

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution licensed to deal in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your units in Spring REIT, you should at once hand this Circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This Circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities, nor is it calculated to invite any such invitation or offer.

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## **Spring Real Estate Investment Trust**

**春泉產業信託**

*(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance  
(Chapter 571 of the Laws of Hong Kong))*

**(Stock code: 01426)**

**Managed by**

**Spring Asset Management Limited**

### **CIRCULAR TO UNITHOLDERS IN RELATION TO (1) CONTINUING CONNECTED PARTY TRANSACTION IN RELATION TO THE LEASES**

**AND**

### **(2) NOTICE OF EGM AND UNITHOLDER REGISTER CLOSURE**

**Independent Financial Adviser to the  
Independent Board Committee,  
the Independent Unitholders and the Trustee**



**SOMERLEY CAPITAL LIMITED**

A letter from the Board is set out on pages 9 to 36 of this Circular.

A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 37 to 38 of this Circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, Independent Unitholders and the Trustee is set out on pages 39 to 49 of this Circular.

A notice convening the EGM to be held at 4:00 p.m. on Thursday, 25 May 2017 at Room 2401-2, Admiralty Centre I, 18 Harcourt Road, Hong Kong is set out on pages N-1 to N-2 of this Circular. A form of proxy for use by the Unitholders at the EGM is enclosed with this Circular. Such form of proxy are also published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk).

Whether or not you intend to attend and vote at the EGM, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and return the form of proxy to the branch Unit Registrar of Spring REIT in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjourned meeting, should you so wish.

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## CORPORATE INFORMATION

<b>Spring REIT</b>	Spring Real Estate Investment Trust (春泉產業信託), a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time
<b>REIT Manager</b>	Spring Asset Management Limited Room 2801, 28/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
<b>Directors of the Manager</b>	
<i>Executive Directors:</i>	Mr. Lau Jin Tin, Don Mr. Leung Kwok Hoe, Kevin Mr. Nobumasa Saeki
<i>Non-executive Directors:</i>	Mr. Toshihiro Toyoshima ( <i>Chairman</i> ) Mr. Hideya Ishino
<i>Independent Non-executive Directors:</i>	Mr. Simon Murray Mr. Liping Qiu Mr. Lam Yiu Kin
<b>Trustee</b>	DB Trustees (Hong Kong) Limited (in its capacity as the trustee of Spring Real Estate Investment Trust) 52/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
<b>Unit Registrar and Transfer Office</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Legal Adviser to the Manager</b>	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road, Central Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee</b>	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Hong Kong

## DEFINITIONS

*In this Circular, the following expressions have the following meanings, unless the context otherwise requires:*

“1954 Act”	the Landlord and Tenant Act 1954
“Acquisition”	the proposed acquisition by the Trustee (in its capacity as trustee of Spring REIT) of the Target Company Shares pursuant to the Share Purchase Agreement, as more particularly described in the Acquisition Announcement
“Acquisition Announcement”	the announcement of Spring REIT dated 17 March 2017 in relation to the Acquisition
“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 assuming a USD/GBP exchange rate of 1.27)
“Base Purchase Price”	means £73,500,000
“Board”	the board of Directors
“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
“Circular”	this circular which is issued on the date hereof and dispatched to the Unitholders, 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
“Completion”	completion of the Acquisition pursuant to the Share Purchase Agreement
“Completion Date”	has the meaning given to this term in section 1.1 headed “Background” of this Circular

## DEFINITIONS

“Completion NAV”	the net asset value of the Target Company on the Completion Date
“connected person(s)”	has the meaning ascribed to this term in the REIT Code
“Deposit”	has the meaning given to this term in section 1.1 headed “Background” of this Circular
“Directors”	the directors of the Manager
“EGM”	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
“EGM Notice”	the notice included in this Circular in respect of the EGM to consider and, if thought fit, approve the Lease CCTs
“English Leases”	the Leases which 58 of the 84 Target Properties located in England and Wales are subject to
“Excluded Assets”	all assets other than certain prepayments, cash at bank and amounts held on the client account of Montagu Evans LLP. (being the current property manager of Target Properties and an independent third party of Spring REIT)
“Further Lease”	has the meaning given to this term in section 1.3.2 headed “Term” of this Circular
“GBP or £”	British Pound Sterling, the lawful currency of the United Kingdom
“GPKF Dissolution Condition”	has the meaning given to this term in section 1.1 headed “Background” of this Circular
“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, an indirect wholly-owned subsidiary of Itochu Corporation and the guarantor under the Leases, as well as a connected person of Spring REIT

