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) THE ACQUISITION OF 84 SEPARATE COMMERCIAL PROPERTIES IN THE UNITED KINGDOM AND (2) CONTINUING CONNECTED PARTY TRANSACTION IN RELATION TO THE LEASES

This announcement is made by Spring REIT pursuant to paragraphs 10.3 and 10.4 of the REIT Code.

**ACQUISITION**

On 17 March 2017, the Trustee (in its capacity as the trustee of Spring REIT) as Purchaser, Hawkeye Oval Holdco III Limited (being the sole owner of the Target Company Shares as at the date of this announcement) and Hawkeye Oval II LLP (being the sole owner of the Target Company Shares immediately prior to Completion) as Seller have entered into the Share Purchase Agreement. Pursuant to the terms of the Share Purchase Agreement, the Seller and Hawkeye agreed to sell and the Purchaser agreed to purchase the Target Company Shares, comprising the entire issued share capital of the Target Company, which is the full legal and beneficial owner and registered owner of the 84 commercial properties in the United Kingdom, free from any encumbrances, subject to certain conditions being satisfied including, among others, the Lease CCTs being approved by the Independent Unitholders. Upon Completion, Spring REIT will (through its newly established special purpose vehicle and the Target Company) become the sole owner of the Target Properties.

## PURCHASE PRICE

The Purchaser shall pay the Seller in respect of the Acquisition and the repayment of the Shareholder Loan an amount equal to: (i) the Base Purchase Price of £73,500,000 (approximately USD93,345,000); minus the amount of the Santander Loan as at Completion, estimated to be approximately £36.1 million (approximately USD45.8 million) as at the date of this announcement based on the information provided by the Seller, which will continue to be owed by the Target Company after Completion; and (iii) either: (1) plus the Completion NAV (if it is a positive amount); or (2) minus the absolute value of the Completion NAV (if it is a negative amount). The Completion NAV is the total assets of the Target Company (other than the Target Property and Excluded Assets) minus the total liabilities of the Target Company (other than the Loans) as at Completion.

## FINANCING OF THE ACQUISITION

The payment of the Purchase Price and the Total Fees and Expenses will be financed by Spring REIT's internal resources and a bank borrowing of approximately £40.0 million (equivalent to approximately USD50.8 million) with a bank which is an independent third party of Spring REIT. Such bank borrowing shall be at arms' length, on normal commercial terms, fair and reasonable and in the interests of Unitholders.

## TARGET PROPERTIES, LEASES CCTS AND LEASE CCTS WAIVER APPLICATION

Each of the Target Properties is subject to a long-term lease between the Target Company (as lessor) and the Lessee (which is a connected party of Spring REIT by virtue of being an indirect wholly-owned subsidiary of Itochu Corporation, an associated company of the Manager). The Lessee is presently operating the Target Properties as car servicing centres under the brand "Kwik-Fit" or other brands of the same group. Upon completion of the Acquisition, such leases will be assumed by Spring REIT (by virtue of its acquisition of the Target Company), and therefore, at such time, transactions under the Leases will become continuing connected party transactions of Spring REIT.

The Manager has applied to the SFC for a waiver from strict compliance with the disclosure and Unitholders' approvals requirements under Chapter 8 of the REIT Code in respect of the Lease CCTs. Such waiver will only be granted upon Completion, provided Independent Unitholders' approval of the Lease CCTs is obtained.

## IMPLICATIONS UNDER THE REIT CODE AND APPROVAL REQUIREMENTS

The aggregate of the Base Purchase Price and Total Fees and Charges represents approximately 20.0% of the total market capitalization of Spring REIT, based on the average closing price of Spring REIT on the Stock Exchange for the five Business Days immediately preceding the date of this announcement. The Base Purchase Price also does not exceed 15% of the gross asset value of Spring REIT as at 30 June 2016, as shown in the 2016 interim report of Spring REIT. The Appraised Value of the Target Properties as at 17 March 2017 (being £73,566,000 or approximately USD93,428,820) represents approximately 6.5% of the total gross asset value of Spring REIT as at 30 June 2016.

The REIT Manager is satisfied that no Unitholders' approval is required for the Acquisition pursuant to the REIT Code.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Escrow Agent, the Target Company, the Seller, Abbey National Treasury Services plc and their respective ultimate beneficial owners is an independent third party of Spring REIT. Accordingly, the Acquisition, the entering into of the Share Purchase Agreement, the transactions contemplated thereunder and other transactions contemplated in connection with the Acquisition (other than the Leases to be assumed by Spring REIT upon completion of the Acquisition) do not constitute connected party transactions of Spring REIT under the REIT Code.

The Lessee is an indirect wholly-owned subsidiary of Itochu Corporation. Itochu Corporation holds approximately 23.0% of the total issued share capital of Mercuria Investment, which in turn holds 90.2% of the total issued share capital of the Manager. As such, each of the Lessee, Mercuria Investment and Itochu Corporation is an associated company of the Manager and a connected person of Spring REIT. Since the Lessee is a party to the Leases, the transactions under the Leases shall constitute connected party transactions under 8.5 of the REIT Code. As the total rent payable under the Leases during the term is likely to exceed 5% of the net asset value of Spring REIT as at 30 June 2016 mostly due to the duration of the Leases, the Lease CCTs are subject to Independent Unitholders' approval by way of an Ordinary Resolution pursuant to 8.11 of the REIT Code. Unitholders' approval of the Lease CCTs (which are part-and-parcel of the Acquisition) is one of the Conditions and the Acquisition will not proceed if such approval is not obtained.

The Lessee, being a party to the Lease CCTs, has a material interest or deemed material interest in the Ordinary Resolution to approve the Lease CCTs. Accordingly, the Manager shall ensure that the Itochu Connected Persons Group shall abstain from voting on such Ordinary Resolution. Mercuria Investment is also considered to have a material interest or deemed material interest in the same Ordinary Resolution, and accordingly, Mercuria Investment has agreed to abstain, and procure that the Manager Connected Persons Group abstain, from voting on such Ordinary Resolution. The Manager Connected Persons Group shall, among others, include RCA Fund which is managed by Mercuria Investment pursuant to a management agreement between Mercuria Investment and RCA Fund (acting through its general partner, RCAC).

The Board (including all independent non-executive Directors) is satisfied that the Acquisition, the entering into of the Share Purchase Agreement, the transactions contemplated thereunder and other transactions contemplated in connection with the Acquisition are in the ordinary and usual course of business of Spring REIT, have been entered into on terms which are on normal commercial terms at arm’s length and are fair and reasonable insofar as Spring REIT and the Unitholders are concerned, and in the interests of Spring REIT and its Unitholders as a whole. In addition, the Board (including all independent non-executive Directors) is satisfied that: (i) the Acquisition, the entering into of the Share Purchase Agreement, the transactions contemplated thereunder and other transactions contemplated in connection with the Acquisition are consistent with Spring REIT’s investment policy and in compliance with the REIT Code and the Trust Deed; and (ii) other than the Unitholders’ approval for the Lease CCTs, no approval from the Unitholders is required under the REIT Code or the Trust Deed for the Acquisition, the entering into of the Share Purchase Agreement, the transactions contemplated thereunder and other transactions contemplated in connection with the Acquisition.

Based on and in sole reliance on: (1) the opinion of the Board; (2) the opinion of the Independent Financial Adviser; and (3) the information and confirmations given by the Manager to the Trustee (and having taken into account its duties under the Trust Deed and the REIT Code), the Trustee has no objection to the Acquisition and the entering into of the Share Purchase Agreement and the transactions contemplated thereunder.

The Lease CCTs Circular containing, among other things: (1) a letter from the Board to the Unitholders containing information on the Lease CCTs and the Lease CCTs Waiver Application, (2) a letter from the Independent Board Committee to the Independent Unitholders, (3) a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee, and (4) the EGM Notice, will be sent to the Unitholders as soon as practicable.

Terms used herein shall bear the same respective meanings as set out in the Definitions section of this announcement.

**Completion is subject to the satisfaction of the conditions precedent under the Share Purchase Agreement (including obtaining Independent Unitholders' approval on the Lease CCTs), and the non-satisfaction of any Condition prior to the Long Stop Date (being 14 July 2017) shall cause the Share Purchase Agreement to immediately terminate. Further, none of the Conditions may be waived. As such, the Acquisition may or may not proceed. Unitholders and potential investors of Spring REIT are advised to exercise caution when dealing in the Units, and are recommended to seek independent professional advice if they are in doubt about their position and as to the actions that they should take.**

Following from the announcements of Spring REIT dated 6 December 2016 and 20 January 2017, respectively, in respect of the letter of intent to enter into a sale and purchase agreement to acquire the entire share capital of the Target Company, the Board is pleased to announce that on 17 March 2017, the Purchaser (being the Trustee in its capacity as the trustee of Spring REIT), Hawkeye (being the sole owner of the Target Company Shares as at the date of this announcement) and the Seller (being the sole owner of the Target Company Shares immediately prior to Completion) have entered into the Share Purchase Agreement. Pursuant to the terms of the Share Purchase Agreement, the Seller and Hawkeye agreed to sell and the Purchaser agreed to purchase the Target Company Shares, subject to certain conditions being satisfied including, among others, the Lease CCTs being approved by the Independent Unitholders.

Information on the Target Properties held by the Target Company and the terms of the Share Purchase Agreement are set out below.

## 1. THE ACQUISITION

### 1.1. Information on the Target Properties

The Target Company Shares to be acquired by the Purchaser under the Share Purchase Agreement constitute the entire issued share capital of the Target Company, which is the full legal and beneficial owner and registered owner of the Target Properties free from any encumbrances. Upon Completion, Spring REIT will (through its newly established special purpose vehicle and the Target Company) become the sole owner of the Target Properties.

It is the current intention of the Manager for Spring REIT to hold the Target Properties as a long-term investment. The Manager currently has no plan to undertake major improvements or redevelop the Target Properties. Further, the Manager does not expect any material expenditure in respect of the Target Properties in the immediate future.

To the best of the knowledge, information and belief of the Manager having made all reasonable enquiries, the Target Company does not have any business other than holding the Target Properties and does not have any employees.

The table below sets out certain key information of all Target Properties:

| | | |
|---|---|---|
| **Target Properties** | : | 84 separate commercial properties |
| **Location** | : | Various locations within the United Kingdom |
| **Ownership** | : | The Target Company holds the freehold and/or the leasehold estate of each of the Target Properties, as shown in the table at the end of this section. For further details about freehold and leasehold estates, please refer to section 5.2.1 of this announcement. |
| **Total gross internal area** | : | Approximately 505,381 sq.ft.. For further details in respect of each Target Property, please refer to the below table in this section. |
| **Occupancy rate** | : | 100% |
| **Property Manager** | : | Montagu Evans LLP., an independent third party of Spring REIT. For further details, please refer to section 5.4 of this announcement. |
| **Present annual rent payable under the occupational leases** | : | Under the Leases, the present annual rent payable by the Lessee to the Target Company (as lessor) for the Target Properties in aggregate is £3,893,000. Starting from 20 March 2017, the aggregate annual rent payable by the Lessee to the Target Company will be the higher of (i) £4,513,054; or (ii) the market rent to be agreed after Completion between the Target Company and the Lessee. |
| **Present annual rent payable under the leasehold estates** | | Rent is payable by the Target Company to the relevant lessors for the leasehold estates of the Target Properties held by the Target Company. The aggregate present annual rent payable by the Target Company in respect of the leasehold estates is £107,748. |

| | | |
|---|---|---|
| **Other key terms of occupational leases** | : | Each Target Property is subject to a long-term lease between the Target Company (as lessor) and the Lessee (which is a connected person of Spring REIT). Further details regarding the Lessee and how it is connected to Spring REIT are contained in section 9 of this announcement. The Lessee is presently operating the Target Properties as car servicing centres under the brand "Kwik-Fit" or other brands of the same group. For further information on the Lessee and the "Kwit-Fit brand", please refer to section 13.<br><br>Each of the Leases is for an initial term of 25 years, expiring on 19 March 2032 (with the remaining term being approximately 15 years from the date of this announcement) (save for the Lease in respect of the Target Property located in Islington (the "**Islington Target Property**"), which has an initial term of 17 years, expiring 26 September 2024, with the remaining term being approximately 7 years from the date of this announcement). As disclosed in the table below, the Target Company holds the leasehold estate of the Islington Target Property under a head-lease (the "**Islington Headlease**") which is due to expire on 28 September 2024. The Target Company as the tenant of the Islington Headlease can negotiate a new lease with the landlord of the Islington Headlease who is a non-government independent third party of Spring REIT. The rent payable under such new lease, if eventually agreed with the landlord of the Islington Headlease will depend on the then market value of the Islington Target Property and the term of the Islington Headlease, among other factors. In the event that the Islington Headlease is not renewed, it will expire on 28 September 2024 and the Target Company must return possession of the Islington Target Property with all additions and improvements to the landlord of the Islington Headlease by the expiry date. The Target Company will no longer have any interest in the Islington Target Property. The present annual rent payable by the Lessee to the Target Company for the Islington Target Property accounts for approximately 1.5% of the present annual rent payable by the Lessee to the Target Company for the entire portfolio of 84 Target Properties. |

The Lessee has an option to renew each of the Leases on substantially the same key terms (apart from rent which is to be at a market level agreed between the parties) for a further term of 15 years at its discretion (such renewed Lease being a "Further Lease"). To exercise such option to renew, the Lessee must give written notice to the Target Company no later than 12 months prior to the end of the term of the relevant Lease.

In respect of the Leases relating to any of the 58 Target Properties located in England and Wales (but not Scotland), the Lessee may, instead of exercising their contractual right to renew a Lease, serve a notice six months prior to the beginning of a new Lease to renew the Lease under sections 24 to 28 of the Landlord and Tenant Act 1954 (in which case the Lease may be renewed on substantially the same terms as the original Lease at market rent). In respect of the Leases relating to any of the 26 Target Properties located in Scotland, there are no statutory rights of renewal and each of those Leases will come to an end at the end of its term provided that the parties thereto do not allow it to tacitly continue on a yearly basis or contractually agree otherwise. For further details, please refer to section 5.2.4 of this announcement.

The Leases do not reserve any form of security deposit or rent deposit arrangement whereby security is deposited with the Target Company or any third party.

