equivalent under the Joint Operation Agreements expressed as a percentage of the premises' gross income (similar to monthly turnover rent under a lease) and, in approximately half of the cases, subject to a minimum amount (similar to monthly base rent under a lease); (b) the operator enjoys the profit (or bears the loss) from its operation of the premises after payment of its monthly rent-equivalent to the Project Company; and (c) other common lease terms (such as those relating to term, security deposit, maintenance) are documented in the Joint Operation Agreements as further described below.

Joint Operation Agreements are less common than Leases at the Target Property. As at 31 December 2019, 2020 and 2021, the area of the premises at the Target Property subject to Joint Operation Agreements represented approximately 6%, 5% and 4% of the total leased area of the Target Property respectively and, based on information provided by the Sellers, the actual rent derived from the Joint Operation Agreements accounted for approximately 11.6%, 8.5% and 8.0% of the actual rent of the Target Property for the years ended 31 December 2019, 2020 and 2021 respectively.

The Manager's PRC legal adviser has advised that the Joint Operation Agreements are legal and enforceable under PRC laws and regulations. The Manager's PRC legal adviser also advised that under the PRC law, the liabilities of a limited company, being a legal entity separate from its shareholder(s), are limited to the assets of that company, and accordingly, any liability in connection with product liability or quality control claims and administrative penalties will be limited to the extent of the Project Company's assets. In addition, under the Joint Operation Agreements, the operators are required to resolve and settle any product liability or quality control claims or administrative penalties arising from the operator's delay in resolving or settling such claims or penalties, the operators shall also indemnify the Project Company for such loss or the Project Company may claim against the operators for such loss. In the event that an operator fails to indemnify the Project Company within seven days upon receiving the Project Company's notices or such other period as agreed under the Joint Operation Agreements, the Project Company will be entitled to forfeit the security deposit paid by that operator and terminate the Joint Operation Agreement. Furthermore, under the relevant Acquisition Agreement, the Offshore Seller and the Onshore Seller have agreed to indemnify the Offshore Purchaser and the Onshore Purchaser respectively in respect of the aforementioned liabilities arising prior to Completion, subject to the Maximum Cap Liability.

Having regard to the economic benefits and below-mentioned terms and limitations on and safeguards against potential liabilities of the Joint Operation Agreements, the Manager considers that the Joint Operation Agreements are consistent with the Manager's investment strategy, comply with the Trust Deed and the REIT Code and are in the best interests of the Unitholders.

Allocation of key responsibilities and potential liabilities

Each Joint Operation Agreement does not involve the formation of a joint venture between the Project Company and the operator, but rather, it is an agreement under which the parties agree to certain roles and responsibilities (to be discharged in their independent personal capacities) in respect of the relevant premises. Generally:

(a) the Project Company's key responsibilities include: (i) delivering the premises to the operators; (ii) arranging events in the Target Property's common areas; (iii) collecting the gross income from the premises and paying part of the same (as specified in the Joint Operation Agreements) to the operators; and (iv) issuing tax invoices in its own name to end customers; and

(b) the operator's key responsibilities include: (i) using the premises as agreed and starting the business after the Project Company's requirements have been satisfied (including but not limited to the operator obtaining proper permits/licenses, staff, goods, facilities and cashier); (ii) deciding the prices for goods, returning or changing the goods, keeping inventory; (iii) maintaining cleanliness and ensuring property and personal safety on the premise; (iv) purchasing erection all risk insurance and public liability insurance for the premises; and (v) reporting income to the Project Company.

As the Joint Operation Agreements can legally be construed as an agreement setting out the rights and obligations of the parties in respect of the relevant premises, the Project Company can technically be construed as being responsible for the operations of the retail business at the premises through its abovementioned limited responsibilities under the Joint Operation Agreements. As the Project Company is a property holding special purpose vehicle with no employees, such responsibilities shall be discharged by the Property Manager in accordance with its duties and obligations under the Property Management Agreement.

Based on advice from the Manager's PRC legal adviser, according to *Article 509 of the PRC Civil Code*, each party shall perform and bear civil liability for their respective duties and obligations in accordance with the joint operation agreement. As the Project Company is not a party to the contracts entered into in respect of the operation of the premises (e.g. employment contracts, supply contracts) as these are entered into between the operator (in its own name) and third parties, the Project Company shall not be liable for the responsibilities of the operator thereunder, even where the operator seeks to avoid liability (e.g. salary, costs of goods) with such third parties, although it may be liable for how the operator operates the premises in the limited circumstance described below.

One difference between the Joint Operation Agreements and Leases is that under the former, the Project Company is responsible for issuing tax invoices in its own name to end customers, which may potentially cause the Project Company to be responsible for mainly product liability and/or quality control claims, customer disputes and/or administrative penalties arising from the operators' operation of the relevant premises. The Manager's PRC legal adviser has advised that under PRC law, the liabilities of a limited company, being a legal entity separate from its shareholder(s), are limited to the assets of that company, and accordingly, any liability in connection with product liability or quality control claims and administrative penalties will be limited to the extent of the Project Company's assets. Under the Joint Operation Agreements, the operators are required to resolve and settle any product liability or quality control claims or administrative penalties arising from the operators' operation of the relevant premises. If the Project Company suffers a loss as a result of the operators' delay in resolving or settling such claims or penalties, the operators shall also indemnify the Project Company for any such loss or the Project Company may claim against the operators for any such loss. In the event that an operator fails to indemnify the Project Company within seven days upon receiving the Project Company's notices or such other period as agreed under the Joint Operation Agreements, the Project Company will be entitled to forfeit the security deposit paid by that operator, and terminate the Joint Operation Agreement. In addition, the Project Company may bring a claim against such operator before the PRC courts. Furthermore, under the relevant Acquisition Agreement, the Offshore Seller and the Onshore Seller have agreed to indemnify the Offshore Purchaser and the Onshore Purchaser respectively in respect of the aforementioned liabilities arising prior to Completion, subject to the Maximum Cap Liability.

Given the brand reputation of the operators and the nature of their businesses, the Manager considers the risk of product liability or quality control claims or administrative penalties, as well as the risk of the operators not being able to indemnify the Project Company, to be low. Having regard to: (a) the income historically derived from the Joint Operation Agreements as a percentage of the Project Company's total revenue; (b) the area of the premises subject to the Joint Operation Agreements as compared to the total leased area of the Target Property; (c) the nature of the business conducted by majority of the operators; (d) the abovementioned indemnities from the operators and other recourse available to the Project Company; and (e) the abovementioned indemnity from the Sellers, the Manager does not consider the Joint Operation Agreements to pose a material risk to Spring REIT and is of the view that the interests of Unitholders are adequately protected against the abovementioned potential liabilities.

Notwithstanding the above, the Manager will work with the JV Partner and use best endeavours to change the Joint Operation Agreements to leases at the end of their term and limit the number of Joint Operation Agreements to exceptional situations where it is impracticable to enter into leases with key reputable operators. No Joint Operation Agreement shall be entered into unless: (a) the operator is a reputable operator; (b) satisfactory indemnities (including security deposit) are provided; and (c) the entering into of the Joint Operation Agreement is in the best interest of the Project Company. Further, the Manager will work with the JV Partner to ensure that the area of the premises at the Target Property subject to Joint Operation Agreements represents less than 10% of the total leased area of the Target Property. Although it is not open to the Project Company to unilaterally terminate the subsisting Joint Operation Agreements without risking a breach of contract, except in certain limited circumstances described below, the Manager will work with the JV Partner and use best endeavours to reduce the number of Joint Operation Agreements over time.

Other terms of the Joint Operation Agreements

The Joint Operation Agreements are generally for terms ranging from seven months to 71 months. At the time of entering into a Joint Operation Agreement, most of the operators are required to pay a non-interest bearing security deposit ranging in various amounts (with the maximum up to approximately RMB300,000).

Under the Joint Operation Agreements, the operators are responsible for all costs in relation to operating the relevant premises, including the building management fees, utilities and other outgoings, repair costs and all other expenses relating to the interior of the premises. The Project Company is only responsible for costs that are typically borne by property owners, such as repair costs relating to the main building structure.

In the event that the premises or any part of it is rendered unfit for use by fire, typhoon or other force majeure events other than as a result of the negligence or fault of the operators, according to most of the Joint Operation Agreements, the Project Company or the operators shall be entitled to terminate the relevant Joint Operation Agreements upon serving prior written notice to the other party if the situation has not been rectified for more than six months. The operators are not permitted to assign the premises under the Joint Operation Agreements.