## DEFINITIONS

“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 Circular, 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 People’s Republic of China
“Independent Board Committee”	the independent committee established by the Board of the Manager 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 transactions, within the meaning of 8.11 of the REIT Code
“Islington Headlease”	has the meaning given to this term in section 1.3.2 headed “Term” of this Circular
“Islington Target Property”	has the meaning given to this term in section 1.3.2 headed “Term” of this Circular
“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 this Circular for the purpose of ascertaining certain information contained in this Circular

## DEFINITIONS

“Leases”	has the meaning given to this term in section 1.1 headed “Background” of this Circular
“Lease CCTs”	has the meaning given to this term in section 1.1 headed “Background” of this Circular
“Lease CCTs Waiver Application”	has the meaning given to this term in section 1.2 headed “Lease CCTs Waiver Application and Independent Unitholders’ Approval” of this Circular
“Lessee”	Kwik-Fit (GB) Limited, an indirect wholly-owned subsidiary of Itochu Corporation and a connected person of Spring REIT
“Loans”	collectively, the Santander Loan and the Shareholder Loan
“Manager”	Spring Asset Management Limited, as manager of Spring REIT
“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
“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 of Unitholders passed by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of Units in issue
“Purchase Price”	has the meaning given to this term in section 1.1 headed “Background” of this Circular

## DEFINITIONS

“Purchaser”	the Trustee (in its capacity as the trustee of 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)
“Record Date”	19 May 2017
“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being
“Santander Loan”	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 Company and Abbey National Treasury Services plc
“Scottish Leases”	the Leases which 26 of the 84 Target Properties located in Scotland are subject to
“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



## DEFINITIONS

“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 Latest Practicable Date) 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 the shares of the Target Company
“Shareholder Loan”	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 a 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
“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
“sq.ft.”	means square feet
“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 the Announcement, and each is referred to as a “Target Property”

## DEFINITIONS

“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, as trustee of Spring REIT
“Unit”	one undivided unit in Spring REIT
“Unit Registrar”	Computershare Hong Kong Investor Services Limited
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“Unitholder(s)”	any person registered as holding a Unit
“Unitholder Approval Condition”	has the meaning given to this term in section 1.1 headed “Background” of this Circular
“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
“%”	per centum or percentage

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.



## 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

*Directors of the Manager:*

*Non-executive Directors:*

Mr. Toshihiro Toyoshima (*Chairman*)  
Mr. Hideya Ishino

*Executive Directors:*

Mr. Lau Jin Tin, Don  
Mr. Leung Kwok Hoe, Kevin  
Mr. Nobumasa Saeki

*Independent Non-executive Directors:*

Mr. Simon Murray  
Mr. Liping Qiu  
Mr. Lam Yiu Kin

*Registered Office of the Manager:*

Room 2801, 28/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

21 March 2017

*To: Unitholders of Spring REIT*

Dear Sir/Madam,

**CIRCULAR TO UNITHOLDERS IN RELATION TO  
(1) CONTINUING CONNECTED PARTY TRANSACTIONS  
IN RELATION TO THE LEASES  
AND  
(2) NOTICE OF EGM AND UNITHOLDER REGISTER CLOSURE**

Reference is made to the Acquisition Announcement in relation to, among other things, the proposed acquisition relating to the purchase of the 84 commercial properties located in the United Kingdom. The purposes of this Circular are to: (a) provide you with information on the Lease CCTs and the Lease CCTs Waiver Application; (b) provide you with further information as is necessary to enable you to make an informed decision on whether to vote for or against the Ordinary Resolution to be proposed at the EGM relating

## LETTER FROM THE BOARD

to the Lease CCTs; (c) set out the recommendation of the Independent Board Committee to the Independent Unitholders relating to the Lease CCTs; (d) set out the recommendation of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee relating to the Lease CCTs; and (e) serve notice of the EGM.