The Leases do not reserve any form of rent free period and instead provide that rent is payable under the Leases every quarter from the commencement date of the Leases, being 20 March 2007.

The annual rent payable under each Lease is subject to mark-to-market rent review which takes place every fifth anniversary starting 20 March 2012. The upcoming review of the present annual rent will take place in 2017. The Manager expects that the revised annual rent will be agreed upon after Completion, effective from 20 March 2017. The subsequent upcoming reviews will take place in 2022 and 2027, respectively.

The revised annual rent in 2017 (commencing from 20 March 2017) will be the greater of: (i) the market rent which the parties agree to be reasonable in respect of the Target Properties based on standard market assumptions and conditions; or (ii) a rent equal to 115.9274% of the present annual rent of £3,893,000. In other words, starting from 20 March 2017, the aggregate annual rent will be the higher of (i) £4,513,054; or (ii) the market rent to be agreed after Completion between the Target Company and the Lessee.

The revised annual rent in 2022 and 2027 will be the greater of (i) the market rent which the parties agree to be reasonable in respect of the relevant Target Property for the term commencing from the relevant review date to the unexpired residue of the term or 10 years, whichever is longer, on standard market assumptions and conditions; or (ii) the then annual rent.

If a Further Lease is entered into, the revised annual rent of the Further Lease will be the market rent which the parties to the relevant Lease agree to be reasonable in respect of the relevant Target Property for a term commencing from the relevant review date to the then unexpired residue of the term or 15 years, whichever is longer, on standard market assumptions and conditions.

If the parties to the relevant Lease or the Further Lease (as the case may be) fail to agree the market rent three months prior to a review date, either the Target Company or the Lessee may refer the matter to be determined by a chartered surveyor agreed between the parties or in default of agreement appointed by the President of the Royal Institution of Chartered Surveyors.

The Manager shall seek the opinion of the principal valuer of Spring REIT (or, where the principal valuer is not independent from both the Lessee and the Target Company, a valuer who is independent from both the Lessee and the Target Company) prior to agreeing with the Lessee on any new rent to be payable pursuant to the rent review provisions of the respective Leases. The parties will not agree on the new rent and will continue to negotiate until the independent valuer issues an opinion letter to confirm that the proposed new rent is (i) determined in the ordinary and usual course of business of Spring REIT, (ii) on normal arm's length commercial terms and at the then prevailing market level, and (iii) fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole.

The mark-to-market review mechanism results in a rent that is equal to or greater than the then annual rent and ensures that the rent payable by the Lessee will not fall below the then prevailing rent levels. As such, the Manager considers that the Leases will provide a stable and growing rental base for the Target Properties.

The Lessee is entitled to sublet the whole or part only of the Target Properties with the prior written consent of the Target Company, provided that the Lessee must obtain such covenants on the part of the sub-lessee directly with the Target Company as the Target Company reasonably requires, including the covenant to not assign or charge only part of the sublet premises and the covenant to observe and perform sub-lessee's covenants and obligations in the sublease.

The Leases will continue to subsist after Completion with no change to their terms. Therefore, the Target Company will continue to be the lessor until the respective expiry dates of the Leases unless they are terminated earlier in accordance with their terms.

The Target Company as lessor may unilaterally terminate a Lease at any time in the event that (a) the Lessee suffers an event of incapacity or insolvency; (b) the whole or part of the rent is unpaid and overdue for 14 or 21 days (depending on the location of the relevant Target Property); or (c) there is a material breach by the Lessee of any provision of the relevant Lease. The Leases do not provide the Target Company (as lessor) with any form of contractual break right to terminate any Lease.

The obligation to pay rent and all other covenants and obligations of the Lessee under the Leases are guaranteed by Kwik-Fit Holdings Limited, another indirect wholly-owned subsidiary of Itochu Corporation, who will, as principal debtor, pay and make good to the Target Company on demand all losses, costs and expenses sustained by the Target Company in the event of default of the Lessee. Upon the expiry of a Lease, the Guarantor will be liable to indemnify the Target Company unconditionally against any outstanding liability of the Lessee. Based on their public disclosure, the total assets of the Guarantor as at 31 March 2016 was £29,308,000. In addition, the Guarantor is a wholly-owned subsidiary of Itochu Corporation, which is a substantial listed company in Japan. Based on the above, the Manager believes that the Guarantor will have sufficient resources to indemnify the Target Company in respect of claims made against the Lessee and/or the Guarantor under the Leases, and that the guarantee given by the Guarantor is sufficient to protect the interests of Spring REIT and its Unitholders as whole.

This table sets out certain key information of each Target Property based on the information provided by the Seller:

| Location (Address) | Nature of Interest (Freehold/Leasehold) | Gross Internal Area (sq.ft.) | Appraised Value (£) | Lease Commencement Date | Lease Expiry Date (Initial Term) | Present Annual Rent (£) | Present Annual Rent as % of Overall Portfolio Rent |
|---|---|---|---|---|---|---|---|
| Alloa (Clackmannan Road, Alloa FK10 1RR) | Freehold | 8,879 | 905,000 | 20/03/2007 | 19/03/2032 | 48,800.00 | 1.3% |
| Altrincham (1-3 Church Street, Altrincham WA14 4DB) | Freehold | 8,529 | 1,402,000 | 20/03/2007 | 19/03/2032 | 69,556.44 | 1.8% |
| Ayr (38 Fort Street, Ayr KA7 1DE) | Freehold | 10,369 | 584,000 | 20/03/2007 | 19/03/2032 | 31,500.00 | 0.8% |
| Ayr (22/26 Maybole Road, Ayr KA7 2PZ) | Freehold | 3,970 | 760,000 | 20/03/2007 | 19/03/2032 | 37,700.00 | 1.0% |
| Bishop Auckland (Cockton Hill Road, Bishop Auckland DL14 6JN) | Leasehold (expiring on 31/10/2072) | 4,962 | 0[1] | 27/07/2007 | 19/03/2032 | 22,325.00 | 0.6% |
| Blyth (Cowpen Road, Blyth NE24 5TT) | Freehold | 5,707 | 1,021,000 | 20/03/2007 | 19/03/2032 | 51,545.96 | 1.3% |
| Bridgewater (48-54 St John's Street, Somerset, Bridgewater TA6 5HY) | Freehold | 8,603 | 1,065,000 | 20/03/2007 | 19/03/2032 | 55,108.41 | 1.4% |
| Bridlington (32-36 St Johns Street, Bridlington YO16 7JS) | Freehold | 15,514 | 1,885,000 | 20/03/2007 | 19/03/2032 | 100,000.00 | 2.6% |
| Burnley (Caldervale Road, Burnley BB11 1BS) | Leasehold (expiring on 19/06/2108) | 3,489 | 528,000 | 10/08/2007 | 19/03/2032 | 28,000.00 | 0.7% |
| Carmarthen (Pensarn Road, Carmarthen SA31 2BS) | Freehold | 4,895 | 839,000 | 20/03/2007 | 19/03/2032 | 45,211.69 | 1.2% |
| Castleford, Leeds (92 Bridge Street, Castleford, Leeds WF10 4LA) | Freehold | 3,595 | 428,000 | 20/03/2007 | 19/03/2032 | 21,600.00 | 0.6% |

[1] *The Valuer adopted the income capitalisation approach, which involves converting the net rental income generated by a property into an indication of present value, in valuing the Target Properties. In determining the income generated by a property, the Valuer has taken into account the rent receivable by the Target Company under the occupational lease as well as any ground rent payable under the relevant headlease by the Target Company. In the case of the Bishop Auckland Target Property, the rent payable by the Target Company in respect of its leasehold interest exceeds the rent payable to the Target Company under the relevant occupational lease. As the net cash flow is therefore negative, the Valuer has assessed this Target Property at nil value. However, the Valuer also considers that this Target Property is well presented and may generate a positive income stream in the future.*

| Location (Address) | Nature of Interest (Freehold/Leasehold) | Gross Internal Area (sq.ft.) | Appraised Value (£) | Lease Commencement Date | Lease Expiry Date (Initial Term) | Present Annual Rent (£) | Present Annual Rent as % of Overall Portfolio Rent |
|---|---|---|---|---|---|---|---|
| Chapel Allerton, Leeds (232 Harrogate Road, Chapel Allerton, Leeds LS7 4QD) | Freehold | 12,358 | 1,855,000 | 20/03/2007 | 19/03/2032 | 88,000.00 | 2.3% |
| Chelmsford (103 New London Road, Chelmsford CM2 0PP) | Freehold | 24,218 | 3,754,000 | 20/03/2007 | 19/03/2032 | 170,000.00 | 4.4% |
| Clevedon (119-120 Kenn Road, Clevedon BS21 6JE) | Freehold | 2,562 | 482,000 | 20/03/2007 | 19/03/2032 | 25,967.74 | 0.7% |
| Coatbridge (320 Main Street, Coatbridge ML5 3RA) | Freehold | 4,085 | 639,000 | 20/03/2007 | 19/03/2032 | 31,686.44 | 0.8% |
| Congleton (46a West Road, Congleton CW12 ES) | Freehold | 4,275 | 596,000 | 20/03/2007 | 19/03/2032 | 29,561.49 | 0.8% |
| Croydon (3 Mitcham Road, Croydon CR0 3RU) | Freehold | 4,393 | 1,719,000 | 20/03/2007 | 19/03/2032 | 70,437.49 | 1.8% |
| Doncaster (Wheatley Hall Road, Doncaster DN2 4LP) | Leasehold (expiring on 01/06/2110 | 2,988 | 277,000 | 27/07/2007 | 19/03/2032 | 23,185.48 | 0.6% |
| Dumfries (40 Laurieknowe Place, Dumfries DG2 7DA) | Freehold | 2,168 | 258,000 | 20/03/2007 | 19/03/2032 | 14,490.93 | 0.4% |
| Edinburgh (69b Saughton Road North, Edinburgh EH12 7JB) | Freehold | 3,410 | 709,000 | 20/03/2007 | 19/03/2032 | 34,547.53 | 0.9% |
| Edinburgh (19 Corstorphine Road, Edinburgh EH12 7DD) | Freehold | 7,590 | 1,475,000 | 20/03/2007 | 19/03/2032 | 70,000.00 | 1.8% |
| Edinburgh (81/91 Dundee Street, Edinburgh EH11 1AW) | Part Freehold/part Leasehold (expiring on 14/5/2861) | 4,466 | 847,000 | 20/03/2007 | 19/03/2032 | 44,650.00 | 1.1% |
| Edinburgh (107/109 Dundee Street, Edinburgh EH11) | Leasehold (expiring on 11/11/2104) | 9,628 | 1,724,000 | 06/06/2007 | 19/03/2032 | 96,300.00 | 2.5% |
| Ellesmere Port (116 Whitby Road, Ellesmere Port CH65 0AB) | Freehold | 4,490 | 690,000 | 20/03/2007 | 19/03/2032 | 33,618.95 | 0.9% |
| Eltham (727 Sidcup Road, Eltham SE9 3SA) | Leasehold (expiring on 10/10/2053) | 4,723 | 497,000 | 20/03/2007 | 19/03/2032 | 36,062.70 | 0.9% |
| Forfar (Queenswell Road, Forfar DD8 3JA) | Freehold | 2,875 | 448,000 | 20/03/2007 | 19/03/2032 | 23,185.48 | 0.6% |

| Location (Address) | Nature of Interest (Freehold/Leasehold) | Gross Internal Area (sq.ft.) | Appraised Value (£) | Lease Commencement Date | Lease Expiry Date (Initial Term) | Present Annual Rent (£) | Present Annual Rent as % of Overall Portfolio Rent |
|---|---|---|---|---|---|---|---|
| Glasgow (381 Pollokshaws Road, Glasgow G41 1Q2) | Freehold | 4,999 | 917,000 | 20/03/2007 | 19/03/2032 | 43,500.00 | 1.1% |
| Glenrothes (Fullerton Road, Glenrothes KY7 5QR) | Freehold | 4,500 | 907,000 | 20/03/2007 | 19/03/2032 | 45,000.00 | 1.2% |
| Goole (Boothferry Road, Goole DN14 6AF) | Freehold | 4,082 | 634,000 | 20/03/2007 | 19/03/2032 | 32,807.46 | 0.8% |
| Great Yarmouth (90 North Quay, Great Yarmouth NR30 1JT) | Freehold | 5,314 | 899,000 | 20/03/2007 | 19/03/2032 | 50,431.90 | 1.3% |
| Helensburgh (3 Charlotte Street, Helensburgh G84 7SH) | Freehold | 2,950 | 516,000 | 20/03/2007 | 19/03/2032 | 30,025.20 | 0.8% |
| Hornchurch (Ardleigh Green Road, Hornchurch RM11 2ST) | Freehold | 3,641 | 927,000 | 20/03/2007 | 19/03/2032 | 40,000.00 | 1.0% |
| Huddersfield (Lockwood Road, Huddersfield HD1 2QW) | Part Freehold/part leasehold (expiring on 28/09/2070) | 5,206 | 597,000 | 20/03/2007 | 19/03/2032 | 30,141.13 | 0.8% |
| Hyde (26-28 Manchester Road, Hyde SK14 2BD) | Leasehold (under two separate leases, the earliest expiring on 12/05/2064) | 5,134 | 667,000 | 20/03/2007 | 19/03/2032 | 34,500.00 | 0.9% |
| Islington (379 Camden Road, Islington N7 0SH) | Leasehold (expiring on 28/09/2024) | 4,327 | 384,000 | 20/03/2007 | 26/09/2024 | 60,282.25 | 1.5% |
| Keighley (Worthway, Keighley BD21 5ET) | Leasehold (expiring on 13/03/2084) | 3,576 | 480,000 | 20/03/2007 | 19/03/2032 | 28,981.85 | 0.7% |
| Keynsham (Ashton Way, Keynsham BS31 2UF) | Freehold | 3,214 | 575,000 | 20/03/2007 | 19/03/2032 | 29,000.00 | 0.7% |
| Kidderminster (20 Churchfields, The Horsefair, Kidderminster DY10 2JL) | Leasehold (expiring on 31/07/2076) | 3,849 | 345,000 | 27/07/2007 | 19/03/2032 | 25,000.00 | 0.6% |
| Kilmarnock (32/36 Low Glencairn Street, Kilmarnock KA1 4DD) | Freehold | 3,622 | 942,000 | 20/03/2007 | 19/03/2032 | 47,530.24 | 1.2% |