The Joint Operation Agreements do not enable the operators to terminate their Joint Operation Agreements ahead of the scheduled expiration dates, except in serious circumstances such as where the Project Company delays in delivery of the premises or the premises have defects which render the premises unfit for use. If an operator unilaterally terminates the Joint Operation Agreement for reasons other than the ones mentioned above without the Project Company's consent, such operator shall pay to the Project Company an amount equivalent to the sum of certain percent of income for the rest of the Joint Operation Agreement period, which shall be calculated based on the income of the month when the Joint Operation Agreement is terminated, and forfeit the security deposit as liquidated damages. The Project Company is entitled to forfeit all the security deposit paid and all the rent prepaid by such operator to offset the liquidated damages and losses. In addition, the Project Company has the right to terminate a Joint Operation Agreement upon the occurrence of certain events, such as repeated delays in providing sales reports despite notice and false reporting on sales performance.

4.3 Direct Operation Agreements and Direct Operation Leasing Framework Agreement

Based on information provided by the Sellers, as at the Latest Practicable Date, there were six designated units (each, a "**Beauty Store**") under Direct Operation Agreements entered into in respect of five internationally recognised beauty products brands (the "**Beauty Retailers**"), of which one had been entered into between the Project Company and the Beauty Retailer with the remaining being entered into between the Direct Operation Lessee and the Beauty Retailer. Under each Direct Operation Agreement, the Project Company or the Direct Operation Lessee (as the case may be) is appointed as an authorised retailer of the relevant Beauty Retailer's merchandise and agrees to acquire merchandise from the relevant Beauty Retailer at a discount to the retail price and offer such merchandise for sale at the retail price at the relevant Beauty Store within the Target Property, and the price difference will be retained by the Project Company or the Direct Operation Lessee (as the case may be) as profit from the operation of the relevant Beauty Store. The employees of the relevant Beauty Retailer or its agent will be responsible for product sales and marketing activities at the relevant Beauty Store, and the Project Company or the Direct Operation Lessee (as the case may be) will be responsible for issuing tax invoices in its own name to end customers.

Based on advice from the Manager's PRC legal adviser, in respect of the Direct Operation Agreement to which the Project Company is a party, since the Project Company is responsible for issuing tax invoices in its own name to end customers, this may potentially cause the Project Company to be responsible for mainly product liability and/or quality control claims, customer disputes and/or administrative penalties arising from the operation of the relevant Beauty Store.

The Manager understands from the Sellers, and has confirmed with the Market Consultant, that Direct Operation Agreements are a normal operating model in the PRC for introducing international beauty brands to the local retail market. To accommodate such arrangement without the Project Company assuming the risk of the retail operations, the Direct Operation Lessee or its designated associate will assume the Project Company's rights, obligations and liabilities under the existing Direct Operation Agreement to which the Project Company is a party, as well as any other Direct Operation Agreements which may be entered into by the Project Company prior to

Completion, and the Project Company will in turn lease the relevant premises to which each such Direct Operation Agreement relates to the Direct Operation Lessee or its designated associate (the Leases entered or to be entered into with the Direct Operation Lessee in relation to any existing Direct Operation Agreement shall be referred to as the "**Existing Direct Operation Leases**"). Such arrangement would effectively transfer the risk of the relevant retail operations to the Direct Operation Lessee on Completion, which the Manager believes would minimise Spring REIT's direct risk exposure to the relevant retail operations and sufficiently protect and safeguard the interests of the Unitholders. To ensure that the transition is done on or prior to Completion, the Sellers are obliged under the Acquisition Agreements to deliver the relevant novation agreements for the applicable existing Direct Operation Agreements and the corresponding Existing Direct Operation Leases to the Purchasers. As similar arrangements may be made for future prospective retailers who may prefer the operating model under Direct Operation Agreements and in cases where such operating model is the industry norm, the Manager expects that the Project Company will from time to time lease part of the Target Property to the Direct Operation Lessee or its designated associate, which will in turn enter into the Direct Operation Agreement with the relevant retailer. Therefore, upon Completion, the Project Company will enter into the Direct Operation Leasing Framework Agreement with the Direct Operation Lessee, which will set out the framework terms governing such Direct Operation Leasing Transactions.

The Direct Operation Leasing Framework Agreement, which will be entered into by the Project Company and the Direct Operation Lessee on the Completion Date, will be for a term commencing on the Completion Date and expiring on 31 December 2024. Thereafter, prior to the expiration of the term, the parties may mutually agree in writing to renew the agreement. Any renewal shall be subject to compliance with the relevant requirements of the REIT Code and the Listing Rules.

Under the Direct Operation Leasing Framework Agreement, the Project Company and the Direct Operation Lessee agree that each Direct Operation Leasing Transaction shall be entered into or otherwise conducted upon negotiation on a case-by-case basis: (a) in writing; (b) on an arm's length basis; (c) on normal commercial terms that are fair and reasonable; (d) at a rent and/or licence fee (as the case may be) that is determined by reference to the then prevailing market rate for the Target Property (which shall be based on the then prevailing market rate for properties in the vicinity of similar location and for similar purposes), with the basis of any management or service fee chargeable in connection with such tenancies or licences being the same as that of such fees chargeable to other independent third party tenants or licensees of the Target Property; and (e) in compliance with the terms of the Direct Operation Leasing Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

In assessing whether each Direct Operation Leasing Transaction is entered into based on the then prevailing market rate for the Target Property and on normal commercial terms, the Manager shall arrange for an independent valuation to be conducted for each such transaction before the transaction is first entered into.

5. Management of the Target Property

Following Completion, the JV Parties will enter into the Joint Venture Agreement under which the JV Partner's veto rights as shareholder of the Project Company will be limited to those set out in section A.7.4 headed "Matters Requiring Unanimous Approval" in this announcement. Therefore, having regard as well to its 68% interest in the Project Company and majority of its Board seats, Spring REIT will have majority ownership and control over the Target Property. The Manager will work with the JV Partner and supervise the Property Manager and the Building Manager in respect of the day-to-day management of the Target Property. On Completion, the Project Company will enter into the Property Management Agreement with Huizhou Huamao Operations Management Co., Ltd.* (惠州華貿商業管理有限公司) as Property Manager and the Building Management Agreement with Beijing Huamao Property Management Co., Ltd. Huizhou Branch* (北京華貿物業管理有限公司惠州分公司) as Building Manager for provision of management services in respect of the Target Property.

The Target Property has historically been managed by staff of Huamao Group. Beijing Guohua has extensive experience in the commercial and retail real estate sector in the PRC. It is the developer of China Central Place, a prime mixed-use development complex in the CBD of Beijing comprising office, hotel, retail and residential components. Huamao Group manages certain retail portions of the China Central Place complex and is a joint owner of the SKP Beijing property, one of the largest department stores by sales in the PRC which is also located within the China Central Place complex. The Manager understands that key management staff of the Property Manager and the Building Manager will be selected from the team that has historically been managing the Target Property, and will therefore have extensive experience in providing the relevant services in respect of the Target Property. This will ensure continuity of management services after Completion.

The Manager has reviewed and conducted appropriate due diligence on the Property Manager and the Building Manager in order to be satisfied that each of them has the necessary skills, resources, competencies and capabilities to fulfil its role with respect to the Target Property. Having regard to the above and how the Target Property has been managed to date, the Manager is confident that the Target Property will continue to be managed by staff with the requisite competence, experience and expertise for managing the Target Property and is satisfied with the Property Manager and the Building Manager being appointed to continue to manage the Target Property after Completion.

5.1 Property Management Agreement

Under the Property Management Agreement, which will be entered into by the Project Company and the Property Manager on the Completion Date, the Property Manager agrees to provide property management services in respect of the Target Property for a term commencing from the Completion Date and expiring on 31 December 2024. Subject to the parties' agreement, the term of the Property Management Agreement can be extended for an additional three years.

To facilitate the management of the Target Property, the Project Company will also lease part of the Target Property (the area of which is equal to approximately 0.4% of the gross floor area of the Target Property) to the Property Manager for the same period as office space from which the Property Manager will carry out its property management activities (the "**PM Office Lease**"). Under the PM Office Lease, which will be entered into by the Project Company and the Property Manager on the Completion Date, the annual rent under such lease will be RMB114,300 (including value-added tax) and will be payable annually in advance. The Manager has also obtained an opinion from the Independent Property Valuer that the rent payable under the PM Office Lease is fair and reasonable and in line with the prevailing market rates in similar location and usage in the PRC, and the PM Office Lease is on normal commercial terms. The Property Manager (as lessee) has an option to renew the lease by serving three months' prior written notice, in which case the parties must enter into a renewal lease prior to the original lease's expiry, with the key terms thereof, such as lease term and rent, agreed and determined by reference to the then prevailing market levels.