### 1. LEASE CCTs

#### 1.1. Background

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 Latest Practicable Date) 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 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. The Target Company holds the freehold and/or the leasehold estate<sup>1</sup> of each of the Target Properties, as shown in the table in section 1.3.6.

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) (collectively, the “Leases”). 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”).

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*

<sup>1</sup> A freehold estate is an estate in land which provides the holder of the estate with rights of absolute ownership, whereas 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. A freeholder holds the estate in perpetuity, whereas a leaseholder holds the estate until the expiry of the underlying lease granted by the superior landlord. There can be multiple layers of leasehold estates granted out of a freehold estate, thereby creating a chain of leases.

## LETTER FROM THE BOARD

- (ii) the amount of the Santander Loan as at Completion, estimated to be approximately £36.1 million (approximately USD45.8 million) as at the Latest Practicable Date based on 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.

Completion of the Acquisition is subject to the following conditions precedent: (a) Independent Unitholders' approval of the Lease CCTs being obtained ("**Unitholder Approval Condition**"); (b) the Purchaser obtaining financing for (i) the completion payment and (ii) an amount equal to the Shareholder Loan; and (c) each of the GPKF Entities having been dissolved in accordance with section 201 of the Insolvency Act 1986 ("**GPKF Dissolution Condition**"). If any of the conditions precedent are not satisfied on or prior to 14 July 2017 then the Share Purchase Agreement shall immediately terminate on the day immediately following such 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 precedent. 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. The Acquisition is expected to be completed on the 12th Business Day after the date on which the last of the conditions precedent under the Share Purchase Agreement is satisfied ("**Completion Date**"), or such later date that the Purchaser and the Seller shall agree in writing.

## LETTER FROM THE BOARD

The Purchaser had paid to the Seller's solicitors an initial deposit of £250,000 on 9 December 2016. Under the Share Purchase Agreement, a further deposit of £250,000 (shall be paid at a date which is no later than five Business Days after the execution of the Share Purchase Agreement (the initial deposit and the further deposit are collectively, referred to as the "**Deposit**"). The Deposit shall be refunded to the Purchaser in full 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 completion obligations; or (c) a material breach of the Seller's warranties or undertakings that has not been remedied in accordance with the Share Purchase Agreement. Further, the Deposit (less the Seller's legal fees fixed at £250,000) shall be refunded to the Purchaser if Completion does not take place due to the Unitholder Approval Condition not being satisfied provided: (i) the Acquisition Announcement has been issued by Spring REIT to the Unitholders within one Business Day of the signing of the Share Purchase Agreement; (ii) this 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.

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.

For further details of the Acquisition and the terms of the Share Purchase Agreement, please refer to the Acquisition Announcement.

### **1.2. 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. Further details regarding the Leases are described below.

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.

**Completion of the Acquisition is subject to satisfaction of the conditions precedent under the Share Purchase Agreement, including the abovementioned unitholder approval for the Lease CCTs. The Acquisition will not proceed if the Lease CCTs have not been approved by the Independent Unitholders at the EGM.**

### **1.3. Summary of the Leases**

#### ***1.3.1. General***

The Leases cover 84 separate commercial properties located in the United Kingdom with a total gross internal area of 505,381 sq.ft.. The Lessee is currently operating the Target Properties AS car servicing centres under the brand “Kwik-Fit” or other brands of the same group. 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. For further details regarding the Guarantor, please refer to section 1.4 headed “Information on the Lessee, the Guarantor and Itochu Corporation”. Based on the information on the Guarantor set out in section 1.4, 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. The Leases will continue to subsist after completion of the Acquisition 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.