| Location (Address) | Nature of Interest (Freehold/Leasehold) | Gross Internal Area (sq.ft.) | Appraised Value (£) | Lease Commencement Date | Lease Expiry Date (Initial Term) | Present Annual Rent (£) | Present Annual Rent as % of Overall Portfolio Rent |
|---|---|---|---|---|---|---|---|
| Kirkcaldy (182 The Esplanade, Kirkcaldy KY1 1RE) | Freehold | 5,818 | 782,000 | 20/03/2007 | 19/03/2032 | 40,458.67 | 1.0% |
| Leven (The Promenade, Leven KY8 4PJ) | Freehold | 4,850 | 559,000 | 20/03/2007 | 19/03/2032 | 30,141.13 | 0.8% |
| Lincoln (148-150 Newark Road, Lincoln LN5 8QJ) | Freehold | 4,819 | 664,000 | 20/03/2007 | 19/03/2032 | 33,503.02 | 0.9% |
| Liverpool (232 Aigburth Road, Liverpool L17 0BJ) | Freehold | 4,095 | 758,000 | 20/03/2007 | 19/03/2032 | 39,211.29 | 1.0% |
| Llandudno (Conway Road, Llandudno LL30 1DE) | Leasehold (expiring on 24/12/2920) | 11,137 | 1,445,000 | 20/03/2007 | 19/03/2032 | 75,000.00 | 1.9% |
| Loughborough (24-29 The Rushes, Loughborough LE11 5BG) | Freehold | 6,177 | 1,334,000 | 20/03/2007 | 19/03/2032 | 65,000.00 | 1.7% |
| Middlesbrough (3 Landsdowne Road, Middlesbrough TS4 2LW) | Freehold | 5,255 | 1,374,000 | 20/03/2007 | 19/03/2032 | 68,165.32 | 1.8% |
| Montrose (24 George Street, Montrose DD10 8EW) | Freehold | 2,726 | 396,000 | 20/03/2007 | 19/03/2032 | 21,330.64 | 0.5% |
| Motherwell (99a Airbles Road, Motherwell ML1 2TJ) | Freehold | 6,220 | 951,000 | 20/03/2007 | 19/03/2032 | 48,000.00 | 1.2% |
| Northwich (Leicester Street, Northwich CW9 5LQ) | Freehold | 7,825 | 1,027,000 | 20/03/2007 | 19/03/2032 | 54,485.88 | 1.4% |
| Oban (Market Street, Oban PA34 4HR) | Freehold | 5,134 | 550,000 | 20/03/2007 | 19/03/2032 | 33,200.00 | 0.9% |
| Oldham (Huddersfield Road, Oldham OL1 3HR) | Part Freehold/part Leasehold (expiring on 17/10/2786) | 4,411 | 694,000 | 20/03/2007 | 19/03/2032 | 35,937.50 | 0.9% |
| Oldham (Middleton Road/ Landsdowne Road, Oldham OL9 9EG) | Leasehold (expiring on 31/03/2071) | 4,819 | 414,000 | 10/08/2007 | 19/03/2032 | 30,720.76 | 0.8% |
| Otley (Bondgate, Otley LS21 3AB) | Freehold | 6,247 | 716,000 | 10/08/2007 | 19/03/2032 | 38,000.00 | 1.0% |

| Location (Address) | Nature of Interest (Freehold/Leasehold) | Gross Internal Area (sq.ft.) | Appraised Value (£) | Lease Commencement Date | Lease Expiry Date (Initial Term) | Present Annual Rent (£) | Present Annual Rent as % of Overall Portfolio Rent |
|---|---|---|---|---|---|---|---|
| Plymouth (125-129 Alexandra Road, Mutley, Plymouth PL4 7EG) | Freehold | 9,725 | 1,356,000 | 20/03/2007 | 19/03/2032 | 67,237.90 | 1.7% |
| Pontypridd (Sardis Road, Pontypridd CF37 1BA) | Freehold | 4,718 | 686,000 | 20/03/2007 | 19/03/2032 | 37,004.03 | 1.0% |
| Portsmouth (94 East Surrey Street, Portsmouth PO1 1JY) | Freehold | 5,927 | 1,080,000 | 20/03/2007 | 19/03/2032 | 54,485.88 | 1.4% |
| Preston (Market Street, Preston PR1 2AB) | Leasehold (13/08/2069) | 14,643 | 796,000 | 27/07/2007 | 19/03/2032 | 75,000.00 | 1.9% |
| Radcliffe (Bury Road, Radcliffe M26 2UG) | Leasehold (24/03/2877) | 3,074 | 427,000 | 20/03/2007 | 19/03/2032 | 23,000.00 | 0.6% |
| Rutherglen (273 Main Street, Rutherglen G73 3AA) | Freehold | 4,952 | 772,000 | 20/03/2007 | 19/03/2032 | 36,633.06 | 0.9% |
| Sheffield (726 City Road, Sheffield S2 1GT) | Leasehold (expiring on 06/09/2064) | 4,391 | 564,000 | 20/03/2007 | 19/03/2032 | 41,789.51 | 1.1% |
| Sheffield (Townhead Street, Sheffield S1 2ED) | Part Freehold/part Leasehold (expiring on 11/10/2134) | 7,479 | 914,000 | 20/03/2007 | 19/03/2032 | 49,330.59 | 1.3% |
| Shipley (58 Briggate, Shipley BD17 7BT) | Freehold | 4,834 | 701,000 | 20/03/2007 | 19/03/2032 | 36,280.64 | 0.9% |
| Skegness (50 Roman Bank, Skegness PE25 2SP) | Freehold | 7,343 | 931,000 | 20/03/2007 | 19/03/2032 | 51,008.06 | 1.3% |
| South Croydon (453 Brighton Road, South Croydon CR2 6EW) | Freehold | 6,544 | 2,756,000 | 20/03/2007 | 19/03/2032 | 106,987.09 | 2.7% |
| Southport (8 Ash Street, Southport PR8 6JH) | Freehold | 2,502 | 454,000 | 20/03/2007 | 19/03/2032 | 22,500.00 | 0.6% |
| Stirling (11 Burghmuir Road, Stirling FK7 7PE) | Freehold | 4,980 | 1,008,000 | 20/03/2007 | 19/03/2032 | 50,000.00 | 1.3% |
| Stonehaven (110 Barclay Street, Stonehaven AB39 2AP) | Freehold | 5,998 | 754,000 | 20/03/2007 | 19/03/2032 | 40,000.00 | 1.0% |
| Sunderland (Monk Street, Sunderland SR6 0DB) | Freehold | 7,938 | 978,000 | 20/03/2007 | 19/03/2032 | 48,500.00 | 1.2% |

| Location (Address) | Nature of Interest (Freehold/Leasehold) | Gross Internal Area (sq.ft.) | Appraised Value (£) | Lease Commencement Date | Lease Expiry Date (Initial Term) | Present Annual Rent (£) | Present Annual Rent as % of Overall Portfolio Rent |
|---|---|---|---|---|---|---|---|
| Thornbury (14 Mead Court, Thornbury BS38 3UW) | Leasehold (expiring on 13/06/2113) | 3,579 | 470,000 | 06/06/2007 | 19/03/2032 | 25,319.71 | 0.7% |
| Tottenham (32 Monument Way, Tottenham N17 9NX) | Freehold | 5,451 | 2,306,000 | 20/03/2007 | 19/03/2032 | 92,510.07 | 2.4% |
| Truro (Treaswalls Road, Truro TR1 3PY) | Freehold | 9,626 | 1,237,000 | 20/03/2007 | 19/03/2032 | 72,000.00 | 1.8% |
| Warrington (Priestley Street/ Garibaldi Street, Warrington WA5 1TE) | Leasehold (expiring on 07/02/2071) | 5,721 | 501,000 | 27/07/2007 | 19/03/2032 | 38,600.00 | 1.0% |
| Wigan (Wallgate, Wigan WN5 0XG) | Part Freehold/part Leasehold (expiring on 11/11/2899) | 10,236 | 1,493,000 | 20/03/2007 | 19/03/2032 | 75,352.81 | 1.9% |
| Worcester (1 Carden Street, City Walls, Worcester WR1 2AT) | Leasehold (expiring on 31/05/2067) | 8,535 | 1,050,000 | 06/06/2007 | 19/03/2032 | 71,563.15 | 1.8% |
| Yoker (2369-2375 Dumbarton Road, Yoker G14 0NT) | Freehold | 8,548 | 1,037,000 | 20/03/2007 | 19/03/2032 | 55,000.00 | 1.4% |
| Gloucester (Unit 3, Northbrook Road, Gloucester GL4 3DP) | Freehold | 16,814 | 1,112,000 | 20/03/2007 | 19/03/2032 | 59,000 | 1.5% |
| Stirling (1 Whitehouse Road, Stirling FK7 7SS) | Freehold | 5,425 | 583,000 | 20/03/2007 | 19/03/2032 | 31,940.32 | 0.8% |
| Barrhead (17 Cross Arthurlie Street, Barrhead G78 1QY) | Leasehold (under six separate leases, the earliest expiring on 14/05/2836) | 3,856 | 586,000 | 20/03/2007 | 19/03/2032 | 30,382.25 | 0.8% |
| Birmingham (900/902 Coventry Road, Hay Mills, Birmingham B10 0UA) | Leasehold (expiring on 29/09/2035) | 5,977 | 404,000 | 06/06/2007 | 19/03/2032 | 40,000.00 | 1.0% |
| Edinburgh (40a Piershill Place, Portobello Road, Edinburgh EH8 7EH) | Freehold | 4,006 | 742,000 | 20/03/2007 | 19/03/2032 | 40,000.00 | 1.0% |
| Lichfield (8-9 Europa Way, Lichfield WS14 9TZ) | Freehold | 1,835 | 263,000 | 20/03/2007 | 19/03/2032 | 13,633.06 | 0.4% |

| Location (Address) | Nature of Interest (Freehold/Leasehold) | Gross Internal Area (sq.ft.) | Appraised Value (£) | Lease Commencement Date | Lease Expiry Date (Initial Term) | Present Annual Rent (£) | Present Annual Rent as % of Overall Portfolio Rent |
|---|---|---|---|---|---|---|---|
| Nelson (130 Leeds Road, Nelson BB9 9XB) | Leasehold (expiring on 22/09/2972) | 4,645 | 538,000 | 27/07/2007 | 19/03/2032 | 31,342.13 | 0.8% |
| Thornaby On Tees (212 Thornaby Road, Thornaby On Tees TS17 8AA) | Freehold | 5,169 | 712,000 | 20/03/2007 | 19/03/2032 | 35,937.50 | 0.9% |
| Weston-Super-Mare (Winterstoke Road, Weston-Super-Mare BS23 3YE) | Part Freehold/part Leasehold (expiring on 24/03/2897) | 2,849 | 514,000 | 20/03/2007 | 19/03/2032 | 27,266.13 | 0.7% |
| **Total** | | **505,381** | **73,566,000** | | | **3,892,999.86** | 100% |

The portfolio rental yield is approximately 6.1% based on the minimum revised annual rent in 2017 and the Base Purchase Price. The rental yield range for the Target Properties is approximately 4.5% to 11.5% based on the minimum revised annual rent in 2017 of the Target Properties and the corresponding Appraised Value, excluding two outliers being (i) the Target Property located at Bishop Auckland (which has a nil value); and (ii) the Islington Target Property (due to a relatively high yield of approximately 18.2% as a result of a relatively low appraised value given the expiry of the Islington Headlease in 2024).

## 1.2. Share Purchase Agreement

On 17 March 2017, the Purchaser (being the Trustee in its capacity as trustee of Spring REIT), Hawkeye (being the sole owner of the Target Company Shares as at the date of this announcement) and the Seller (being the sole owner of the Target Company Shares immediately prior to Completion) entered into the Share Purchase Agreement pursuant to which the Seller and Hawkeye agreed to sell, and the Purchaser agreed to purchase, the Target Company Shares comprising the entire issued share capital of the Target Company, which is the full legal and beneficial owner and registered owner of the Target Properties, free from any encumbrances.

The Target Company has taken out the following Loans, which comprise:

(a) the amounts initially owed by the Target Company to Hawkeye or the GPKF Entities as at the date of the Share Purchase Agreement and subsequently (following the implementation of a contribution agreement entered into between Hawkeye, the Seller and the Target Company) to the Seller immediately prior to Completion, being the amounts: (i) owed under a letter agreement between Hawkeye and the Target Company relating to a shareholder facility of up to £20,329,266.00 dated 21 April 2015; (ii) owed under a letter agreement between Hawkeye and the Target Company relating to mezzanine facility of up to £6,776,422.00 dated 21 April 2015; and (iii) presently owed by the Target Company to the GPKF Entities (collectively, the "**Shareholder Loan**"); and

(b) the amount owing by the Target Company to Abbey National Treasury Services plc (a UK-based bank and independent third party, which is part of Banco Santander) at Completion pursuant to the £37,000,000 facility agreement between the Target Company and Abbey National Treasury Services plc (the "**Santander Loan**").

The Shareholder Loan will be repaid at Completion with part of the Completion Payment paid by the Purchaser, while the Santander Loan will continue to be owed by the Target Company after Completion.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Hawkeye, the Seller and Abbey National Treasury Services plc, and their respective ultimate beneficial owners, is an independent third party of Spring REIT.

The principal terms of the Share Purchase Agreement are set out as follows:

| | | |
|---|---|---|
| **Date** | : | 17 March 2017 |
| **Parties** | : | (1) Hawkeye Oval II LLP, a limited liability partnership incorporated and registered in England and Wales, as Seller. being the sole owner of the Target Company Shares immediately prior to Completion; |

(2) Hawkeye Oval Holdco III Limited, a company incorporated and registered in Jersey, being the sole owner of the Target Company Shares as at the date of this announcement; and

(3) the Trustee (in its capacity as trustee of Spring REIT), as Purchaser.