Under the Property Management Agreement, the Property Manager will be entitled to receive from the Project Company: (a) a fee equivalent to 3% of the annual revenue of the Project Company (which refers to the revenue generated by the Target Property but excludes, among other things, the revenue generated by the carpark spaces, which shall be settled on a monthly basis and subject to an annual adjustment based on the annual audit of the Project Company), and the corresponding value-added tax; and (b) a fee equivalent to the Property Manager's human resource costs (which includes salaries, bonuses, benefits and social insurance premiums, the budget of which shall be approved by the Project Company in advance and settled in advance on a monthly basis and subject to an annual adjustment based on the annual audit of the Project Company), and the corresponding value-added tax.

Under the Property Management Agreement, the Property Manager is required to bear all expenses it incurs for carrying out the services and performing its obligations under the Property Management Agreement or for its operation, save and except for the following expenses and costs, which shall be borne by the Project Company:

(a) operation and management expenses in relation to the Target Property, including taxes in connection with the revenues from the Target Property, utilities of unoccupied parts of the Target Property, insurance premiums, promotion and advertising expenses and fees and administrative costs in connection with third party advisers for the Target Property; and

(b) all other costs in relation to the Target Property (including expenses of third party advisers required for the operation of the Project Company and administrative expenses of the Project Company) to the extent approved in writing by the Project Company in advance. For the avoidance of doubt, all such other costs not approved in writing by the Project Company in advance shall be borne by the Property Manager pursuant to the Property Management Agreement.

The services to be provided by the Property Manager under the Property Management Agreement will include, among other things, leasing/joint operation management services, property management advisory services, marketing advisory services, financial management services and operational management services.

Pursuant to the Property Management Agreement, the Property Manager will be subject to ongoing supervision by the Project Company. The Property Manager will be required to provide (a) an operation management budget which shall contain, among other things, pricing strategies; and (b) a cost and expense management budget which shall contain, among other things, the revenue based management fee and the Property Manager's human resource costs, in each case on an annual basis within the required time for approval by the Project Company. Further, the Property Manager will be required to provide the Project Company with monthly, bi-annual and annual management reports, which should contain, among other things, a summary of the Leases and the Joint Operation Agreements, usage of the budget for the Project Manager's human resource costs, operating and management conditions of the Target Property, analysis on important market information, and other information as required by the Project Company. On an ad-hoc basis, the Property Manager will be obliged to provide updates on the management of the Target Property as and when requested by the Project Company. The Property Manager may not enter into leases and service agreements without first seeking the approval of the Project Company.

The Manager is of the view that the transactions under the Property Management Agreement and the PM Office Lease are: (a) consistent with Spring REIT's investment policy and in compliance with the REIT Code and the Trust Deed; (b) on terms which are fair and reasonable; (c) on normal commercial terms and in the ordinary and usual course of business of Spring REIT; and (d) in the interests of Spring REIT and the Unitholders as a whole.

Spring REIT shall re-comply with all applicable requirements under the REIT Code and the Listing Rules when it proposes to renew the Property Management Agreement, or to effect a material change to its terms, or when the annual cap is exceeded.

5.2 *Building Management Agreement*

Under the Building Management Agreement, which will be entered into by the Project Company and the Building Manager on the Completion Date, the Building Manager agrees to provide building management services in respect of the Target Property (including the carpark spaces) for a term commencing on the Completion Date and expiring on 31 December 2024, which is renewable by the parties' agreement.

To facilitate the management of the carpark spaces of the Target Property, all carpark spaces of the Target Property, comprising 700 underground and 50 above-ground carpark spaces which have not been generating any profits for the Project Company in the past few years, will also be master-leased to the Building Manager for the same period at an annual rent of RMB10,000 (the "**BM Carpark Lease**"), and the Building Manager will be entitled to the revenue derived from the operation of those carpark spaces but will also bear the expenses related to the same.

Under the Building Management Agreement, the Building Manager shall collect building management fees and other fees from the tenants and deposit such fees into an account jointly maintained by the Project Company and the Building Manager. The building management fees will be borne and paid entirely by the tenants. The Building Manager will be entitled to be paid from such account a commission of RMB2 per sq.m. per month (subject to increase if the building management fees increase during the term of the Building Management Agreement) with reference to the gross floor area of the Target Property. Utility charges of the Target Property (including the carpark spaces) will be borne by the Project Company. The Building Manager will specify the charges and the account of the Project Company to which such charges shall be paid to in the invoices issued to the tenants.

The services to be provided by the Building Manager under the Building Management Agreement will include, among other things, upkeep, repair and maintenance of the common areas and facilities of the Target Property, monitoring and security services, management and leasing services in respect of the carpark spaces, fire safety services, producing annual property management plans for the Project Company's review and approval as well as preparing user manuals and fitting-out manuals for the Target Property.

Pursuant to the Building Management Agreement, the Building Manager will be subject to ongoing supervision by the Project Company and the Property Manager. The Building Manager will be required to provide a building management budget report on an annual basis within the required time for approval by the Project Company. The building management budget report should include, among others, building management proposals and related costs. The Building Manager will also be required to provide the Project Company a monthly management report and a financial budget and implementation report.

6. Competition

According to the Market Consultant's Report, as at 31 December 2021, there were six shopping malls (including the Target Property) in Jiangbei. Among them, only the Target Property and Huizhou Kaisa Plaza (惠州佳兆業廣場) are positioned as mid to high-end shopping malls. In addition, as at 31 December 2021, there were five middle to high-end shopping malls in Huizhou, most of which are within 10 kilometres of the Target Property.

According to the Market Consultant's Report, out of the existing mid to high-end shopping malls in Huizhou, Huizhou Kaisa Plaza (惠州佳兆業廣場), Huizhou Ganghui Mall (惠州港惠購物中心) and Huizhou Longshan Jinshan Lake Center (惠州隆生金山湖中心) are identified as comparable properties with the Target Property due to their scale and reputation as shopping destinations in Huizhou.

According to the Market Consultant's Report, looking at Huizhou as a whole, it is expected that at least 11 shopping malls will open in the next five years, including four large shopping malls with retail gross floor area exceeding 100,000 sq.m. Shopping malls would need to defend their position by developing their unique competitiveness in terms of tenant and footfall acquisition that are not typically possessed by other competitors. Shopping malls will also face increasing competition from e-commerce and will need to actively seek diversified businesses such as entertainment, lifestyle and family activities to provide consumers with one-stop shopping experiences which are irreplaceable by online retail channels.

E. PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial effects of the Acquisition on total distributable income and NAV below are strictly for illustrative purposes and were prepared based on:

(a) the audited annual financial information of Spring REIT for the year ended 31 December 2021; and

(b) the audited financial information of the Offshore Target Company and the Project Company, respectively, for the year ended 31 December 2021 as set out in Appendices 2A and 2B headed "Accountant's Report of the Offshore Target Company" and "Accountant's Report of the Project Company" respectively to the Circular.

Please refer to the Circular for the bases and assumptions used for the calculations, which will comply with the requirements of the REIT Code.

F. CONTINUING CONNECTED TRANSACTIONS

On Completion, the Project Company and the Property Manager will enter into the Property Management Agreement (and, in connection therewith, the PM Office Lease) pursuant to which the Property Manager agrees to provide property management services in respect of the Target Property. The Project Company and the Direct Operation Lessee (which is also the Property Manager) will also enter into the Direct Operation Leasing Framework Agreement. Please refer to sections D.5.1 headed "Property Management Agreement" and D.4.3 headed "Direct Operation Agreements and Direct Operation Leasing Framework Agreement" in this announcement for further details. For the avoidance of doubt, the Property Management Agreement and the PM Office Lease on the one hand and the Direct Operation Leasing Framework Agreement on the other hand are not inter-conditional upon each other.

The respective Annual Caps applicable to the transactions under the Property Management Agreement, the PM Office Lease and the Direct Operation Leasing Framework Agreement for each of the following periods are set out in the following table:

	For the seven months ending 31 December 2022[1] *(RMB)*	For the year ending 31 December 2023 *(RMB)*	For the year ending 31 December 2024 *(RMB)*
Property Management Agreement	18,283,246	33,975,230	36,777,075
PM Office Lease	66,675	114,300	114,300
Direct Operation Leasing Framework Agreement	2,790,327	5,118,257	5,476,535

Notes :

(1) The annual cap for the seven months ending 31 December 2022 is calculated on a pro-rata basis which assumes Completion to take place immediately after the EGM in May 2022.

The Annual Caps set out in the table above should not be taken as the anticipated growth projections or indicators of the future performance of Spring REIT.

With respect to the Annual Caps applicable to the transactions under the Property Management Agreement, the Manager has considered that historically the Target Property was managed under an internal arrangement within the Sellers' group as opposed to by an external property manager. As such, the historical property management fees incurred by the Project Company (which amounted to RMB13.9 million, RMB13.9 million and RMB14.0 million for the years ended 31 December 2019, 2020 and 2021 respectively) are based on terms and fee structure determined by the Sellers' group internally. Such legacy arrangements should be distinguished from the commercial terms under the Property Management Agreement which are agreed after arm's length negotiations between external third parties (being the Manager and the Property Manager) by reference to the prevailing market rates for similar services provided by professional property management service providers for similar properties. Therefore, the Manager considers that the historical property management fees incurred by the Project Company do not provide a relevant basis for determining the Annual Caps applicable to the transactions under the Property Management Agreement.