Based on the Target Company’s unaudited accounts for the six months ended 30 June 2016 as provided by the Seller, the rent payable to the Target Company under the Leases amounted to £2,209,622 in aggregate (being approximately USD2,806,220 assuming a USD/GBP exchange rate of 1.27), representing approximately 7.1% of the aggregate revenue of Spring REIT for the six months ended 30 June 2016, assuming the Acquisition was completed and the Leases were assumed by Spring REIT on 1 January 2016.

There are two categories of Leases: (1) the English Leases, which pertain to the 58 Target Properties located in England and Wales and are governed by English law; and (2) the Scottish Leases, which pertain to the 26 Target Properties located in Scotland and are governed by Scottish law. The terms of the English Leases are substantially the same (save for rent, internal areas and definition of premises), and similarly, the terms of Scottish Leases are substantially the same (save for rent, internal areas and definition of premises).

The principal terms of the Leases, which are customary and consistent with normal business practice for commercial properties of this type in the United Kingdom, are more particularly set out below in sections 1.3.2 to 1.3.5. Unless otherwise stated, the terms set out below apply to both English Leases and Scottish Leases.

## LETTER FROM THE BOARD

### *1.3.2. Term*

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 Latest Practicable Date) (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 seven years from the Latest Practicable Date). As disclosed in the table in section 1.3.6, 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 not 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 (“**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.



## LETTER FROM THE BOARD

In respect of the English Leases (but not the Scottish Leases), 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 (the “1954 Act”) (in which case the Lease may be renewed on substantially the same terms as the original lease at market rent), unless challenged by the Target Company pursuant to certain statutory exceptions (for example, that the Target Company intends to demolish or reconstruct the premises or to occupy the premises for its own business at the end of the term). If the rent, the term or any other terms cannot be agreed in the renewed Lease, 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. 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.

There is no statutory right of renewal in Scotland and a Scottish Lease will come to an end at the expiry of its term provided that the parties thereto do not allow it to tacitly continue on a yearly basis or contractually agree otherwise.

### **1.3.3. Rent**

#### *1.3.3.1. Current Rent Payable*

The present annual rent for each of the Leases is set out in the table in the section headed “Summary of Leases”. The rent under the Leases is payable on the 21st day of January, April, July and October each year.

#### *1.3.3.2. Rent Review and Mark-to-Market Mechanism under Current Lease Term*

The rent payable under each of the Leases is subject to review at every fifth anniversary thereof starting 20 March 2012. The upcoming review of the present annual rent will take place in 2017, and the Manager understands that negotiations in respect of this rent review are presently on-going between the Seller and the Lessee. 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.

## LETTER FROM THE BOARD

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 then annual rent (being £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 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 10 years, whichever is longer, on standard market assumptions and conditions; or (ii) the then annual rent.

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.

If the parties to the relevant Lease 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 mark-to-market review mechanism under the terms of the Leases 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.

## LETTER FROM THE BOARD

### *1.3.3. Rent Reviews and Mark-to-Market Mechanism under Further Leases*

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 Further Lease 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.

### *1.3.4. Termination*

The Target Company may unilaterally terminate a Lease at any time in the event that:

- (a) the Lessee suffers an event of incapacity (in respect of English Leases) or insolvency (in respect of Scottish Leases);
- (b) the whole or part of the rent is unpaid and overdue for 21 days (in respect of English Leases) or 14 days (in respect of Scottish Leases); 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.

### *1.3.5. Lessee's Right to Sublet*

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.

## LETTER FROM THE BOARD

### 1.3.6. Summary of Leases and Target Properties

The table below sets out certain key information of the Leases and Target Properties 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	- <sup>2</sup>	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%

- 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.