**Deposit** : Pursuant to the Share Purchase Agreement, the Purchaser shall pay the Deposit in the following manner:

(a) an initial deposit of £250,000 (being approximately USD317,500) was paid by the Purchaser to the Seller's solicitors on 9 December 2016 (being a date within seven Business Days from the date of the Letter of Intent) (the "**Initial Deposit**");

(b) upon execution of the Share Purchase Agreement (being 17 March 2017) or at a date which is no later than five Business Days after such execution, a further deposit of £250,000 (being approximately USD317,500) (the "**Further Deposit**" and together with the Initial Deposit, the "**Deposit**") shall be paid by the Purchaser to the client account of the Seller's solicitors, an independent third party of Spring REIT. Upon receipt of the Deposit in the Seller's solicitors client account, the Seller shall procure that it be placed in a separate deposit account.

The Deposit (plus any accrued interest thereon) shall be refunded in full by the Seller's solicitors to the Purchaser if Completion does not take place due to:

(a) the GPKF Dissolution Condition not being satisfied;

(b) the Seller's failure to comply with its obligations in respect of Completion; or

(c) a material breach of the Seller's warranties or undertakings that has not been remedies in accordance with the Share Purchase Agreement.

The Deposit (plus any accrued interest thereon) shall be refunded by the Seller's solicitors to the Purchaser (less the Seller's legal fees fixed at £250,000) if Completion does not take place due to the Unitholder Approval Condition not being satisfied provided that:

(i) this announcement has been issued by Spring REIT to the Unitholders within one Business Day of the signing of the Share Purchase Agreement;

(ii) the Lease CCTs Circular has been issued to convene the EGM within 60 Business Days of the signing of the Share Purchase Agreement, unless required to be postponed under applicable regulations, to vote on the Ordinary Resolution to approve the Lease CCTs; and

(iii) the Board has recommended that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolution to approve the Lease CCTs as set out in the Lease CCTs Circular.

**Purchase Price** : The Purchaser shall pay the Seller the aggregate of the following amounts in respect of the Acquisition and the repayment of the Shareholder Loan (the "**Purchase Price**"), an amount equal to:

(i) the Base Purchase Price of £73,500,000 (approximately USD93,345,000); *minus*

(ii) the amount of the Santander Loan as at Completion, estimated to be approximately £36.1 million (approximately USD45.8 million) as at the date of this announcement based on the information provided by the Seller, which will continue to be owed by the Target Company after Completion; and

(iii) either: (1) *plus* the Completion NAV (if it is a positive amount); or (2) *minus* the absolute value of the Completion NAV (if it is a negative amount). The Completion NAV is the total assets of the Target Company (other than the Target Property and Excluded Assets) minus the total liabilities of the Target Company (other than the Loans) as at Completion.

The Purchase Price has been arrived at on a willing buyer and a willing seller arm's length transaction basis after taking into account the Appraised Value of the Target Properties as at 17 March 2017 (being £73,566,000 or approximately USD93,428,820 assuming a USD/GBP exchange rate of 1.27) as appraised by Knight Frank Petty Limited, an independent property valuer and principal valuer of Spring REIT. The Base Purchase Price (being £73,500,000) represents a discount of approximately 0.01% to the abovementioned Appraised Value. The Base Purchase Price represents approximately 10.0% of the NAV of Spring REIT. The Manager is satisfied that the Purchase Price has been arrived after arm's length negotiation and is fair and reasonable and in the interests of Spring REIT and the Unitholders as a whole.

Based on the unaudited financials for the year ended 30 September 2016, and having regard to the positive and negative obligations of the Seller prior to Completion, the Manager does not expect the Completion NAV to be a material amount.

The Purchase Price shall be settled by the Purchaser in two stages: (i) the Completion Payment shall be paid on or prior to Completion; and (ii) the Post-Completion Adjustment payment shall be paid following Completion. Further details regarding these payments are set out below.

**Completion Payment** : The "**Completion Payment**" is equal to the estimated Purchase Price based on the projected statement of financial position of the Target Company prepared by the Seller prior to the Completion Date in accordance with the Share Purchase Agreement (the "**Estimated Completion Statement**").

The Completion Payment will be satisfied by:

(a) the payment by the Purchaser of the Completion Sum (as defined below) to the Seller;

(b) the retention by the Seller of the Initial Deposit paid to the Seller's solicitors on 9 December 2016 (being a date within seven Business Days from the date of the Letter of Intent), plus any accrued interest;

(c) the retention by the Seller of the Further Deposit paid to the Seller's solicitors upon execution of the Share Purchase Agreement (being 17 March 2017) or at a date which is no later than five Business Days after such exchange, plus any accrued interest;

(d) the payment by the Purchaser of the sum of £735,000 (being 1% of the Base Purchase Price) into the Escrow Account at Completion (the "**Retention Amount**"); and

(e) the Purchaser withholding the sum of £220,000 and applying it to pay part of the premium payable for the W&I Insurance at Completion.

The Completion Sum is equal to the balance of Completion Payment after deducting (i) the Deposit (plus any accrued interest thereon); (ii) the Retention Amount; and (iii) the sum of £220,000 being the amount which shall be applied to pay part of the premium payable for the W&I Insurance, at Completion.

| | | |
|---|---|---|
| **Retention Amount** | : | At Completion, the Purchaser shall pay the Retention Amount (which forms part of the Purchase Price) into an escrow account opened in the name of the Escrow Agent (the "**Escrow Account**"), who shall hold such amount as stakeholder on trust for the Purchaser and the Seller. If at any time before the Retention Release Date there is an unpaid Purchaser Determined Claim, then the Parties shall instruct the Escrow Agent to pay to the Purchaser or the Target Company the due amount in respect of that Purchaser Determined Claim (or if less, the balance of the Retention Amount). On the Retention Release Date, the Parties shall instruct the Escrow Agent to pay to the Seller an amount equal to the balance of the Retention Amount (less certain amounts to be retained in the escrow account for undetermined claims, to be dealt with in accordance with the terms of the Share Purchase Agreement). |
| **Post-Completion Adjustment** | : | Within 40 Business Days of the Completion Date, the Seller shall deliver to the Purchaser a revised draft of the Estimated Completion Statement prepared in accordance with the agreed procedures in the Share Purchase Agreement (the "**Completion Statement**"). Within 40 Business Days after receipt of the Completion Statement from the Seller, the Purchaser may give notice to the Seller disputing the Completion Statement and the Completion NAV ("**Dispute Notice**"), in which case the Parties shall endeavor to agree in good faith the Completion Statement. Failing such agreement in writing within 10 Business Days after receipt of the Dispute Notice (or such later date as otherwise agreed), the item(s) which remain in dispute shall be referred for determination by an Expert jointly appointed by the Purchaser and the Seller.<br><br>Following the determination or agreement of the Completion Statement: |

(a) if the actual Completion NAV stated in the Completion Statement exceeds the estimated Completion NAV stated in the Estimated Completion Statement, the Purchaser shall pay the Seller the excess, or if the actual Completion NAV stated in the Completion Statement is less than the estimated Completion NAV stated in the Estimated Completion Statement, the Seller shall repay the Purchaser the shortfall;

(b) if the actual Shareholder Loan stated in the Completion Statement exceeds the estimated Shareholder Loan stated in the Estimated Completion Statement, the Purchaser shall pay the Seller the excess, or if the actual Shareholder Loan stated in the Completion Statement is less than the estimated Shareholder Loan stated in the Estimated Completion Statement, the Seller shall repay the Purchaser the shortfall;

(c) if the actual Santander Loan stated in the Completion Statement exceeds the estimated Santander Loan stated in the Estimated Completion Statement, the Seller shall pay the Purchaser the excess, or if the actual Santander Loan stated in the Completion Statement is less than the estimated Santander Loan stated in the Estimated Completion Statement, the Purchaser shall pay the Seller the shortfall,

with the aggregate of the above payments being referred to as the "Post-Completion Adjustment". The Post-Completion Adjustment payment shall be made by the Purchaser or the Seller (as the case may be) not later than 10 Business Days following the date on which the Completion Statement is determined or agreed.

**Completion** : Pursuant to the terms of the Share Purchase Agreement, the Acquisition is expected to be completed on the Completion Date (being the 12th Business Day after the date on which the last of the Conditions is satisfied) or such later date that the parties to the Share Purchase Agreement shall agree in writing.

The Long-Stop Date, on or prior to which the Conditions must be satisfied or waived by the Purchaser, is 14 July 2017.

**Conditions Precedent** : Completion of the Acquisition is subject to the following conditions precedent being satisfied by the Purchaser on or prior to the Long-Stop Date:

(a) Independent Unitholders' approval of the Lease CCTs being obtained (the "**Unitholder Approval Condition**");

(b) the Purchaser obtaining financing for the Completion Payment; and

(c) each of the GPKF Entities having been dissolved in accordance with section 201 of the Insolvency Act 1986 (the "**GPKF Dissolution Condition**").

The Manager understands that it is beneficial from a tax perspective for the GPKF Entities, which are presently held by the Seller, to be dissolved prior to Completion. The Seller has advised the Manager that this process is currently ongoing and expected to be complete by 14 July 2017 (being the Long Stop Date for satisfying the Conditions).

**Termination** : If any of the Conditions are not satisfied on or prior to the Long Stop Date, then the Share Purchase Agreement shall immediately terminate on the day immediately following the Long Stop Date (save for certain provisions in respect of confidentiality, assignment and successors in title, third party rights, notices and governing law which shall remain binding as between the Parties). None of the Parties may waive any of the Conditions.

**Completion is subject to the satisfaction of the Conditions, and the non-satisfaction of any Condition prior to the Long Stop Date shall cause the Share Purchase Agreement to immediately terminate. Further, none of the Conditions may be waived. As such, the Acquisition may or may not proceed. Unitholders and potential investors of Spring REIT are advised to exercise caution when dealing in the Units, and are recommended to seek independent professional advice if they are in doubt about their position and as to the actions that they should take.**

Further, if Completion does not take place on the Completion Date because either the Seller or Purchaser fails to comply its completion obligations, then the Party which has not failed to comply with such obligations may, by notice in writing to the other Party(ies), elect to terminate the Share Purchase Agreement.

**Representations, Warranties, Undertakings and Limitation of Liability** : The Share Purchase Agreement contains certain customary representations, warranties and undertakings given by the Seller and Hawkeye in respect of, among other things, the Seller, Hawkeye, the Target Company, the Target Company Shares, the Loans, the Target Properties and the Leases, all of which are customary terms for transactions of this nature and scale.

The Share Purchase Agreement sets out limitations on the liability of the Seller in respect of any breach of warranties. The maximum aggregate liability of the Seller in respect of claims under the warranties and other provisions of the Share Purchase Agreement shall not exceed a sum of: (i) £735,000 for the period up to the first anniversary of the Completion Date; and (ii) £1 between the first and seventh anniversary of the Completion Date. The Seller shall not be liable for any individual claim, including any claim under the tax covenant, that does not exceed £50,000 and unless the aggregate liability in respect of all claims exceeds £735,000, except in respect of tax claims made after the first anniversary of the Completion Date. In addition, the Seller shall not be liable for any claim (including a claim under the tax covenant) unless the Purchaser has given notice to the Seller of such claim, in the case of a claim under the tax covenant, before the seventh anniversary of the Completion Date (although, as noted above, the Seller's maximum aggregate liability after the first anniversary is £1, and therefore from a practical perspective, after the first anniversary of the Completion Date, the Seller would make such tax claims under the W&I Insurance stated below), and in the case of all other claims, before the first anniversary of Completion Date, and has issued legal proceedings in respect of the same by the expiry of 12 months from giving of such notice.

The Purchaser has taken out warranty and indemnity insurance with two reputable insurance providers (the "**W&I Insurance**"), which, among other things) provides cover for (i) general warranties, fundamental warranties, tax warranties, tax covenant and clawback of certain tax relief; and (ii) title to the Target Company Shares and title to the Target Properties, for a period of 2 years from Completion in respect of general warranties and 7 years from Completion in respect of fundamental warranties, tax warranties, tax covenants and clawback of certain tax relief (and, in respect of title to the Target Company Shares and Target Properties, for perpetuity), with a cap in aggregate of £7.35 million (equivalent to approximately USD9.33 million) in respect of the W&I Insurance that covers warranties and covenants, a cap in aggregate of £1.9 million (equivalent to approximately USD2.41 million) in respect of the W&I Insurance that covers clawback of certain tax relief, and a cap in aggregate of £73.5 million (equivalent to approximately USD93.35 million) in respect of the W&I Insurance that covers title to the Target Company Shares and Target Properties. The Seller shall bear £220,000 of the premium payable by the Purchaser for the W&I Insurance, as reflected in the manner in which the Completion Sum is to be satisfied, while the Purchaser shall bear the remaining premium being £49,000. Taking into consideration the W&I Insurance and terms thereof, which the Manager considers to be fair and reasonable, and having regard to the W&I Insurance limitations and exclusions referred to above, the Manager is satisfied that the interests of Spring REIT and the Unitholders as a whole in respect of potential claims under the W&I Insurance are adequately and sufficiently protected.

Taking into consideration: (1) the representations and warranties from the Seller (including the Seller's limitations of liabilities mentioned above) which the Manager considers to be fair and reasonable, on normal commercial terms (for independent private equity vendors) after arm's length negotiations and the best terms available to the Purchaser in the circumstances, and are in the interests of Spring REIT and the Unitholders as a whole; (2) the Seller being a subsidiary of a private equity fund and there being no guarantee in respect of the Seller's obligations under the Share Purchase Agreement; (3) the W&I Insurance and terms thereof (having regard to the limitations and exclusions therein); (4) the holdback of the Retention Amount; and (5) the satisfactory results of the Manager's due diligence review in respect of the Target Company and Target Properties, the Manager is satisfied that the interests of Spring REIT and the Unitholders as a whole in respect of potential claims under the Share Purchase Agreement are adequately and sufficiently protected.

**Taxation** : The Seller covenants with the Purchaser, among others, to pay the Purchaser an amount equal to:

(a) any actual tax liability of the Target Company arising from any event occurring on or before Completion, or any income or gains earned or received on or before the date of Completion;

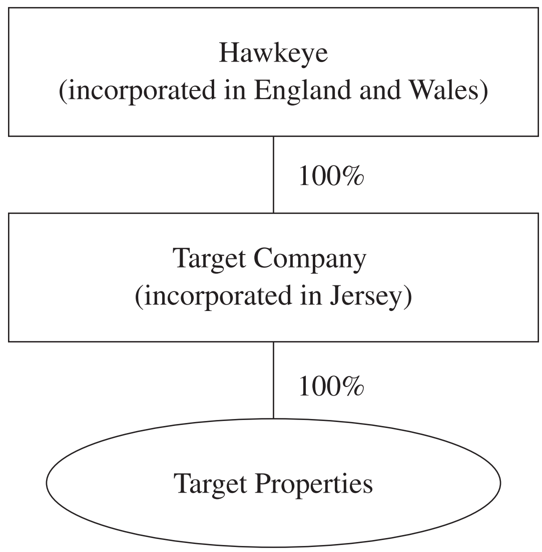
(b) any deemed tax liability; and

(c) any reasonable third party costs and expenses properly incurred by the Purchaser as a result of any such liability referred to above.