The Annual Caps applicable to the transactions under the Property Management Agreement are determined based on the principal terms of the Property Management Agreement (details of which are set out in section D.5.1 headed “Property Management Agreement” in this announcement), supported by the independent opinion from the Independent Property Valuer on property management fee standards based on market comparable cases, as well as (a) to (c) below:

(a) the Manager’s expectation of the Target Property’s revenue and the Property Manager’s human resource costs, which was determined by taking into account, among other things, the historical amount of the Target Property’s revenue of approximately RMB217.9 million in 2021 and the present amount of the Property Manager’s human resources costs, the historical CAGR of 9.2% for the average annual salary for employees in Huizhou’s wholesale and retail industry from 2016 to 2020, the annual rental growth rate forecast of 7.0% to 10.0% for Huicheng District between 2021 and 2024, annual GDP growth rate forecast of 7.3% for Huizhou between 2021 and 2026 as estimated by the Market Consultant, an expected rental growth rate of 7.0% upon renewal of the prevailing leases, the prevailing leases to be continued with similar terms (including a customary rent-free fitting-out period at each renewal);

(b) applying the Manager’s expectations as mentioned in paragraph (a) above to the agreed terms of the Property Management Agreement, to determine the value of the property management transactions thereunder; and

(c) apply a buffer of 15% to the total amount calculated in paragraph (b) above for each of the financial years from 2022 to 2024. Such buffer is intended for contingencies such as changes in rent, potential inflation and possible increase in human resources and other costs and/or other market conditions in Huizhou and the PRC.

The Annual Caps applicable to the transactions under the PM Office Lease have been determined in good faith by the Manager taking into account the agreed rent under the PM Office Lease, on the assumption that: (a) the Acquisition will be completed on 31 May 2022, hence the lease will commence on 1 June 2022; and (b) there will be no early termination and the lease will therefore expire on 31 December 2024.

The Annual Caps applicable to the transactions under the Direct Operation Leasing Framework Agreement have been determined in good faith by the Manager taking into account the following factors and assumptions:

(a) the Manager's expectation, after taking into account the tenant optimisation strategy for the Target Property and availability of suitable premises, that there might be 20 Beauty Stores under new Direct Operation Agreements (including the six Beauty Stores under Existing Direct Operating Leases) and corresponding leases with the Property Manager and/or its designated associate during the term of the Direct Operation Leasing Framework Agreement and that the relevant premises will have similar attributes as the existing Beauty Stores;

(b) based on the number of expected Beauty Stores in paragraph (a) above, calculating the aggregate rent, fees and payments (including operation and management expenses, promotion fees, building management fees, etc.) to be charged by the Target Company under such Leases, which shall be determined based on the prevailing market rates for similar locations and for similar purposes, and applying an annual rental growth rate of 7.0% after considering the annual growth rate forecast of 7.0% to 10.0% for Huicheng District between 2021 and 2024 as estimated by the Market Consultant; and

(c) apply a buffer of 20% for the total amount calculated in paragraph (b) above for each of the financial years from 2022 to 2024. Such buffer is intended for contingencies such as changes in rent, unforeseen increase in the number of Beauty Stores under Direct Operation Agreements in addition to those expected by the Manager in (a) and/or area leased and/or other market conditions in Huizhou and the PRC.

G. INFORMATION ABOUT THE PARTIES

1. Information about Spring REIT and the Purchasers

Spring REIT is a real estate investment trust, the units of which were first listed on the Hong Kong Stock Exchange on 5 December 2013. Spring REIT's current portfolio comprises the CCP Property and a portfolio of 84 commercial properties in the United Kingdom which is leased to Kwik-Fit (GB) Limited, a leading car servicing provider in the United Kingdom with over 600 centres nationwide.

Each of the Offshore Purchaser and the Onshore Purchaser is a wholly-owned SPV of Spring REIT incorporated for the purposes of the Acquisition and their principal business activity is to acquire and hold Spring REIT's 68% interest in the Target Property.

2. Information about the Sellers, the Offshore Seller Guarantor, the Property Manager and the Building Manager

To the best of the knowledge, information and belief of the Manager having made all reasonable enquiries as at the Latest Practicable Date, each of the Sellers and the Property Manager was an associate of Huamao Property, whose ultimate beneficial owners (i.e. natural persons who control one-third or more of Huamao Property) were Ms. Chia Seok Eng, Mr. Lin Minghan and Mr. Fang Chao. Based on their respective most recent disclosure of interest forms, each of them was deemed under the SFO to be interested (through Huamao Property) in 12.55% of the Units then in issue. The principal business activity of Huamao Property and the Sellers was investment holding and the principal business activity of the Property Manager was property management.

To the best of the knowledge, information and belief of the Manager having made all reasonable enquiries as at the Latest Practicable Date, the principal business activity of the Building Manager was estate management and its ultimate beneficial owners (i.e. natural persons who control one-third or more of the Building Manager) were Mr. Xiao Juntao and Ms. Cao Zhicheng.

3. Information about the Target Group

To the best of the knowledge, information and belief of the Manager having made all reasonable enquiries as at the Latest Practicable Date, the Offshore Target Company, the HK Intermediary Company, the PRC Intermediary Company and the Project Company will, after the Reorganisation and immediately prior to Completion: (a) have the principal business activity of investment holding in the Target Property; (b) not hold any other investment properties other than the Target Property or operate any other businesses; and (c) not have any employees.

H. REGULATORY IMPLICATIONS

1. Connected and Major Transactions

As at the Latest Practicable Date, Huamao Property was:

(a) a substantial holder, holding approximately 12.55% of the Units then in issue, and a connected person of Spring REIT pursuant to paragraph 8.1(d) of the REIT Code;

(b) the holding company holding 87% of the issued shares of the Offshore Seller (with the remaining 13% issued shares being ultimately owned as to 80% by Ms. Zou Nan and as to 20% by Ms. Liu Yan) ; and

(c) the holding company holding 87% of the equity interest in Beijing Guohua (with the remaining 13% equity interest being ultimately owned as to 72% by Mr. Fang Chao and as to 28% by Mr. Liu Jun), which in turn held the entire equity interest in the Onshore Seller (which will also become the JV Partner).

As at the Latest Practicable Date, Huamao Property was: (a) owned as to 40.48% by Siberite Limited, a company ultimately owned as to 50% by Ms. Chia Seok Eng and 50% by Mr. Lin Minghan; (b) owned as to 41.84% by RCA02, which is 100% controlled by Diligent Glory Investments Limited, a company ultimately owned as to 80% by Mr. Fang Chao and 20% by Mr. Liu Jun; and (c) owned as to 17.68% by Risun Holdings Limited, a company owned as to 80% by Mr. Fang Chao and 20% by Mr. Liu Jun.

As at the Latest Practicable Date, each of the Offshore Seller and the Onshore Seller was an associate of Huamao Property, and consequently, also a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. The transactions under the Acquisition Agreements and the Joint Venture Agreement therefore constitute connected party transactions of Spring REIT and, since the highest applicable percentage ratio exceeds 5%, such transactions are subject to the announcement, circular, reporting and Unitholders' approval requirements under the REIT Code and the Listing Rules.

As their highest applicable percentage ratio exceeds 25% but is less than 100%, the Acquisition and the Joint Venture, and the transactions contemplated thereby, also constitute a major transaction of Spring REIT and are subject to the notification, announcement, circular, reporting and Unitholders' approval requirements under the REIT Code and the Listing Rules.

The transactions under the PAB Guarantees, the PAB Share Pledges, the Novated Payables and the Project Company Facility will also constitute connected party transactions of Spring REIT following Completion by virtue of the Project Company remaining an associate of Huamao Property and also becoming a connected subsidiary of Spring REIT, and thereby a connected person of Spring REIT pursuant to paragraphs 8.1(f) and 8.1(g) of the REIT Code respectively. Such transactions are fully exempted from the announcement, circular, reporting, annual review and Unitholders' approval requirements under rules 14A.89 (in respect of the transactions under the PAB Guarantees and the PAB Share Pledges) and 14A.90 (in respect of the transactions under the Novated Payables and the Project Company Facility) of the Listing Rules subject to the conditions thereunder, which require the transactions to be conducted on normal commercial terms or better and: (a) in the case of the transactions under the PAB Guarantees and the PAB Share Pledges, on a several (and not a joint and several) and proportionate basis with the Guohua Guarantors, with reference to the respective equity interest held by Spring REIT (through its SPVs) on the one hand and the JV Partner on the other hand in the Project Company; and (b) in the case of transactions under the Novated Payables and the Project Company Facility, on an unsecured basis.