## LETTER FROM THE BOARD

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
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%
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%

# LETTER FROM THE BOARD

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
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%

## LETTER FROM THE BOARD

						Present Annual Rent as % of	
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 (£)	Overall Portfolio Rent
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%
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%

## LETTER FROM THE BOARD

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 as % of Overall Portfolio Rent	
						Present Annual Rent (£)	% of Overall Portfolio Rent
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%



## LETTER FROM THE BOARD

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
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%
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%

## LETTER FROM THE BOARD

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
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%
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%

## LETTER FROM THE BOARD

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
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%

## LETTER FROM THE BOARD

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 as % of Overall Portfolio Rent	
						Present Annual Rent (£)	
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%
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%

# LETTER FROM THE BOARD

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
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%
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%

## LETTER FROM THE BOARD

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 as	% of Overall Portfolio Rent
						Annual Rent (£)	
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%
<b>Total</b>		<b>505,381</b>	<b>73,566,000</b>			<b>3,892,999.86</b>	<b>100%</b>

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).

#### **1.4. Information on the Lessee, the Guarantor and Itochu Corporation**

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.

The Guarantor is a private limited company incorporated and registered in England and Wales and an indirectly wholly-owned subsidiary of Itochu Corporation, which is a substantial listed company in Japan. Based on their public disclosure, the total assets of the Guarantor as at 31 March 2016 was £29,308,000. 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.

## LETTER FROM THE BOARD

Itochu Corporation is a global trading company which is currently listed on the Osaka Securities Exchange and the Tokyo Stock Exchange. It is ranked no. 223 in Fortune Global 500 in 2016. Its trading business and investments spans across 65 countries and regions around the world and covers sectors including textile, machinery, metals, minerals, energy, chemicals, food, information and communications technology, general products, insurance, logistics services, construction, realty and finance. Based on their public disclosure, the total assets of Itochu Corporation as at 31 March 2016 was 8,036.4 billion Japanese yen.

### **1.5. Waiver Conditions**

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 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 Waiver Application and 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.

## LETTER FROM THE BOARD

*(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; (iii) 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 (iv) 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.



## LETTER FROM THE BOARD

*(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.

## 2. IMPLICATIONS UNDER THE REIT CODE AND APPROVAL REQUIREMENTS

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 remaining 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.

The Manager shall also seek Independent Unitholders' approval for the Lease CCTs as this is one of the conditions of the Lease CCTs Waiver Application as stated in the section headed "Waiver Conditions".

Please refer to the EGM Notice for the proposed Ordinary Resolution in relation to the Lease CCTs. As soon as practicable after the EGM, the Manager will issue an announcement setting out the results of the EGM, including whether the Ordinary Resolution has been passed.

## LETTER FROM THE BOARD

### 3. 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 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 Co., Limited pursuant to a management agreement between Mercuria Investment Co., Limited 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.

### 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.

## **5. OPINION OF THE INDEPENDENT FINANCIAL ADVISER**

The Independent Financial Adviser confirms that it is of the view that 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. Consequently, the Independent Financial Adviser advises the Independent Board Committee to recommend, and the Independent Financial Adviser itself recommends, the Independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the Lease CCTs.

In respect of the terms of the Leases, the Independent Financial Adviser has confirmed in its letter that it considers that it is normal business practice for agreements of this type to be of such duration.

The Independent Financial Adviser has reviewed the independent opinion letter issued by the Valuer discussed with the Valuer the terms of the Lease CCTs, and concurs with the view of the Valuer that as regards the Leases as a whole, the terms and conditions therein, including but not limited to, the rental rate, the contract duration and renewal and termination clauses, are at arm's length, on normal commercial terms and fair and reasonable, and that the lease contracts are consistent with normal business practice for commercial properties of this type in the United Kingdom.

Details of the Independent Financial Adviser's opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the "Letter from the Independent Financial Adviser" in the Circular.

## LETTER FROM THE BOARD

### **6. RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE, THE BOARD AND THE TRUSTEE**

#### **6.1. Independent Board Committee**

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the Lease CCTs. Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion to the Independent Board Committee, the Independent Unitholders and the Trustee on whether 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.

Your attention is drawn to the "Letter from the Independent Board Committee" set out in this Circular, which contains the Independent Board Committee's recommendation to the Independent Unitholders, and the "Letter from the Independent Financial Adviser" set out in this Circular, which contains among other things: (1) the Independent Financial Adviser's advice to the Independent Board Committee, the Independent Unitholders and the Trustee; and (2) the principal factors taken into consideration by the Independent Financial Adviser, and assumptions and qualifications adopted by the Independent Financial Adviser in arriving at such opinion.