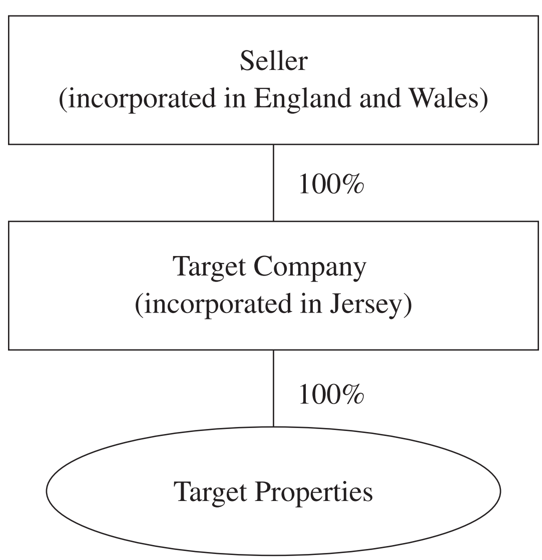
**Governing Law** : The Share Purchase Agreement is governed by and interpreted in accordance with English law.

### 1.3. Current and Expected Holding Structure

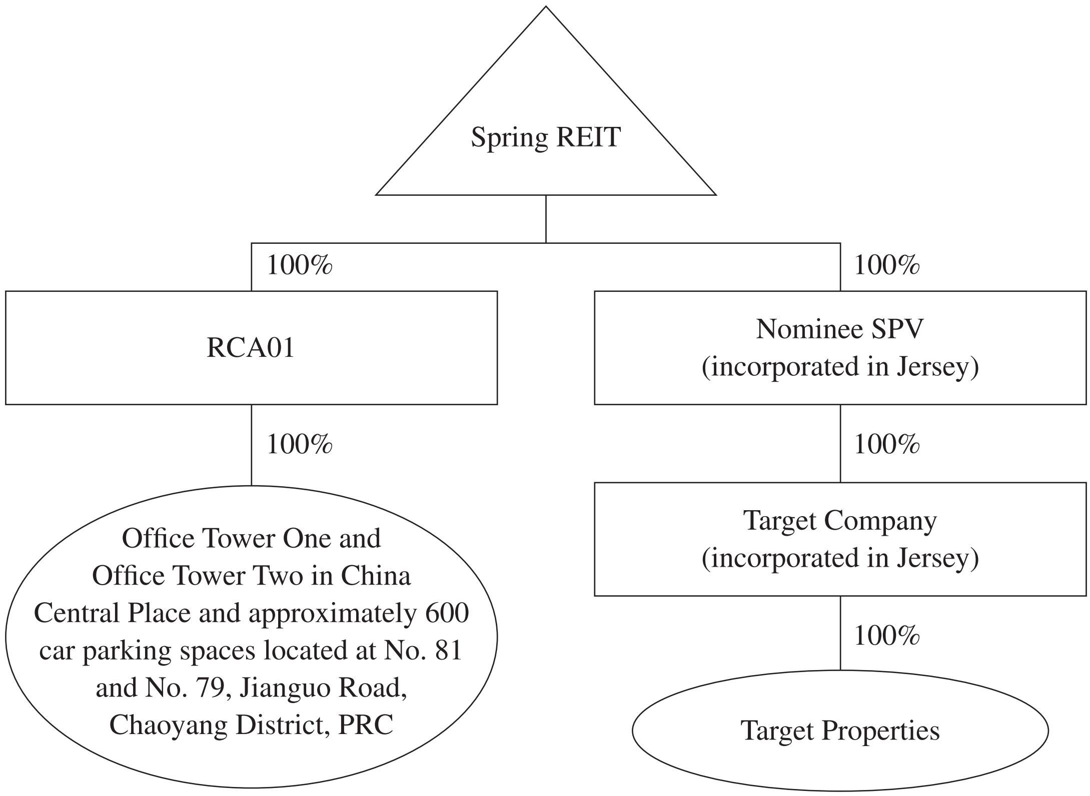
Below is a chart showing the holding structure of the Target Properties as at the date of this announcement:




Below is a chart showing the holding structure of the Target Properties immediately prior to Completion:



After Completion, the Target Company will be wholly-owned and controlled by Spring REIT. Below is a simplified chart showing the holding structure of the Target Properties immediately after Completion:




## 1.4. Fees and Charges

The estimated total fees and charges payable by Spring REIT in relation to the Acquisition (the "**Total Fees and Charges**") is approximately USD2.7 million consisting of: (i) the Acquisition Fee (the USD equivalent of 1% of the Base Purchase Price (being £735,000), which for illustrative purposes, would be approximately USD933,450 assuming a USD/GBP exchange rate of 1.27); and (ii) the Other Acquisition Fees and Expenses (of approximately USD1.8 million) and the Trustee's Additional Fee of HKD100,000 (equivalent to approximately USD12,853). The Base Purchase Price (being £73,500,000 or USD93,345,000) plus the Total Fees and Charges (being approximately USD2.7 million) is approximately USD96.1 million.

On Completion, the Manager will be entitled under the Trust Deed to receive an acquisition fee equal to USD equivalent of 1% of the Base Purchase Price (being £735,000, which for illustrative purposes, would be approximately USD933,450 assuming a USD/GBP exchange rate of 1.27 (the "**Acquisition Fee**"). The Acquisition Fee shall be paid to the Manager in the form of cash.

Spring REIT incurred or is expected to incur other estimated fees and expenses in connection with the Acquisition (including advisory fees, professional fees, origination fees and expenses and stamp duty, a portion of the W&I Insurance premium borne by the Purchaser) amounting to approximately USD1.8 million ("**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.

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 the Trust. 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 (equivalent to approximately USD12,853) (the "**Trustee's Additional Fee**").

After Completion, pursuant to the Trust Deed and in addition to the fees payable to the Manager and the Trustee in respect of Spring REIT's existing property portfolio:

(a) the Manager is entitled under the Trust Deed to receive management fees attributable to the Target Properties comprising (i) a base fee of 0.4% per annum of the value of the Deposited Property attributable to the Target Properties; and (b) 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 Target Properties; and

(b) the Trustee will receive fees, not exceeding 0.0175% per annum of the value of the Deposited Property attributable to the Target Properties, 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 the Target Properties pursuant to the Trust Deed. The total fees payable to the Trustee in respect of the Deposited Property is subject to a minimum amount of RMB56,000 per month.

## 2. FINANCIAL INFORMATION OF THE TARGET COMPANY

The financial information of the Target Company has been prepared and (in relation to the financial information for the 14 months period ended 30 September 2015 and the year ended 30 September 2016) prepared under UK GAAP.

The following figures are extracted from the Target Company's financial statements provided by the Seller and are solely for reference. They do not represent the future performance of the Target Company or the Target Properties:

| | | **Year ended 30 September 2016** (unaudited under UK GAAP) £ | **14 months period ended 30 September 2015** (unaudited under UK GAAP) £ |
|---|---|---|---|
| (1) | Revenue | 4,649,687 | 3,457,710 |
| (2) | Net profit before tax[(1)] | 2,158,481 | -262,086 |
| (3) | Net profit after tax[(2)] | 2,274,113 | -342,889 |
| (4) | Total assets[(3)] | 66,008,073 | 67,145,735 |
| (5) | Net assets | 1,931,226 | -342,887 |

*Note:*

1. *Net profit before tax for 2016 includes property operating expenses such as property management fee of -£64,425 (2015: -£45,870), gain / (loss) on sale of property £602,286 (2015: -£218,622), interest payable on borrowings -£2,141,383 (2015: -£3,016,810).*

2. *Net profit after tax in 2016 includes a gain of £220,664 due to adjustment in respect of prior periods.*

3. *The amounts include the value of investment properties which are carried at cost of £62.2 million instead of revalued at reporting dates in accordance with UK GAAP.*

## 3. FINANCING OF THE ACQUISITION

The payment of the Purchase Price and the Total Fees and Expenses will be financed by Spring REIT's internal resources and a bank borrowing of approximately £40.0 million (equivalent to approximately USD50.8 million) with a bank which is an independent third party of Spring REIT. Such bank borrowing shall be at arms' length, on normal commercial terms, fair and reasonable and in the interests of Unitholders.

The Manager does not presently intend to enter into any hedging or interest rate swap transactions, but will closely monitor its exposure to currency and interest rate fluctuations and consider hedging arrangements in future should the need arise.

## 4. FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition is not expected to have any material impact on the financial position of Spring REIT as compared to that as at 30 June 2016 (as disclosed in the 2016 interim report of Spring REIT).

Upon Completion, based on the unaudited consolidated financial position of Spring REIT as disclosed in its 2016 interim report, the pro-forma adjusted ratio of debt to total assets of Spring REIT is anticipated to change from approximately 33.2% to approximately 37.3% assuming: (i) Spring REIT had acquired the Target Properties on 17 March 2017 and that it was valued at the Base Purchase Price on such date; and (ii) the Base Purchase Price was £73,500,000 (equivalent to approximately USD93,345,000) and an adjustment thereto of £36.1 million (equivalent to approximately USD45.8 million) was made.

## 5. OVERVIEW OF THE PROPERTY MARKET AND RELEVANT REGULATIONS IN THE UNITED KINGDOM

### 5.1. The property market in the United Kingdom

The UK enjoyed one of the fastest economic growth amongst the group of seven major advanced nations (G7) in 2016, second only to Germany, registered a Gross Domestic Product (GDP) growth of 1.8% year-on-year (YoY). Growth remained resilient in the immediate aftermath of the vote to leave the EU (Brexit). The December Purchasing Managers' Index (PMI, compiled by Markit) for the manufacturing sector rose to its highest level in 30 months, at 56.1 points, above the neutral 50-point line that divides expansion in sectoral activity from contraction. The picture was equally bright in the service sector, with the PMI rising to 56.2 as new order inflows expanded rapidly. Globally, UK ranked 12th largest recipient of foreign direct investment (FDI) by United Nations Conference on Trade and Development in 2016 World Investment Report, suggesting strong investor appetite for UK assets. The overall trend of UK property market may depend on the nature and speed of negotiations in putting in place new trade treaties and the general reaction to this by businesses and consumers, reactions of properties in different sectors may also differ.

The tenant of the Target Properties operates in tyre and exhaust sector, which has less exposure to the uncertainty of external trade negotiations and more on the domestic motor industry.

The UK has been a forerunner in establishing nationwide branded fast fit networks, services traditionally offered by them include basic vehicle maintenance work, such as replacement tyres, exhausts, batteries and brakes. Over the last decade, these fast fit networks started to compete directly with the franchised car dealership networks, offering full servicing, statutorily required Ministry of Transport testing and advanced diagnostics. By contrast with franchised car dealerships, the fast fit networks have developed their businesses by creating the perception of a good value alternative, whilst still offering the consumer confidence of a national brand. The fast fit networks tend to win customers with cars aged three years or older.

The conditions of the UK motor industry is of particular relevance to the tyre and exhaust market. The overall size of UK motor market grew by 2.3% in 2015. At the end of 2015, there were approximately 37 million vehicles on UK roads with the average age of cars approximately 7.5 years, although there are approximately 13 million cars aged 9 years or older. In this respect there were recently witnessed record levels of car registrations, with the UK achieving sales of 2.63 million units in 2015.

Kwik Fit is the market leader in the UK, having been established for over 45 years and now operating over 600 sites in England, Scotland, Wales and Northern Ireland. Underwritten by strong market position in UK, properties leased by Kwik Fit has the ability to generate stable long-term cash flow.

Tyre and exhaust property remains attractive among private investor with preference to the stable cash flow and liquidity. There is an active secondary market for such properties, either as individual property or portfolio of such properties, most notably through auction houses. As such, frequent and transparent transactions lead to efficient price discovery and provide liquidity support. For owners of this type of property, these auctions also provide a means of exit opportunity for their investments.

## 5.2. Overview of the relevant laws and regulations of the United Kingdom relating to real estate

### *5.2.1. Property ownership*

There are no nationality restrictions on land ownership whether as individuals or corporate entities. There are two ways in which a property can be held in the United Kingdom, being freehold and leasehold. A freehold estate is an estate in land which provides the holder of the estate with rights of absolute ownership. A leasehold estate is an estate in land which provides the holder of the estate with rights of possession and use of the land but not absolute ownership of the land. The freehold land is retained by the freeholder who grants the lease or tenancy as landlord or lessor to the holder out of the freehold land, who is referred to as the tenant or lessee. There can be multiple layers of leasehold estates granted out of a freehold estate, thereby creating a chain of leases. For example, the freeholder may grant a head-lease to a head-tenant who in turn may grant an underlease to an undertenant who in turn may grant a sub-underlease to a sub-undertenant, and so on. In Scotland, the equivalent of freehold ownership is known as "heritable" ownership, and for most practical purposes it should be regarded as the same as freehold ownership.

On very rare occasions, a property may be expropriated by the UK governmental authorities by paying the owner of the estate an appropriate amount as compensation.

### *5.2.2. Land Registry*

The system of land registration in England and Wales is administered by the UK Land Registry, a quasi-governmental body which has regional offices throughout England and Wales and operates in accordance with the statutory powers granted by the UK government. In additional to transfer of freehold land and leases for more than seven years, all financial charges over land should be registered in order to be fully enforceable. Other property rights and interests that are capable of being registered include rights over land, restrictive covenants, easements, options and contracts for sale.

In Scotland, most titles are now registered in the Land Register of Scotland (which is part of a non-ministerial government department responsible for compiling and maintaining various public registers). A leasehold title must be for a duration of more than 20 years to be capable of registration in Scotland and, as such, a fixed charge can only be granted over a leasehold title in Scotland where the lease is for a duration of more than 20 years. Other title conditions are also capable of registration in Scotland but do vary from those in England (e.g. it is not possible to register an option against a title in Scotland).