As at the Latest Practicable Date, the Property Manager was an associate of Huamao Property and a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. Specifically, as at the Latest Practicable Date, Huamao Property indirectly held: (a) a 69.6% equity interest in the Property Manager; and (b) an 87% equity interest in a company that indirectly held a 20% equity interest in the Property Manager (with the remaining 10.4% equity interest in the Property Manager being ultimately owned as to 72% by Mr. Fang Chao and as to 28% by Mr. Liu Jun). Accordingly, the transactions under the Property Management Agreement, the PM Office Lease and the Direct Operation Leasing Framework Agreement will on Completion constitute continuing connected party transactions of Spring REIT.

Since the highest applicable percentage ratio in respect of the transactions with the Property Manager under the Property Management Agreement and the PM Office Lease exceeds 5%, such transactions are subject to the announcement, circular, reporting, annual review and circular and Unitholders' approval requirements under the REIT Code and the Listing Rules.

Since the highest applicable percentage ratio in respect of the transactions with the Direct Operation Lessee (which is also the Property Manager) under the Direct Operation Leasing Framework Agreement exceeds 0.1% but is less than 5%, such transactions are subject to the announcement, reporting and annual review requirements, but exempted from the circular and Unitholders' approval requirement, under the REIT Code and the Listing Rules.

2. Resolutions to be Proposed at the EGM

The Manager takes the view that the Acquisition (including the entry into of the Acquisition Agreements and the transactions under or in connection with the Acquisition Agreements (being the Ancillary Transactions)) on the one hand, as well as the Joint Venture (including the entry into of the Joint Venture Agreement and the transactions contemplated thereunder) on the other hand, are linked to each other and part and parcel of the same proposal, as the Joint Venture would not arise but for the Acquisition. Accordingly, the Acquisition (including the entry into of the Acquisition Agreements and the transactions under or in connection with the Acquisition Agreements (being the Ancillary Transactions)), as well as and the Joint Venture (including the entry into of the Joint Venture Agreement and the transactions contemplated thereunder), will be proposed under the same Ordinary Resolution, being the "Acquisition Ordinary Resolution".

Since the PM Office Lease will be entered into in connection with the Property Management Agreement, the transactions under the Property Management Agreement and the PM Office Lease and the Annual Caps applicable thereto will be proposed under the same Ordinary Resolution, being the "Property Management Ordinary Resolution". As such transactions are subject to Completion taking place, the Property Management Ordinary Resolution will be conditional upon the Acquisition Ordinary Resolution being passed by the Independent Unitholders at the EGM.

Please refer to the EGM Notice for the proposed Acquisition Ordinary Resolution and Property Management Ordinary Resolution. As soon as practicable after the EGM, the Manager will issue an announcement setting out the results of the EGM, including whether the resolutions have been passed.

3. Restrictions on Voting

Paragraphs 8.7F and 9.9(f) of the REIT Code provides that Unitholders shall abstain and be prohibited from voting their Units at, or be counted in the quorum for, a meeting at which they have a material interest in the business to be contracted and that interest is different from the interests of all other Unitholders.

Rules 2.15, 14A.03 and 14A.36 of the Listing Rules provide that where a transaction is subject to Unitholders' approval under the Listing Rules, any Unitholder who has a material interest in the transaction shall abstain from voting on the resolution(s) approving the transaction at a general meeting. Note 2 to rule 14.33 of the Listing Rules provides that any Unitholder and its close associate must abstain from voting if such Unitholder has a material interest in the transaction.

Paragraph 3.2 of Schedule 1 to the Trust Deed provides that where a Unitholder has a material interest in the transaction tabled for approval at a general meeting of Spring REIT, and that interest is different from the interests of other Unitholders as determined by: (a) the Manager (where the Unitholder(s) concerned is (are) not connected persons related to the Manager); or (b) the Trustee (where the Unitholder(s) concerned is (are) connected persons related to the Manager), such Unitholder shall be prohibited from voting its Units at, or being counted in the quorum for, the general meeting.

Rule 2.16 of the Listing Rules provides that, for the purpose of determining whether a Unitholder has a material interest, relevant factors include: (a) whether the Unitholder is a party to the transaction or a close associate of such a party; and (b) whether the transaction confers upon the Unitholder or its close associate a benefit (whether economic or otherwise) not available to the other Unitholders.

Each of the counterparties to the Acquisition Agreements and other Transaction Documents has a material interest or deemed material interest in the Acquisition Ordinary Resolution. The Property Manager, being the counterparty to the Property Management Agreement and the PM Office Lease, has a material interest or deemed material interest in the Property Management Ordinary Resolution . So far as the Manager is aware, as at the Latest Practicable Date, none of such counterparties was a Unitholder. However, since Huamao Property was a Unitholder and also an associate of some of the counterparties as described in section H.1 headed "Connected and Major Transactions" in this announcement as at the Latest Practicable Date, Huamao Property has agreed to abstain, and procure that each of its associates who is a Unitholder who is prohibited from voting on the Acquisition Ordinary Resolution and/or the Property Management Ordinary Resolution abstain, from voting on such resolutions. So far as the Manager is aware, as at the Latest Practicable Date: (a) Huamao Property held 56,500,742 Units and its wholly-owned subsidiary, China Orient Stable Value Fund Limited, held 128,749,000 Units and the aggregate of such Units represented approximately 12.55% of the Units then in issue; (b) each of Huamao Property and China Orient Stable Value Fund Limited controlled or was entitled to exercise control over the voting right in respect of the Units held by it; (c) there were no voting trusts or other agreements or arrangements or understanding (other than an outright sale) entered into by or binding upon Huamao Property or China Orient Stable Value Fund Limited, nor any obligations or entitlements of Huamao Property or China Orient Stable Value Fund Limited, whereby it had or may have had temporarily or permanently passed control over the exercise of the voting rights in respect of the Units held by it to a third party, either generally or on a case-by-case basis; and (d) there was no discrepancy between the beneficial interest of each of Huamao Property and China Orient Stable Value Fund Limited in the Units as disclosed in (a) and the number of Units in respect of which Huamao Property and/or China Orient Stable Value Fund Limited will control or will be entitled to exercise control over the voting rights at the EGM.

Notwithstanding that the Manager is owned as to 9.8% by Huamao Property, Huamao Property is a minority shareholder which does not have any representation in the Board and cannot influence any voting decision of the Manager. Having regard to the Manager's duty under the REIT Code to adhere to and uphold good corporate governance principles and best industry practices, the Manager does not consider the interests of its minority shareholder to cause the Manager to have a material interest in the Acquisition Ordinary Resolution and/or the Property Management Ordinary Resolution that is different from the interests of all other Unitholders which would require it or its associates who is a Unitholder to abstain from voting at the EGM in respect of the Acquisition Ordinary Resolution and/or the Property Management Ordinary Resolution.

Based solely on the information disclosed to it by the Manager and the Manager's confirmation that: (a) Huamao Property is a minority shareholder (less than 10%) of the Manager, does not have any representation in the Board and cannot influence any voting decision of the Manager; and (b) the Manager is not an associate of Huamao Property or counterparties to the Acquisition Agreements and other Transaction Documents as well as the Property Management Agreement and the PM Office Lease under rule 14A.13 of the Listing Rules, the Trustee has no disagreement with the Manager's view that the Manager does not have a material interest in the Acquisition Ordinary Resolution and/or the Property Management Ordinary Resolution, that is different from the interests of all other Unitholders solely by virtue of Huamao Property's holding in the Manager, which would require the Manager or its associates who is a Unitholder to abstain from voting at the EGM in respect of such resolutions.

As at the Latest Practicable Date and to the best of the knowledge, information and belief of the Manager after having made all reasonable enquiries, the Manager was of the view that no Unitholder other than Huamao Property and China Orient Stable Value Fund Limited is required to abstain from voting at the EGM in respect of the Acquisition Ordinary Resolution and/or the Property Management Ordinary Resolution. In arriving at its view, the Manager has considered the applicable rules under the REIT Code, the Listing Rules and the Trust Deed as set out above, as well as information provided by the Sellers to the Manager in respect of the relationships between Huamao Property and its associates and their ultimate beneficial owners on the one hand, and Spring REIT and its connected persons who are Unitholders on the other hand.

Based and in sole reliance on 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, does not disagree with the Manager's view that no Unitholder other than Huamao Property and China Orient Stable Value Fund Limited are required to abstain from voting at the EGM in respect of the Acquisition Ordinary Resolution and/or the Property Management Ordinary Resolution.

4. Preparation of Accountant's Reports

Paragraph 7.6(a) of the REIT Code provides that if a REIT acquires real estate through the acquisition of an SPV, a report made by the accountants shall be prepared on: (a) the profit and loss of the SPV in respect of each of the three financial years (or such other shorter period as appropriate) immediately preceding the transaction; and (b) the assets and liabilities of the SPV as at the last date (which cannot be more than six months old from the date of the report) to which the accounts of the SPV were made up. Paragraph 7.6(b) of the REIT Code provides that such report shall: (a) indicate how the profits and losses of the SPV would, in respect of the shares to be acquired, have concerned the REIT, if the REIT had at all material times held the shares to be acquired; and (b) where the SPV has subsidiaries, deal with the profits or losses and the assets and liabilities of the SPV and its subsidiaries, either as a whole or separately.

Based on competent advice received by the Manager, the Manager considers that the presentation of the Accountant's Reports of the Offshore Target Company and the Project Company, on a separate basis, complies with paragraph 7.6 of the REIT Code as, given the Offshore Target Company and the Project Company were not under common control on or before the date of reporting, the Accountant's Reports cannot be presented on a combined basis.

5. Independence of Other Counterparties

To the best of the knowledge, information and belief of the Manager, after having made all reasonable enquiries, as at the Latest Practicable Date, the Building Manager was not an associate of Huamao Property, and was not otherwise a connected person of Spring REIT through Huamao Property. Although, as at the Latest Practicable Date, certain indirect shareholders of Huamao Property were also amongst the indirect shareholders of the Building Manager, their minority shareholding interest (less than 6% in aggregate) in the Building Manager was not sufficient to cause the Building Manager to be regarded as an associate of Huamao Property or otherwise a connected person of Spring REIT through Huamao Property.

Save as set out above, to the best of the knowledge, information and belief of the Manager, after having made all reasonable enquiries, the Building Manager, the Bank Lender and their ultimate beneficial owners, as well as PAB and the tenants (other than the Property Manager) were, as at the Latest Practicable Date, third parties independent of Spring REIT and its connected persons.

I. OPINION OF THE BOARD

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution, the Board (including the INEDs), having taken into account the Manager's duties set out in the Trust Deed and the REIT Code, is of the view that: (a) the terms of each transaction are fair and reasonable; (b) each transaction is at arm's length and on normal commercial terms and in the ordinary and usual course of business of Spring REIT; and (c) each transaction is consistent with the investment objectives and strategy of Spring REIT and in the interests of Spring REIT and the Unitholders as a whole.

Accordingly, the Board recommends that the Independent Unitholders vote at the EGM in favour of the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution.

None of the Directors has a material interest in any of the transactions that would require him to abstain from voting on the relevant board resolution.

The respective opinions of the Independent Board Committee, the Independent Financial Adviser and the Trustee with regard to certain matters covered under this announcement will be set out in the Circular.

J. EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at Room 2401-2, One Admiralty Centre, 18 Harcourt Road, Hong Kong on 26 May 2022 at 4:15 p.m., for the purpose of considering and, if thought fit, passing with or without amendments, the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution.

The Circular containing, among other things: (a) a letter from the Board to the Unitholders with further information on the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution; (b) a letter from the Independent Board Committee to Independent Unitholders regarding the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee regarding the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution; (d) the Accountant's Reports of the Offshore Target Company and the Project Company; (e) the Unaudited Pro Forma Financial Information of the Enlarged Group; (f) the Independent Property Valuer's Property Valuation Report; (g) the Market Consultant's Report; and (h) the notice of the EGM, will be issued and despatched to the Unitholders on 3 May 2022.

Completion of the Acquisition is subject to and conditional upon satisfaction of the Conditions (as set out in section A.6.4 headed "Conditions Precedent" in this announcement), which includes Unitholders' approval being obtained for the Acquisition and, accordingly, may or may not complete. Unitholders, as well as any prospective investors of Spring REIT, are advised to exercise caution when dealing in the Units.

K. DEFINITIONS

In this announcement, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this document, those defined terms may not be included in the table below:

"2018 Acquisition Circular"	the unitholder circular dated 26 September 2018 regarding the 2018 Transaction
"2018 Transaction"	the proposed acquisition of 100% of the Target Property in 2018
"Accountant's Reports"	the reports dated 3 May 2022 from the Reporting Accountants regarding the Offshore Target Company and the Project Company, respectively, the text of which is set out in Appendices 2A and 2B headed "Accountant's Report of the Offshore Target Company" and "Accountant's Report of the Project Company" respectively in the Circular
"Acquisition"	collectively, the proposed acquisition by the Offshore Purchaser from the Offshore Seller of the Offshore Sale Shares pursuant to the Offshore Share Purchase Deed and the proposed acquisition by the Onshore Purchaser from the Onshore Seller of the Onshore Sale Shares pursuant to the Onshore Share Purchase Agreement

"Acquisition Agreements"	collectively, the Offshore Share Purchase Deed and the Onshore Share Purchase Agreement, both as more particularly described in section A.6 headed "Acquisition Agreements" in this announcement
"Acquisition Fee"	the acquisition fee to which the Manager is entitled, as more particularly described in section A.10.2 headed "Acquisition Fee" in this announcement
"Acquisition Ordinary Resolution"	has the same meaning ascribed to it in section H.2 headed "Resolutions to be Proposed at the EGM" in this announcement
"Agreed Property Value"	RMB2,442.0 million, which represents the entire asset value of the Target Property (and not just the Relevant Proportion acquired by the Purchasers) agreed by the Sellers and the Purchasers
"Ancillary Transactions"	the transactions contemplated under or in connection with the Acquisition Agreements, including without limitation the transactions under the Novated Payables, the Project Company Facility, the Direct Operation Leasing Framework Agreement (including the Existing Direct Operation Leases) and the Building Management Agreement (including the BM Carpark Lease thereunder)
"Annual Caps"	means the respective annual caps applicable to the transactions under the Property Management Agreement, the PM Office Lease and the Direct Operation Leasing Framework Agreement for each of the years ending 31 December 2022, 2023 and 2024, particulars of which are set out in section F headed "Continuing Connected Transactions" in this announcement
"Appraised Value"	the value of the entire Target Property (and not just the Relevant Proportion acquired by the Purchasers) as at the Valuation Date as appraised by the Independent Property Valuer, being RMB2,691 million

"associate"	has the meaning ascribed to this term in the REIT Code
"Bank Lender"	has the same meaning ascribed to it in section B.5 headed "Upsized Existing Facility" in this announcement
"Beauty Retailers"	has the same meaning ascribed to it in section D.4.3 headed "Direct Operation Agreements and Direct Operation Leasing Framework Agreement" in this announcement
"Beijing Guohua"	Beijing Guohua Real Estate Co., Ltd.* (北京國華置業有限公司), a company incorporated in the PRC and the holding company holding the entire equity interest in the Onshore Seller as at the Latest Practicable Date
"BM Carpark Lease"	has the same meaning ascribed to it in section D.5.2 headed "Building Management Agreement" in this announcement
"Board"	the board of Directors
"Building Consultant"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Building Management Agreement"	the building management agreement to be entered into between the Project Company and the Building Manager on the Completion Date, as more particularly described in section D.5.2 headed "Building Management Agreement" in this announcement
"Building Manager"	Beijing Huamao Property Management Co., Ltd. Huizhou Branch* (北京華貿物業管理有限公司惠州分公司), a branch company of Beijing Huamao Property Management Co., Ltd* (北京華貿物業管理有限公司)
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate
"CBD"	central business district

"CCP Property"	the real estate property located at No. 79 and No. 81, Jianguo Road, Chaoyang District, Beijing, the PRC and which comprises all of the office floors of Office Tower 1, China Central Place, Beijing, the PRC (including Levels 4 to 28, and the equipment and emergency shelter floor on Level 16, which contains no lettable space) and Office Tower 2, China Central Place, Beijing, the PRC (including Levels 4 to 32, and the equipment and emergency shelter floor on Level 20, which contains no lettable space) and a total of approximately 600 carpark spaces located in the underground levels of the two office buildings, which is wholly-owned by Spring REIT
"China Indirect Transfer Rules"	the tax notices issued by the State Taxation Administration of the PRC in respect of offshore indirect transfers of property of an "establishment or place" situated in the PRC, real estate situated in the PRC, equity interests in PRC resident enterprises and any other property directly held by a non-resident enterprise and whose transfer results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the *Enterprise Income Tax Law of the PRC*, including without limitation, the notice titled "State Taxation Administration's Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (State Taxation Administration Bulletin 2015 No. 7 (國家稅務總局公告2015年第7號))", as may be amended, supplemented or otherwise modified from time to time, and including any similar or replacement law and including any applicable laws in the PRC
"China Indirect Transfer Taxes"	has the same meaning ascribed to it in section A.6.3 headed "Tax Holdback Amount" in this announcement