*5.2.3. Termination of lease*

The parties to a lease may negotiate formal break or termination rights under the lease which can be mutual or available to one party only. In the absence of any contractual right to terminate the lease, in principle, a tenant will have no ability to bring the lease to an end prior to its contractual term. Nevertheless, the tenant may approach the landlord to negotiate a surrender of lease by paying a one-off fee to the landlord to bring the lease to an end prior to the expiry of its term.

In England and Wales, a landlord may terminate or forfeit a lease in the event of a breach of covenant by the tenant or upon the tenant's insolvency, subject to the terms of the relevant lease. There is a formal procedure to be followed in relation to such termination and it is open to the tenant or any other interested party (such as a subtenant or a mortgagee) to apply to the court for relief from forfeiture. On such application, the court will consider the relative merits and commercial interest of the parties in deciding whether or not to grant such relief.

The effect of leasehold "irritancy" in Scotland is the same as forfeiture in England – the lease interest is terminated and the value of any security over it is lost. The general law of Scotland does not provide either a sub-tenant or the holder of any charge granted over the tenant's interest with any automatic legal or equitable right of relief against irritancy proceedings and Scots courts do not have the English courts equitable jurisdiction. For a sub-tenant or chargeholder to have protection direct contractual undertakings would require to be given by the Landlord.

*5.2.4. Tenant's protection in respect of renewal*

Pursuant to the provisions of the Landlord and Tenant Act 1954 (the "**1954 Act**"), a tenant of a commercial or business lease in England and Wales has the right to call for a renewal lease at the end of the original term of years granted by the initial lease. The landlord may object to a renewal but must demonstrate to the court's satisfaction that the renewal should not be granted pursuant to certain statutory exceptions (for example, that the landlord intends to demolish or reconstruct the premises or to occupy the premises for its own business at the end of the term).

The parties are free to negotiate the terms of the renewal lease. However, if the rent, the term or any other terms of the renewal lease cannot be agreed, either party can make an application to court. The court has the power to order the grant of a new lease and a discretion on lease terms and must consider what is reasonable in all the circumstances. The court will usually direct that the renewal lease be granted for a maximum term of 15 years on substantially the same terms as the original lease and at the then prevailing market rent.

Alternatively, the parties to a lease may agree to exclude the security of tenure protection afforded by the 1954 Act. If so, the landlord is not obliged to renew the lease and the lease will expire at the end of its terms. There is no limit on the number of times that a commercial lease can be renewed under the 1954 Act as long as the parties do not exclude the statutory right under the 1954 Act in any lease renewal.

The 1954 Act does not apply in Scotland. In all cases (except, in limited circumstances, retail shops) tenants have no statutory rights to renew (unless the parties contractually agree otherwise) and their lease will come to an end at the end of the contractual term. A formal notice is still required but failure to serve notice (by either party) will (in the absence of other agreement/actings) mean the lease continues for a maximum of a further year, on the same terms and conditions (including rent). Notice again is required which failing the lease once more holds over on a rolling annual basis until notice is served by either party.

*5.2.5. Rental collection and licensing requirements*

Rental collection is made through invoices sent to the lessee for the relevant payment term, and in this case the rent is due by quarterly payments. A rental deposit is not applicable in this case, as the parties have agreed that the Guarantor, being the parent company of the Lessee, shall guarantee the rental obligations under the Leases. Furthermore, the Lessee needs to obtain the licenses which are required for its operation in the Target Properties.

## 5.3. Taxation matters

*5.3.1. United Kingdom*

Based on competent tax advice received by the Manager, the Target Company is required to pay UK income tax on its net rental income the rate of 20%. The Target Company's net rental income comprises its gross rental income less allowable deductions, including allowable interest expense. Tenants of UK real estate who pay rent to a landlord who is tax resident in a jurisdiction other than the UK are required to withhold 20% from gross rental payments in respect of the non-UK resident landlord's income tax liability. However, as the Target Company is admitted to the UK tax authority's Non-resident Landlord Scheme, it is entitled to receive (and its tenants and/or property manager have been directed to pay) rents on a gross basis. The Target Company is required to account for UK VAT on rent received in respect of portfolio properties in relation to which an option to tax has been exercised. Interest payable by the Target Company will not be subject to UK interest withholding tax provided the interest does not have a UK-source. No UK stamp duty will be payable upon the acquisition of the Target Company by Nominee SPV. Under current law, the Target Company is not liable to pay UK tax on any capital gain derived from a sale of any of the portfolio properties.

*5.3.2. Jersey*

Based on competent tax advice received by the Manager, as a tax resident of Jersey, each of the Target Company and Nominee SPV will be liable to pay Jersey tax on its income and gains at the rate of 0%. Jersey does not impose a withholding tax on dividends or interest paid to a recipient that is not tax resident in Jersey; consequently, dividends and interest paid by the Target Company and/or Nominee SPV will not subject to any Jersey withholding tax. No stamp duty will be payable in Jersey upon the acquisition of the Target Company by Nominee SPV. There are no legal impediments to the remittance of dividends on any retained earnings of the Target Company and the Nominee SPV out of Jersey to Hong Kong provided that such remittance is made in accordance with the relevant foreign investment, tax and foreign exchange laws, regulations and laws of Jersey.

### 5.4. Expertise and risk control system in relation to investment in overseas property

Following Completion, the Target Company will continue to engage Montagu Evans LLP (the current property manager of the Target Properties and an independent third party of Spring REIT), to provide property management services in relation to the Target Properties. The property management services provided will include customary services relating to, among other things, rental collection and payment of outgoings, inspections of the portfolio, monitoring of the lessor's and lessee's obligations under the lease, liaison with statutory bodies, supervision and monitoring of health and safety matters to comply with legislation, administration of insurance, and where required and agreed, asset management services (including services relating to the negotiation of rent reviews and the renewal of leases).

## 6. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Manager believes that the key benefits of the Acquisition are:

### 6.1. Expansion of footprint beyond the PRC and more diversified property portfolio

As real estate markets in different jurisdictions experience different vacancy rates and rental growth cycles, a geographically diverse portfolio will provide Spring REIT with a more stable rental revenue level and this, in turn, will enhance Spring REIT's ability to make stable and sustainable distributions to Unitholders. A geographically diverse portfolio will also be less susceptible to any adverse changes which may occur due to the political and economic conditions in any particular market.

The Acquisition contributes to the geographical diversification of Spring REIT's existing portfolio, being Spring REIT's first acquisition outside the PRC. While the two premium-grade office properties in Spring REIT's existing portfolio are strategically located at the central business district of Beijing in PRC with high occupancy rates since Spring REIT's listing in 2013, the operating performance of Spring REIT depends to a large extent on the cycles of the PRC economy. The Target Properties, which comprise 84 commercial properties located across the UK, provide a geographically broad exposure to the fifth largest national economy in the world.

The Target Properties have a gross internal floor area of 505,381 square feet. The larger asset size resulting from the Acquisition would expand the potential investors' base, which may justify higher valuation parameters for Spring REIT.

### 6.2. Acquisition of properties subject to long-term leases with quality tenant is consistent with Spring REIT's investment objectives and growth strategy

The Manager's principal investment strategy for Spring REIT is to invest in high quality income-producing real estate across the globe. The Target Properties are leased to a reputable Lessee under long term leases each with a remaining term of 15 years (except in one case where the remaining term is 7 years) with a Lessee's option to renew for a further term of 15 years. The rents under the Leases are subject to a mechanism of mark-to-market rent review every 5 years, under which the rent can only be revised upward. The rental obligations under the Leases are guaranteed by the Lessee's parent company, Kwik-Fit Holdings Limited, which is an indirect wholly-owned subsidiary of Itochu Corporation. Itochu Corporation is a global trading company which is currently listed on the Osaka Securities Exchange and the Tokyo Stock Exchange with total assets as at 31 March 2016 of 8,036.4 billion Japanese yen. As such, Spring REIT's rental income is guaranteed and well-protected. The Manager believes that the Acquisition will offer a stable, attractive and long term rental income stream for Spring REIT which is in line with Spring REIT's investment objectives and growth strategy.

## 7. KEY RISKS RELATING TO THE UK PROPERTY MARKET AND THE ACQUISITION

### 7.1. Risks relating to investments in the UK property market

*7.1.1. Operational and management risk*

Spring REIT may face increased operational risks when managing the Target Properties, which is geographically distant from the Manager's Hong Kong office. These operational risks may arise due to miscommunication with overseas agents and management companies. Such risks may be exacerbated by this being the first investment outside the PRC by Spring REIT and the Manager.

*7.1.2. Risks as a result of Brexit*

The United Kingdom held a referendum on 23 June 2016 in which a majority of voters voted to exit the European Union ("**Brexit**"). Negotiations are expected to commence to determine the future terms of the United Kingdom's relationship with the European Union, including, among other things, the terms of trade between the United Kingdom and the European Union.

The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could, among other things, (a) contribute to the volatility in property prices in the United Kingdom; (b) negatively affect the exchange rate and interest rate of the British Pound Sterling against Hong Kong Dollars, resulting in lower profitability for the Target Company and level of distributions by the Target Company to Spring REIT; and (c) affect the Lessee's ability to pay rent and negatively impact the rental income stream for Spring REIT.

In addition, the Scottish government has mentioned the possibility of seeking a second independence referendum, as a response to Brexit. It is not clear if or when this referendum would take place, or what the implications would be if the referendum result favoured Scottish independence from the United Kingdom.

*7.1.3. Terrorist risk*

The United Kingdom may become a target for terrorist attacks, which could have a material impact on the tourism industry and economy of the United Kingdom.

*7.1.4. Hedging costs*

Subject to costs and the then current circumstances, Spring REIT may engage in hedging transactions to minimize the exchange rate risk. There is no assurance that any hedging arrangements will fully and effectively eliminate the risk exposure and additional costs may be incurred.

*7.1.5. Political risk*

Spring REIT may be subject to political risks in the United Kingdom, such as the risk that the return to investment may suffer losses as a result of possible decrease in credit rating of the country, changes in policies resulting in expropriation of assets, restriction in repatriation of profits and dividend distributions.

*7.1.6. Risk of regulatory controls on foreign investment*

Spring REIT may be subject to an increase in regulatory controls on foreign investment in the real estate sector in the United Kingdom.

*7.1.7. Taxation and property laws*

Changes in the taxation and property laws and laws relevant to the rights of foreign investors and the entities through which they may invest may suddenly become unclear in the United Kingdom. Any future transfer tax increases may also have a direct impact on the value of the Target Properties and may also impact on future investors' perception of the property investment market as an asset class.

*7.1.8. Monetary and other economic policy changes risk*

Changes to the macro and micro economic environment directly impact on property values, particularly any movements within the money markets and/or the number of competing schemes. In particular, any interest rate movements beyond those currently anticipated by the wider market may have a detrimental impact on the underlying value. Monetary and other economic policy changes in the United Kingdom from time to time may also affect their respective property markets.

*7.1.9. Market and pricing risk*

Spring REIT may be subject to market risks in the United Kingdom specific to investments in industrial, retail and/or commercial properties, including potentially volatile property price movements and economic cyclicality. Property as an asset class is not a homogeneous product and pricing has traditionally been linked to historic evidence from relevant comparable transactions. If evidence is scarce and this, coupled with liquidity issues could lead to negative effects on the pricing of an asset.

**7.2. Risks relating to the Acquisition**

*7.2.1. Spring REIT does not have established operating histories with property portfolio comprising non-office commercial properties located outside the PRC*

Spring REIT's current portfolio includes all office floors of Office Tower 1 and Office Tower 2 of China Central Place which are located in Beijing, PRC. Acquisition of the Target Properties, which are non-office commercial properties located in the United Kingdom, represents Spring REIT's first acquisition outside of the PRC. As Spring REIT does not have extensive operating history or experience in managing non-office commercial properties outside PRC, there can be no assurance on the performance of Spring REIT after Completion. The experience, skill set and expertise of the Manager in managing office properties may not be directly applicable to managing non-office commercial properties such as the Target Properties. Given the differences in economic conditions, local property market conditions and property values and rental rates between the PRC and the United Kingdom, there is no assurance that the Manager will be successful in managing the Target Properties. Furthermore, non-office commercial properties may require a higher level of capital expenditure for their maintenance and upkeep, thus Spring REIT's business, financial conditions and results of operation.

*7.2.2. All Target Properties are leased to one Lessee*

All of the Target Properties have been leased to one Lessee which operates them as car servicing centres under the brand "Kwik-Fit". All but one of the Leases have a remaining term of 15 years from the date of this announcement. As such, a downturn in Kwik-Fit's business or financial performance caused by factors such as increased competition within the car servicing business segment and changes in customer behaviour and spending could affect the ability of Spring REIT to collect rental income and have a material adverse effect on Spring REIT's operating results, financial condition and future levels of distribution.

*7.2.3. Spring REIT may not be able to renew the underlying head-leases in respect of some of the Target Properties when they expire*

As disclosed in this announcement, some of the Target Properties are owned by the Target Company under leasehold estates created by the underlying head-leases. These head-leases will expire on their respective expiry dates. It is expected that Spring REIT, through the Target Company, will negotiate with the landlords under the head-leases renewal of the head-leases prior to their expiry. However, there is no guarantee that Spring REIT will be able to renew these head-leases when they expire and continue to have ownership of those Target Properties after their respective expiry dates. In that case, the business operation of the Target Company, Spring REIT's financial condition, results of operations, cash flow and level of distribution may be materially and adversely affected.

*7.2.4. Failure by the Seller to fulfil its obligations under the Share Purchase Agreement may have a material adverse effect on Spring REIT's operations*

Under the Share Purchase Agreement, the Seller is subject to certain obligations in favour of the Purchaser which will continue after Completion, including, among others, the following obligations ("**Continuing Obligations**"), (a) to pay amounts that may be due to the Purchaser pursuant to the adjustment mechanisms stated in the Share Purchase Agreement; and (b) to compensate the Purchaser in the event of any warranty or indemnity claims against the Seller under the Share Purchase Agreement.

For a further description of the Continuing Obligations, please see section 1.2 headed "Share Purchase Agreement" of this announcement. Failure by the Seller to fulfil any of the Continuing Obligations may have a material adverse effect on Spring REIT's operations.

The Manager understands that the Seller is a subsidiary of a private equity fund, which may from a practical perspective, limit the Purchaser's recourse against the Seller if the Seller fails to fulfil any of their Continuing Obligations, even though the Retention Amount shall be withheld by the Purchaser under the Share Purchase Agreement to mitigate such risk.

As the scope of protection under the W&I Insurance does not exactly mirror the scope of protection under the Share Purchase Agreement, there may be situations where a claim cannot be made under the W&I Insurance notwithstanding such claims being technically recoverable under the Share Purchase Agreement.

In addition, the maximum aggregate liability of the insurance providers under the W&I Insurance will not exceed the caps of £7.35 million in respect of the W&I Insurance that covers warranties and covenants and £73.5 million in respect of the W&I Insurance that covers title to the Target Company Shares and Target Properties, as disclosed in section 1.2 headed "Share Purchase Agreement" of this announcement. Any claim made under the W&I Insurance in respect of the warranties and covenants will be subject to a de minims claim threshold of £50,000 (equivalent to approximately USD63,500). As such, amounts below such threshold cannot be claimed against the Seller.

## 7.3. Additional Risks

### *7.3.1. Spring REIT may be adversely affected by the illiquidity of property investments*

Property investments are relatively illiquid, particularly investments in high value properties such as those in which Spring REIT has already invested or intends to invest, including the Target Properties. Such illiquidity may affect Spring REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, property market or other conditions. For example, Spring REIT, may be unable to dispose its assets on short notice or may be forced to agree to a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. These factors could have an adverse effect on and cause material losses to Spring REIT.

### *7.3.2. General risks of investments outside of Asia*

Investments outside of Asia, such as the Acquisition, may involve risks in relation to the financial aspects and operational matters. For example, the UK government may, in very rare instances, issue a compulsory purchase order in respect of the Target Properties, and the level of compensation that may be paid to Spring REIT may be less than the price which Spring REIT would have paid for such properties. Please also refer to pages 43 and 44 of Spring REIT's circular dated 16 April 2015, which sets out a list of financial and operational risks which may apply to investments outside of Asia.

Having taken into account the above risks in relation to investing in the UK property market, the Manager confirms that it does not expect the Acquisition to result in material change to the overall risk profile of Spring REIT.

## 8. LEASE CCTS AND LEASE CCTS WAIVER APPLICATION

### 8.1. Lease CCTs

Each of the Target Properties is subject to a long-term lease between the Target Company (as lessor) and the Lessee (which is a connected party of Spring REIT by virtue of being an indirect wholly-owned subsidiary of Itochu Corporation, an associated company of the Manager). Upon completion of the Acquisition, such leases will be assumed by Spring REIT (by virtue of its acquisition of the Target Company), and therefore, at such time, transactions under the Leases will become continuing connected party transactions of Spring REIT (the "**Lease CCTs**").

### 8.2. Lease CCTs Waiver Application and Independent Unitholders' Approval

The Manager has applied to the SFC for a waiver (the "**Lease CCTs Waiver Application**") from strict compliance with the disclosure and Unitholders' approvals requirements under Chapter 8 of the REIT Code in respect of the Lease CCTs. Such waiver will only be granted upon Completion, provided Independent Unitholders' approval of the Lease CCTs is obtained. For further details regarding the Leases, please refer to section 1.1 of this announcement headed "Information on the Target Properties".

Independent Unitholders' approval of the Lease CCTs (which are part-and-parcel of the Acquisition) is one of the conditions precedent under the Share Purchase Agreement. The Manager will seek such approval at the EGM, which is to be held on 25 May 2017.

### 8.3. Waiver Conditions

The Manager has made the Lease CCTs Waiver Application on the following waiver terms and conditions:

*(a) Period of Waiver*

The Lease CCTs Waiver Application applied for is, in respect of each Lease, for the period commencing from the date that such Lease was assumed by Spring REIT (being the date of Completion) and ending on the date of termination of that Lease. If a Lease is renewed for further terms, the date of termination will be the expiry date of the final further term.

*(b) Due Approval by Independent Unitholders*

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the Lease CCTs as set out in the EGM Notice, without any material amendment thereto.

*(c) No Material Change*

There shall be no material change to, or waiver or release by or on behalf of Spring REIT of any of the rights and obligations of the connected persons under the terms and conditions of any of the Leases, without the approval of the Independent Unitholders by way of an Ordinary Resolution.

*(d) Disclosure in Reports and Results Announcements*

Details of the Lease CCTs will be disclosed in Spring REIT's semi-annual and annual reports and results announcements, as required under 8.14 of the REIT Code.

*(e) Compliance with Chapter 10 of the REIT Code*

The Manager shall ensure compliance with any applicable disclosure requirements under Chapter 10 of the REIT Code. The Manager shall inform Unitholders by way of an announcement as soon as practicable of any information which is necessary to enable Unitholders to appraise the position of Spring REIT, including, without limitation, if there is: (i) any payments under the guarantee provided by the Guarantor; (ii) any extension or delay in payment of damages or compensation as specified in the Leases; (ii) rent reviews under the Leases and details of market rent as agreed between the parties of the relevant Lease or determined by the independent professional property valuer; and (iii) any breach of the terms of any Lease.

*(f) Auditors' review procedures*

The Manager shall engage and agree with the auditors of Spring REIT to perform certain review procedures on all of the Lease CCTs in respect of each relevant financial period. The auditors will then report to the Manager on the factual findings based on the work performed by them (and a copy of such report will be provided by the SFC), confirming whether all such Leases CCTs:

(i) have received the approval of the Board (including the approval of all its Independent Non-executive Directors); and

(ii) have been entered into in accordance with the terms of the agreements and the Manager's internal procedures governing the transactions.

*(g) Review by the Independent Non-executive Directors*

The Independent Non-executive Directors shall review the relevant Lease CCTs as a whole annually and confirm in Spring's REIT's annual report for the relevant financial period that such transactions have been entered into:

(i) in the ordinary and usual course of business of Spring REIT;

(ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Spring REIT than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements and the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

*(h) Access to books and records*

The Manager shall allow, and shall procure the counterparty to the Leases CCTs to allow the auditors of Spring REIT sufficient access to its records for the purpose of reporting on the transactions.

*(i) Notification to the SFC*

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the Independent Non-executive Directors will not be able to confirm the matters set out in (f) and/or (g) above.

*(j) 8.14 of the REIT Code*

The Manager shall comply in full with the requirement of 8.14 of the REIT Code where there is any material change to the terms of the Lease CCTs or where is any subsequent change to the REIT Code which may impose stricter requirements in respect of the disclosure and/or unitholders' approvals.

## 8.4. Opinion of the Board

The Board (including all the independent non-executive Directors) confirms that in its opinion, the Lease CCTs as a whole: (a) are in the ordinary and usual course of business of Spring REIT and consistent with the investment objectives and strategy of Spring REIT; and (b) have been entered into on terms which are normal commercial terms at arm's length and are fair and reasonable so far as Spring REIT and the Independent Unitholders are concerned, and in the interests of Spring REIT and the Independent Unitholders as a whole.

## 8.5. Opinion of the Experts and Advisers

Details of the Independent Financial Adviser's opinion in respect of the Lease CCTs, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, shall be set out in the Lease CCTs Circular. The Lease CCTs Circular shall also set out the opinion of the Independent Board Committee and the Trustee in respect of the Lease CCTs.

# 9. IMPLICATIONS UNDER THE REIT CODE AND APPROVAL REQUIREMENTS

## 9.1. Acquisition

The aggregate of the Base Purchase Price and Total Fees and Charges represents approximately 20.0% of the total market capitalization of Spring REIT, based on the average closing price of Spring REIT on the Stock Exchange for the five Business Days immediately preceding the date of this announcement. The Base Purchase Price also does not exceed 15% of the gross asset value of Spring REIT as at 30 June 2016, as shown in the 2016 interim report of Spring REIT. The Base Purchase Price of the Target Properties represents approximately 6.5% of the total gross asset value of Spring REIT as at 30 June 2016.

The REIT Manager is satisfied that no Unitholders' approval is required for the Acquisition pursuant to the REIT Code.

## 9.2. Independence of Counterparties

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Escrow Agent, the Target Company, the Seller, Abbey National Treasury Services plc and their respective ultimate beneficial owners is an independent third party of Spring REIT. Accordingly, the Acquisition, the entering into of the Share Purchase Agreement, the transactions contemplated thereunder and other transactions contemplated in connection with the Acquisition (other than the Leases to be assumed by Spring REIT upon completion of the Acquisition) do not constitute connected party transactions of Spring REIT under the REIT Code.

## 9.3. Lease CCTs

The Lessee is an indirect wholly-owned subsidiary of Itochu Corporation. Itochu Corporation holds approximately 23.0% of the total issued share capital of Mercuria Investment, which in turn holds 90.2% of the total issued share capital of the Manager. As such, each of the Lessee, Mercuria Investment and Itochu Corporation is an associated company of the Manager and a connected person of Spring REIT. Since the Lessee is a party to the Leases, the transactions under the Leases shall constitute connected party transactions under 8.5 of the REIT Code. As the total rent payable under the Leases during the term is likely to exceed 5% of the net asset value of Spring REIT as at 30 June 2016 mostly due to the duration of the Leases, the Lease CCTs are subject to Independent Unitholders' approval by way of an Ordinary Resolution pursuant to 8.11 of the REIT Code. As noted in section 1.2 above, Unitholders' approval of the Lease CCTs (which are part-and-parcel of the Acquisition) is one of the Conditions and the Acquisition will not proceed if such approval is not obtained.

## 9.4. Restrictions on Voting

8.11 and 9.9(f) of the REIT Code provide that where a Unitholder has a material interest in a connected party transaction tabled for approval at a general meeting, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting. Further, under Paragraph 3.2 of Schedule 1 to the Trust Deed, 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, such Unitholder shall be prohibited from voting its Units at, or being counted in the quorum for, the general meeting.

The Lessee, being a party to the Lease CCTs, has a material interest or deemed material interest in the Ordinary Resolution to approve the Lease CCTs. Accordingly, the Manager shall ensure that the Itochu Connected Persons Group shall abstain from voting on such Ordinary Resolution. Mercuria Investment Co., Limited is also considered to have a material interest or deemed material interest in the same Ordinary Resolution, and accordingly, Mercuria Investment has agreed to abstain, and procure that the Manager Connected Persons Group abstain, from voting on such Ordinary Resolution. The Manager Connected Persons Group shall, among others, include RCA Fund which is managed by Mercuria Investment pursuant to a management agreement between Mercuria Investment and RCA Fund (acting through its general partner, RCAC).

So far as the Manager is aware, as at the Latest Practicable Date, the parties mentioned above as needing to abstain from voting were interested or deemed to be interested in 412,668,940 Units representing approximately 36.5% of the Units in issue.

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that no other Unitholder is required to abstain from voting at the EGM in respect of the Lease CCTs.

## 10. OPINION OF THE BOARD IN RESPECT OF THE ACQUISITION

The Board (including all independent non-executive Directors) is satisfied that the Acquisition, the entering into of the Share Purchase Agreement, the transactions contemplated thereunder and other transactions contemplated in connection with the Acquisition are in the ordinary and usual course of business of Spring REIT, have been entered into on terms which are on normal commercial terms at arm's length and are fair and reasonable insofar as Spring REIT and the Unitholders are concerned, and in the interests of Spring REIT and its Unitholders as a whole. In addition, the Board (including all independent non-executive Directors) is satisfied that: (i) the Acquisition, the entering into of the Share Purchase Agreement, the transactions contemplated thereunder and other transactions contemplated in connection with the Acquisition are consistent with Spring REIT's investment policy and in compliance with the REIT Code and the Trust Deed; and (ii) other than the Unitholders' approval referred to in section 11 below, no approval from the Unitholders is required under the REIT Code or the Trust Deed for the Acquisition, the entering into of the Share Purchase Agreement, the transactions contemplated thereunder and other transactions contemplated in connection with the Acquisition.

## 11. CONFIRMATION BY THE MANAGER IN RESPECT OF THE ACQUISITION

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Target Properties and the Target Company, and no material irregularities or non-compliance issues have been noted. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the Manager's compliance manual and the Practice Note on Overseas Investment by SFC-authorised REITs contained in the REIT Code.

The Manager confirms that, in relation to the Acquisition, the Practice Note on Overseas Investment by SFC-authorised REITs contained in the REIT Code has been complied with. The Manager also confirms that it has the requisite competence, experience and effective internal controls and risk management system for investing in and managing the Target Properties, notwithstanding their location in the United Kingdom, having regard to (among other things) the nature of the Target Properties, the duration and other terms of the Leases and the continuity of property management services to be provided by Montagu Evans LLP (the current property manager of the Target Properties).

Based on the due diligence conducted by the Manager and its legal advisors as to English and Scottish law, the Manager is satisfied that the Target Company is the registered proprietor of the Target Properties and can legally occupy, use, lease and transfer such Target Properties subject to any mortgages, charges, leasehold interests, rights of occupation and overriding interests affecting the Target Properties. Where the property is leasehold such rights to deal with the property will be subject to the terms of any lease under which the Target Property is held. The Manager is also satisfied that Spring REIT (through the Target Company) will (i) hold good, marketable, legal and beneficial title in the Target Properties immediately upon Completion and (ii) be able to sell the Target Properties.

Based on the due diligence conducted by the Manager and its legal advisors as to English and Scottish law and given each of the Target Properties is not subject to any overarching contracts for third party control of estate management functions at the Target Properties to which the owner would be subject, and the Manager has autonomy and influence over matters relating to the property management of the Target Properties to the extent allowed under the English and Scottish laws or regulations. Accordingly, the Manager is satisfied that Spring REIT has majority ownership and control over the Target Properties.

## 12. OPINION OF THE TRUSTEE IN RESPECT OF THE ACQUISITION

Based on and in sole reliance on: (1) the opinion of the Board; (2) the opinion of the Independent Financial Adviser; and (3) the information and confirmations given by the Manager to the Trustee (and having taken into account its duties under the Trust Deed and the REIT Code), the Trustee has no objection to the Acquisition and the entering into of the Share Purchase Agreement and the transactions contemplated thereunder. Further, the Trustee is satisfied that: (i) the Acquisition, the entering into of the Share Purchase Agreement and the transactions contemplated thereunder are consistent with Spring REIT's investment policy and in compliance with the REIT Code and the Trust Deed; and (ii) other than the Unitholders' approval referred to in section 11 below, no Unitholders' approval is required under the REIT Code or the Trust Deed for the Acquisition, the entering into of the Share Purchase Agreement and the transactions contemplated thereunder.