"Circular"	the circular to be despatched by the Manager to the Unitholders containing, among other things: (a) a letter from the Board to the Unitholders with further information on the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution; (b) a letter from the Independent Board Committee to Independent Unitholders regarding the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee regarding the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution; (d) the Accountant's Reports of the Offshore Target Company and the Project Company; (e) the Unaudited Pro Forma Financial Information of the Enlarged Group; (f) the Independent Property Valuer's Property Valuation Report; (g) the Market Consultant's Report; and (h) the notice of the EGM
"Completion"	completion of the Acquisition under both Acquisition Agreements
"Completion Date"	the date on which Completion takes place, as more particularly described in section A.6.5 headed "Completion" in this announcement
"Completion Statement"	the completion statement to be prepared no later than 20 business days after the Completion Date in accordance with the Acquisition Agreements and based on the financial statements of each member of the Target Group as at the close of business on the Completion Date
"Conditions"	the conditions precedent to Completion, as more particularly described in section A.6.4 headed "Conditions Precedent" in this announcement
"connected person(s)"	has the meaning ascribed to this term in the REIT Code

"Consideration"	the aggregate consideration payable for the Acquisition, comprising the Offshore Consideration and the Onshore Consideration
"COVID-19"	coronavirus disease 2019
"Deposited Property"	all the assets of Spring REIT, including the Existing Properties currently held in Spring REIT's portfolio and, from and after Completion, Spring REIT's 68% interest in the Target Property
"Direct Operation Agreements"	the direct operation agreements (直營合同) relating to the authorised retail sale of merchandise on premises within the Target Property
"Direct Operation Leasing Framework Agreement"	the agreement to be entered into between the Project Company and the Direct Operation Lessee on the Completion Date setting out the framework terms governing Direct Operation Leasing Transactions
"Direct Operation Leasing Transactions"	the leasing and licensing transactions conducted or to be conducted between the Project Company as lessor or licensor and the Direct Operation Lessee or its designated associate as lessee or licensee in connection with any Direct Operation Agreement, including the Existing Direct Operation Leases
"Direct Operation Lessee"	Huizhou Huamao Operations Management Co., Ltd.* (惠州華貿商業管理有限公司), being an associate of Huamao Property and a connected person of Spring REIT as at the Latest Practicable Date (for details of Huamao Property's interest in the Direct Operation Lessee (which is also the Property Manager), please refer to section H.1 headed "Connected and Major Transactions" in this announcement)
"Directors"	the directors of the Manager
"DPU"	distribution per Unit

"EGM"	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
"EGM Notice"	the notice included in the Circular in respect of the EGM to consider and, if thought fit, approve the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution
"Enlarged Group"	collectively, Spring REIT and the Target Group
"Existing Direct Operation Leases"	has the same meaning ascribed to it in section D.4.3 headed "Direct Operation Agreements and Direct Operation Leasing Framework Agreement" in this announcement
"Existing Guohua PAB Share Pledge"	the share pledge over all of the equity interest in the Project Company granted by the Onshore Seller in favour of PAB to secure the PAB Facility
"Existing Properties"	the properties currently held by Spring REIT, being: (a) the CCP Property; and (b) 84 commercial properties in the United Kingdom
"GDP"	gross domestic product
"Greater Bay Area"	Guangdong-Hong Kong-Macau Greater Bay Area
"Group"	Spring REIT and its subsidiaries
"Guohua Guarantors"	has the same meaning ascribed to it in section B.2 headed "PAB Facility" in this announcement
"HIBOR"	the rate of interest offered on Hong Kong dollars loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year
"HK Intermediary Company"	a company to be incorporated under the laws of Hong Kong which will, upon completion of the Reorganisation, be wholly-owned by the Offshore Target Company and wholly-own the PRC Intermediary Company

"HK$, HKD or Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"holding company"	has the meaning ascribed to this term in the Listing Rules
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huamao Property"	Huamao Property Holdings Ltd., being a substantial holder and connected person of Spring REIT as at the Latest Practicable Date
"ICBC"	Industrial and Commercial Bank of China Limited, Huizhou Fuli International Centre Branch
"ICBC Facility"	the loan granted to the Project Company pursuant to a facility agreement dated 11 September 2012 (as may be amended or supplemented) between the Project Company (as borrower) and ICBC (as lender), which had been fully repaid by the Project Company as at the Latest Practicable Date
"Illustrative Consideration"	has the same meaning ascribed to it in section A.6.2 headed "Acquisition" in this announcement
"Independent Board Committee"	the independent committee established by the Board of the Manager to advise the Independent Unitholders on the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution, comprising Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin, being all of the INEDs of the Manager

"Independent Financial Adviser"	Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the matters to be considered under the Acquisition Ordinary Resolution and the Property Management Ordinary Resolution
"Independent Property Valuer"	Knight Frank Petty Limited, the current principal valuer of Spring REIT
"Independent Property Valuer's Property Valuation Report"	the valuation report dated 3 May 2022 issued by the Independent Property Valuer in respect of the Target Property, the text of which is set out in the Circular
"Independent Unitholders"	Unitholders, other than those who have a material interest in the relevant resolution that is different from the interests of all other Unitholders
"Initial Offshore Consideration"	has the same meaning ascribed to it in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement
"Initial Onshore Consideration"	has the same meaning ascribed to it in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement
"Joint Operation Agreements"	the joint operation agreements (聯營合同) entered into between the Project Company and the operators for certain premises within the Target Property
"Joint Venture"	the joint venture between the JV Parties under the Joint Venture Agreement

"Joint Venture Agreement"	the joint venture agreement to be entered into between the JV Parties on the Completion Date to govern their relationship as shareholders of the Project Company, as more particularly described in section A.7 headed "Joint Venture Agreement" in this announcement
"JV Partner"	the Onshore Seller
"JV Parties"	collectively, the PRC Intermediary Company, the Onshore Purchaser and the JV Partner
"Latest Practicable Date"	26 April 2022, being the latest practicable date prior to the printing of the Circular for the purpose of ascertaining certain information contained in the Circular
"Leases"	the leases entered into between the Project Company and the lessees of the Target Property
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (modified as appropriate pursuant to paragraph 2.26 of the REIT Code)
"Long Stop Date"	the 180th day after the date of notice in writing from the Offshore Purchaser to the Offshore Seller of the fulfilment of Condition (1) under the Offshore Share Purchase Deed as set out in Section A.6.4 headed "Conditions Precedent" in this announcement, or such later date as agreed by the Purchasers and the Sellers in writing
"Macau"	The Macau Special Administrative Region of the PRC
"Manager"	Spring Asset Management Limited (in its capacity as the manager of Spring REIT), a company incorporated under the laws of Hong Kong
"Market Consultant"	China Insights Consultancy
"Market Consultant's Report"	the report dated 3 May 2022 from the Market Consultant, the text of which is set out in the Circular
"Maximum Liability Cap"	has the same meaning ascribed to it in section A.6.7 headed "Warranties and Indemnities" in this announcement
"NAV"	net asset value

"Novated Payables"	the then prevailing payables owing by the Onshore Seller to the Project Company as at Completion in the amount of RMB890 million which are to be novated to the Onshore Purchaser on Completion as part of the Onshore Consideration
"Offshore Consideration"	the consideration payable for the acquisition of the Offshore Sale Shares
"Offshore Proportion"	the proportion of the Relevant Proportion which will be acquired via the Offshore Transaction, being 31/68
"Offshore Purchaser"	RHZ01 Limited, a company incorporated in the BVI and a wholly-owned SPV of Spring REIT that wholly-owns the Purchaser HK Intermediary Company
"Offshore Purchaser Guarantor"	DB Trustees (Hong Kong) Limited, in its capacity as trustee of Spring REIT
"Offshore Sale Shares"	all of the issued shares of the Offshore Target Company
"Offshore Seller"	Huamao Focus Limited, being an associate of Huamao Property (which held 87% of the issued shares of the Offshore Seller) and a connected person of Spring REIT as at the Latest Practicable Date
"Offshore Seller Guarantor"	Huamao Property
"Offshore Share Purchase Deed"	the deed for the sale and purchase of the Offshore Sale Shares dated 29 April 2022 entered into between the Offshore Seller, the Offshore Purchaser, the Offshore Purchaser Guarantor and the Offshore Seller Guarantor
"Offshore Target Company"	Huamao Capital Focus 03 Limited, a company incorporated in the BVI which will, upon completion of the Reorganisation, wholly-own the HK Intermediary Company