## 13. ABOUT SPRING REIT, THE SELLER, HAWKEYE, THE LESSEE, THE GUARANTOR AND ITOCHU CORPORATION

Spring REIT is a collective investment scheme constituted as a unit trust and authorized under section 104 of the SFO subject to applicable conditions from time to time, the units of which are listed on the Stock Exchange.

Hawkeye is a company incorporated and registered in Jersey, which as at the date of this announcement, directly and wholly-owns the Target Company, which in turns holds the Target Properties. The Seller is a limited liability partnership incorporated and registered under the laws of England and Wales, which immediately prior to Completion, shall directly and wholly-own the Target Company. Hawkeye and the Seller are investment holding companies principally engaged in investment and asset management. The Target Company, being a private company with limited liability incorporated in Jersey and an independent third party, is not engaged in any other business other than the holding of the Target Properties and does not currently employ any employees. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Seller, Hawkeye and their ultimate beneficial owners are independent third parties of Spring REIT.

The Lessee is a private company which operates over 600 fast fit and automotive parts replacement centres in the United Kingdom and has a fleet of around 200 mobile tyre fitting vans. It is principally engaged in the servicing of cars and automotive parts such as tyres, brakes, exhausts and air-conditioning and the provision of safety tests on vehicles that are required by the relevant laws of the United Kingdom. The Lessee is wholly-owned by the Guarantor, which in turn is indirectly wholly-owned by Itochu Corporation. Itochu Corporation is a global trading company which is currently listed on the Osaka Securities Exchange and the Tokyo Stock Exchange. The Lessee, Guarantor and Itochu Corporation are connected persons of Spring REIT.

## 14. FURTHER ANNOUNCEMENTS AND THE LEASE CCTS CIRCULAR

Further announcements in relation to the Acquisition will be made by the Manager in accordance with all applicable requirements of the REIT Code as and when appropriate, including upon Completion and the determination of the Post-Completion Adjustment.

The Lease CCTs Circular containing, among other things: (1) a letter from the Board to the Unitholders containing information on the Lease CCTs and the Lease CCTs Waiver Application, (2) a letter from the Independent Board Committee to the Independent Unitholders, (3) a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee, and (4) the EGM Notice, will be sent to the Unitholders as soon as practicable.

Unitholders who do not receive the Lease CCTs Circular within a week from the date of this announcement may obtain a copy of the same from the Hong Kong Unit Registrar of Spring REIT, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

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

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

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| **"1954 Act"** | has the meaning given to this term in section 5.2.4 headed "Tenant's protection in respect of renewal" |
| **"Acquisition"** | the proposed acquisition of the Target Company Shares pursuant to the Share Purchase Agreement |
| **"Acquisition Fee"** | has the meaning given to this term in section 1.4 headed "Fees and Charges" |
| **"Appraised Value"** | the value of the Target Properties as at 17 March 2017 as appraised by Knight Frank Petty Limited, an independent property valuer and the principal valuer of Spring REIT, being £73,566,000 (equivalent to approximately USD93,428,820) |
| **"Base Purchase Price"** | means £73,500,000 |
| **"Board"** | the board of Directors |
| **"Brexit"** | has the meaning given to this term in section 7.1.2 headed "Risks as a result of Brexit" |
| **"Business Day"** | any day (other than a Saturday, Sunday or public holiday) during which clearing banks in the City of London are open for normal business |
| **"Completion"** | completion of the Acquisition pursuant to the Share Purchase Agreement |
| **"Completion Date"** | the 12th Business Day after the date on which the last of the Conditions is satisfied (or such later date as the Parties may agree in writing) |

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| **"Completion NAV"** | the net asset value of the Target Company on the Completion Date |
| **"Completion Payment"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Completion Statement"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Completion Sum"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Conditions"** | the conditions precedent to Completion, as more particularly described in section 1.2 headed "Share Purchase Agreement" |
| **"connected person(s)"** | has the meaning ascribed to this term in the REIT Code |
| **"Continuing Obligations"** | has the meaning given to this term in section 7.2.4 headed "Key Risks relating to the Acquisition — Risks attached to the Acquisition — Failure by the Seller to fulfil its obligations under the Share Purchase Agreement may have a material adverse effect on Spring REIT's operations" |
| **"Deposit"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Deposited Property"** | all the assets of Spring REIT, including all its Authorised Investments (as defined in the Trust Deed) for the time being held or deemed to be held upon the trusts of the Trust Deed and any interest arising on subscription monies from the issuance of Units |
| **"Directors"** | the directors of the Manager |
| **"Dispute Notice"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |

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| **"EGM"** | the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice and, if it thought fit, approve the Lease CCTs |
| **"EGM Notice"** | the notice included in the Lease CCTs Circular in respect of the EGM to consider and, if thought fit, approve the Lease CCTs |
| **"Escrow Account"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Escrow Agent"** | The Law Debenture Trust p.l.c. which, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is an independent third party of Spring REIT |
| **"Estimated Completion NAV"** | the net asset value of the Target Company as stated in the Estimated Completion Statement |
| **"Estimated Completion Statement"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Excluded Assets"** | all assets other than certain prepayments, cash at bank and amounts held on Montagu Evans client account |
| **"Expert"** | an individual with suitable experience in dealing with such types of dispute at a firm of internationally recognised chartered accountants in the United Kingdom and Jersey (who and which are independent of the Parties) |
| **"Further Deposit"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Further Lease"** | has the meaning given to this term in section 1.1 headed "Information on the Target Properties" |
| **"GBP" or "£"** | British Pound Sterling, the lawful currency of the United Kingdom |

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| **"GPKF Dissolution Condition"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"GPKF Entities"** | collectively, GPKF 1 Limited, GPKF 2 Limited, GPKF 3 Limited, GPKF 4 Limited, GPKF 5 Limited and GPKF 6 Limited, all of which are presently wholly-owned subsidiaries of the Seller |
| **"Guarantor"** | Kwik-Fit Holdings Limited, the parent company of the Lessee and an indirect wholly-owned subsidiary of Itochu Corporation |
| **"Hawkeye"** | Hawkeye Oval Holdco III Limited, a company incorporated and registered in Jersey, being the sole owner of the Target Company Shares as at the date of this announcement, which, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is an independent third party |
| **"Hong Kong"** | the Hong Kong Special Administrative Region of the PRC |
| **"Independent Board Committee"** | the independent committee established by the Board to advise the Independent Unitholders on the Lease CCTs, comprising Mr. Simon Murray, Mr. Liping Qiu and Mr. Lam Yiu Kin, being all of the independent non-executive Directors of the Manager |
| **"Independent Financial Adviser"** | Somerley Capital Limited, a corporation licenced to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the Lease CCTs |
| **"Independent Unitholders"** | Unitholders other than those who have a material interest in the relevant resolutions, within the meaning of 8.11 of the REIT Code, and who are entitled to vote at the EGM |

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| **"Initial Deposit"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Islington Headlease"** | has the meaning given to this term in section 1.1 headed "Information on the Target Properties" |
| **"Islington Target Property"** | has the meaning given to this term in section 1.1 headed "Information on the Target Properties" |
| **"Itochu Connected Persons Group"** | the Lessee as well as controlling entities, holding companies, subsidiaries and associated companies of the Lessee within the meaning of the REIT Code |
| **"Latest Practicable Date"** | 17 March 2017, being the latest practicable date prior to the printing of the Lease CCTs Circular for the purpose of ascertaining certain information contained therein |
| **"Leases"** | means the long-term leases which the Target Properties are subject to, and each is referred to as a "**Lease**" |
| **"Lease CCTs"** | has the meaning given to this term in section 8.1 headed "Lease CCTs" |
| **"Lease CCTs Circular"** | the circular to be issued by the Manager in respect of, among other things, the Lease CCTs and the Lease CCTs Waiver Application |
| **"Lease CCTs Waiver Application"** | has the meaning given to this term in section 8.2 headed "Lease CCTs Waiver Application and Independent Unitholders' Approval" |
| **"Lessee"** | Kwik-Fit (GB) Limited, an indirect wholly-owned subsidiary of Itochu Corporation and a connected person of Spring REIT |
| **"Letter of Intent"** | the letter of intent dated 6 December 2016 entered into between the Manager and the Seller in relation to the Acquisition |
| **"Loans"** | collectively, the Santander Loan and the Shareholder Loan |

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| **"Long-Stop Date"** | 14 July 2017 |
| **"Manager"** | Spring Asset Management Limited (in its capacity as manager of Spring REIT), a company incorporated under the laws of Hong Kong |
| **"Manager Connected Persons Group"** | the Manager as well as controlling entities, holding companies, subsidiaries and associated companies of the Manager within the meaning of the REIT Code and the Directors, senior executives and officers of the Manager and the respective associates (as defined in the REIT Code), as defined in the Offering Circular |
| **"Mercuria Investment"** | Mercuria Investment Co., Limited |
| **"NAV"** | net asset value (less interim distribution paid) |
| **"Net Property Income"** | in relation to any period, all income accruing or resulting from the ownership or leasing of real estate held by Spring REIT for that period less all costs and expenses incurred for the account of Spring REIT or a SPV of Spring REIT in the ownership, operation, maintenance, management and marketing of real estate held by Spring REIT attributable to that period |
| **"Nominee SPV"** | means the special purpose vehicle to be incorporated by Spring REIT in Jersey, to hold the Target Company Shares as nominee for the Purchaser |
| **"Offering Circular"** | the offering circular of Spring REIT dated 25 November 2013 issued to the Unitholders in connection with the initial public offering of the Units |
| **"Ordinary Resolution"** | a resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions in the Trust Deed and carried by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy where the votes shall be taken by way of poll |

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| **"Other Acquisition Fees and Expenses"** | has the meaning given to this term in section 1.4 headed "Fees and Charges" |
| **"Parties"** | the parties to the Share Purchase Agreement and each a "Party" |
| **"Post-Completion Adjustment"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"PRC"** | the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement |
| **"Purchase Price"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Purchaser"** | the Trustee (in its capacity as the trustee of Spring REIT) |
| **"Purchaser Determined Claim"** | a claim made by the Purchaser for breach of a warranty or tax covenants under the Share Purchase Agreement in respect of which an amount is settled or agreed as being due to the Purchaser and the Target Company |
| **"RCA01"** | a company incorporated as an exempted company with limited liability in the Cayman Islands and is a special purpose vehicle wholly owned by Spring REIT |
| **"RCA Fund"** | means RCA Fund 01, L.P., a partnership registered in the Cayman Islands as an exempted limited partnership with its limited partners having limited liability on 3 March 2006 and a significant holder of Spring REIT (as defined in the REIT Code) |
| **"REIT Code"** | the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being |
| **"Retention Amount"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Retention Release Date"** | the first anniversary of the Completion Date |

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| **"Santander Loan"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"Seller"** | Hawkeye Oval II LLP, a limited liability partnership incorporated and registered in England and Wales, being the sole owner of the Target Company Shares immediately prior to Completion, which, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is an independent third party |
| **"SFC"** | The Securities and Futures Commission of Hong Kong |
| **"SFO"** | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being |
| **"Share Purchase Agreement"** | the share purchase agreement entered into between the Seller (being the sole owner of the Target Company Shares immediately prior to Completion) as seller, Hawkeye (being the sole owner of the Target Company Shares as at the date of this announcement) and the Trustee (in its capacity as trustee of Spring REIT) as purchaser dated 17 March 2017 in respect of the sale and purchase of Target Company Shares |
| **"Shareholder Loan"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"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"** | special purpose vehicle |
| **"sq.ft."** | means square feet |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |

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| **"Target Company"** | Hawkeye Properties 501 Limited, a company incorporated under the laws of Jersey and the owner of the Target Properties |
| **"Target Company Shares"** | two issued shares of the Target Company, to which the entire amount of issued share capital of the Target Company is attributable |
| **"Target Properties"** | means the 84 commercial properties located in the United Kingdom which are owned by the Target Company and the particulars of which are set out in this announcement, and each is referred to as a "**Target Property**" |
| **"Total Fees and Charges"** | has the meaning given to this term in section 1.4 headed "Fees and Charges" |
| **"Trust Deed"** | the deed of trust constituting Spring REIT dated 14 November 2013 and entered into between the Trustee and the Manager, as the same may be amended and supplemented from time to time by any supplemental deed |
| **"Trustee"** | DB Trustees (Hong Kong) Limited (in its capacity as trustee of Spring REIT), a company incorporated under the laws of Hong Kong |
| **"Trustee's Additional Fee"** | has the meaning given to this term in section 1.4 headed "Fees and Charges" |
| **"Unit"** | one undivided unit in Spring REIT |
| **"Unit Issuance"** | has the meaning given to this term in section 3 headed "Financing of the Acquisition" |
| **"United Kingdom" or "UK"** | the United Kingdom of Great Britain and Northern Ireland |
| **"Unitholder(s)"** | any person registered as holding a Unit on the register of Unitholders |

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| **"Unitholder Approval Condition"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"USD"** | United States dollars, the lawful currency of the United States of America |
| **"Valuer"** | Knight Frank Petty Limited, the independent property valuer and the principal valuer of Spring REIT |
| **"VAT"** | value added tax |
| **"W&I Insurance"** | has the meaning given to this term in section 1.2 headed "Share Purchase Agreement" |
| **"%"** | per cent |

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

Hong Kong, 17 March 2017

*As at the date of this announcement, the Directors of the Manager are Toshihiro Toyoshima (Chairman and non-executive Director); Lau Jin Tin, Don, Nobumasa Saeki, and Leung Kwok Hoe, Kevin (executive Directors); Hideya Ishino (non-executive Director); and Simon Murray, Lam Yiu Kin and Liping Qiu (independent non-executive Directors).*

*For the purpose of this announcement and for illustration purposes only, amounts denominated in £ have been converted into USD using the exchange rate of USD1.27 = £1.00, and amounts denominated in USD have been converted into HK$ using the exchange rate of HK$7.76 = USD1.00. No representation is made that any amount in £ or USD or HK$ could have been or could be converted at such rate or at any other rates at all.*