"Offshore Transaction"	has the same meaning ascribed to it in section A.1 headed "Overview" in this announcement
"Offshore True-up Payment"	has the same meaning ascribed to it in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement
"Onshore Consideration"	the consideration payable for the acquisition of the Onshore Sale Shares
"Onshore Proportion"	the proportion of the Relevant Proportion which will be acquired via the Onshore Transaction, being 37/68
"Onshore Purchaser"	RC Enterprise Management (Huizhou) Limited* (瑞中企業管理（惠州）有限公司), a company incorporated in the PRC and a wholly-owned SPV of Spring REIT
"Onshore Sale Shares"	equity interest in the Project Company which will, upon completion of the Reorganisation, represent 37% of the total equity interest in the Project Company
"Onshore Seller"	Huizhou Huamao Xingye Real Estate Development Co., Ltd.* (惠州市華貿興業房地產開發有限公司), being an associate of Huamao Property (which held 87% of the equity interest in Beijing Guohua which in turn held the entire equity interest in the Onshore Seller) and a connected person of Spring REIT as at the Latest Practicable Date
"Onshore Share Purchase Agreement"	the agreement for the sale and purchase of the Onshore Sale Shares dated 29 April 2022 entered into between the Onshore Seller and the Onshore Purchaser
"Onshore Transaction"	has the same meaning ascribed to it in section A.1 headed "Overview" in this announcement
"Onshore True-up Payment"	has the same meaning ascribed to it in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement

"Onshore Undertaker"	has the same meaning ascribed to it in section A.6.7 headed "Warranties and Indemnities" in this announcement
"operator(s)"	has the same meaning ascribed to it in section D.4.2 headed "Joint Operation Agreements" in this announcement
"Ordinary Resolution"	a resolution of Unitholders passed by a simple majority of the votes of those attending, and entitled to vote at the EGM, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue
"Other Acquisition Fees and Expenses"	has the same meaning ascribed to it in section A.10.3 headed "Other Acquisition Fees and Expenses" in this announcement
"Other Group Adjusted NAV"	has the same meaning ascribed to it in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement
"PAB"	Ping An Bank Co., Ltd., Guangzhou Branch
"PAB Facility"	the loan granted to the Project Company pursuant to the PAB Facility Agreement, which had not been drawn down as at the Latest Practicable Date
"PAB Facility Agreement"	the facility agreement dated 22 March 2022 (as may be amended or supplemented) between the Project Company (as borrower) and PAB (as lender)
"PAB Guarantees"	has the same meaning ascribed to it in section B.2 headed "PAB Facility" in this announcement
"PAB Property Mortgage"	the mortgage over the Target Property created by the Project Company in favour of PAB to secure the PAB Facility
"PAB Share Pledges"	has the same meaning ascribed to it in section B.2 headed "PAB Facility" in this announcement
"PBOC"	the People's Bank of China

"PM Office Lease"	has the same meaning ascribed to it in section D.5.1 headed "Property Management Agreement" in this announcement
"PRC"	The People's Republic of China but excluding, for the purposes of this Announcement, Hong Kong, Taiwan and Macau
"PRC Intermediary Company"	a company to be incorporated under the laws of the PRC which will, upon completion of the Reorganisation, be wholly-owned by the HK Intermediary Company and own the Project Company Subscription Shares which will represent 31% of the total equity interest in the Project Company
"Pro Forma Completion Statement"	the pro forma completion statement to be prepared no later than seven business days prior to the Completion Date in accordance with the Acquisition Agreements and based on the pro forma financial statements of each member of the Target Group as at the close of business on the Completion Date
"Project Company"	Huizhou Runxin Shopping Mall Development Co., Ltd.* (惠州市潤鑫商城發展有限公司), a company incorporated in the PRC and the registered legal owner of the Target Property
"Project Company Adjusted NAV"	has the same meaning ascribed to it in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement
"Project Company Facility"	the loan facility of up to approximately RMB179.7 million to be provided by the Project Company to the Onshore Purchaser for the purpose of on-lending the proceeds of the loans drawn down thereunder to the PRC Intermediary Company to pay the subscription price for the Project Company Subscription Shares

"Project Company Subscription Shares"	equity interest in the Project Company to be subscribed for by and issued to the PRC Intermediary Company as part of the Reorganisation, which upon completion of the Reorganisation will represent 31% of the total equity interest in the Project Company
"Property Management Agreement"	the property management agreement to be entered into between the Project Company and the Property Manager on the Completion Date, as more particularly described in section D.5.1 headed "Property Management Agreement" in this announcement
"Property Management Ordinary Resolution"	has the same meaning ascribed to it in section H.2 headed "Resolutions to be Proposed at the EGM" in this announcement
"Property Manager"	Huizhou Huamao Operations Management Co., Ltd.* (惠州華貿商業管理有限公司), being an associate of Huamao Property and a connected person of Spring REIT as at the Latest Practicable Date (for details of Huamao Property's interest in the Property Manager, please refer to section H.1 headed "Connected and Major Transactions" in this announcement)
"Purchaser Deferred Payment"	has the same meaning ascribed to it in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement
"Purchaser HK Intermediary Company"	RHZ01 (Hong Kong) Limited, a company incorporated in Hong Kong and a wholly-owned SPV of Spring REIT that wholly-owns the Onshore Purchaser
"Purchasers"	collectively, the Offshore Purchaser and the Onshore Purchaser
"REIT"	real estate investment trust
"REIT Code"	the Code on Real Estate Investment Trusts published by the SFC

"Relevant Proportion"	the proportion that corresponds with Spring REIT's indirect interest in the Project Company and the Target Property immediately after Completion, being 68%
"Relevant Proportion Agreed Property Value"	RMB1,660.6 million, being the Agreed Property Value multiplied by the Relevant Proportion
"Reorganisation"	has the same meaning ascribed to it in section A.4 headed "Reorganisation" in this announcement
"Reporting Accountants"	PricewaterhouseCoopers
"Residual Payables"	the then payables owing by the Project Company to members of the Sellers' group as at Completion in the amount of RMB10.5 million which are expected to be settled by the Project Company in cash after Completion
"RMB"	Renminbi, the official currency of the PRC
"Seller Deferred Payment"	has the same meaning ascribed to it in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement
"Sellers"	collectively, the Offshore Seller and the Onshore Seller
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Spring REIT"	Spring Real Estate Investment Trust (春泉產業信託), a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
"SPV(s)"	special purpose vehicle(s), and has the meaning ascribed to this term in the REIT Code
"sq.m."	square metre

"subsidiary"	has the meaning ascribed to this term in the REIT Code
"substantial holder"	has the meaning ascribed to this term in the REIT Code
"Supermarket Lease"	has the same meaning ascribed to it in section A.9.3 headed "Litigation with Supermarket Lessee" in this announcement
"Supermarket Lessee"	has the same meaning ascribed to it in section A.9.3 headed "Litigation with Supermarket Lessee" in this announcement
"Target Group"	collectively: (a) the Offshore Target Company; (b) the HK Intermediary Company; (c) the PRC Intermediary Company; and (d) the Project Company
"Target Property"	the property known as Huamao Place (華貿天地) located at No 9, First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, the PRC
"Tax Holdback Amount"	the aggregate amount of RMB67 million
"tenant"	an occupant under a Lease and/or an operator under a Joint Operation Agreement and/or a Beauty Retailer under a Direct Operating Agreement, as the case may be, and "tenancy" shall mean such corresponding Lease and/or Joint Operation Agreement and/or Direct Operating Agreement
"Total Fees and Charges"	the estimated total fees and charges payable by Spring REIT in relation to the Acquisition as more particularly described in section A.10 headed "Fees and Charges" in this announcement
"Transaction Documents"	collectively, the Acquisition Agreements and all other agreements that are to be executed or issued pursuant to the Acquisition (including the Joint Venture, the Property Management Agreement, the PM Office Lease and other Ancillary Transactions)

"True-up Payments"	has the same meaning ascribed to it in section A.6.2 headed "Consideration and Payment Terms for the Acquisition" in this announcement
"Trust Deed"	the deed of trust constituting Spring REIT dated 14 November 2013 and entered into between the Trustee and the Manager, as may be amended, supplemented or otherwise modified from time to time
"Trustee"	DB Trustees (Hong Kong) Limited, in its capacity as trustee of Spring REIT
"Trustee's Additional Fee"	has the same meaning ascribed to it in section A.10.4 headed "Trustee's Additional Fee" in this announcement
"Unit"	one undivided unit in Spring REIT
"Unitholder(s)"	any person registered as holding a Unit on the register of Unitholders of Spring REIT
"Upsized Existing Facility"	has the same meaning ascribed to it in section B.5 headed "Upsized Existing Facility" in this announcement
"US$, USD or US dollars"	United States dollars, the lawful currency of the United States of America
"Valuation Date"	28 February 2022
"%"	per cent or percentage

By order of the board of directors of
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Mr. Toshihiro Toyoshima
Chairman of the Manager

Hong Kong, 29 April 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 nonexecutive directors).