The Independent Board Committee recommends that the Independent Unitholders vote at the EGM in favour of Ordinary Resolution to approve the Lease CCTs.

#### **6.2. Board**

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to the Lease CCTs, as described in this Circular, the Directors (including all the independent non-executive Directors) and the Independent Board Committee consider that 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. The Board recommends that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolution to approve the Lease CCTs.

## LETTER FROM THE BOARD

### 6.3. Trustee

Based and in sole reliance on: (1) the information and assurances provided by the Manager; (2) the opinion of the Independent Financial Adviser; and (3) the Letter from the Independent Board Committee, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the Lease CCTs are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Spring REIT and the Independent Unitholders as a whole. This view is being furnished for the sole purpose of complying with Clause 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the Lease CCTs. The Trustee has not made any assessment of the merits or impact of the Lease CCTs, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, Unitholders who are in any doubt as to the merits or impact of the Lease CCTs should seek their own financial or other professional advice.

### 7. EGM

The EGM will be held at Room 2401-2, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 25 May 2017 at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolution set out in the EGM Notice, which is set out on pages N-1 to N-2 of this Circular.

For the purpose of determining eligibility of Unitholders to attend and vote at the meeting, the Register will be closed from 19 May 2017 to 25 May 2017, both days inclusive, during which period no transfers of Units will be effected. In order to qualify to attend and vote at the EGM, all transfers of Units accompanied by the relevant Unit certificates and the duly completed transfer forms must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Thursday, 18 May 2017.

If you are a Unitholder on the Register on Friday, 19 May 2017 (being the date fixed for the purposes of determining Unitholders' entitlement to vote at the EGM), you can attend and vote at the EGM. You will find enclosed with this Circular a form of proxy for use for the purpose of the EGM.

Please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed on the form of proxy, and return it to the Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

## LETTER FROM THE BOARD

The voting on all the proposed Ordinary Resolution at the EGM will be taken by poll.

### 8. RESPONSIBILITY STATEMENT

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

Yours faithfully,  
By Order of the Board  
**SPRING ASSET MANAGEMENT LIMITED**  
(as manager of Spring Real Estate Investment Trust)  
**Mr. Toshihiro Toyoshima**  
*Chairman of the Manager*



## 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**

21 March 2017

*To: the Independent Unitholders*

Dear Sirs/Madam,

### **CONTINUING CONNECTED PARTY TRANSACTIONS IN RELATION TO THE LEASES**

We have been appointed as members of the Independent Board Committee to advise you with respect to the Lease CCTs, details of which are set out in the “Letter from the Board” in the circular dated 21 March 2017 (the “**Circular**”) from the Manager to the Unitholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Somerley Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee as to whether 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. Details of their opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser” the text of which is contained in the Circular.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the opinion of Somerley Capital Limited and the principal factors and reasons considered by them, we consider that 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.

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the Lease CCTs.

Yours faithfully,  
for and on behalf of  
the Independent Board Committee of  
**SPRING ASSET MANAGEMENT LIMITED**

**Simon Murray**  
*Independent Non-executive Director*

**Liping Qiu**  
*Independent Non-executive Director*

**Lam Yiu Kin**  
*Independent Non-executive Director*



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee, the Independent Unitholders and the Trustee, which has been prepared for the purpose of inclusion in this circular.*



### SOMERLEY CAPITAL LIMITED

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

21 March 2017

*To: the Independent Board Committee,  
the Independent Unitholders and the Trustee*

Dear Sirs,

### CONTINUING CONNECTED PARTY TRANSACTION IN RELATION TO THE LEASES

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee in respect to the Lease CCTs. Details of the Lease CCTs are set out in the letter from the Board contained in the circular dated 21 March 2017 to the Unitholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context requires otherwise.

Pursuant to 8.11 and 9.9(f) of the REIT Code and the Trust Deed, where a Unitholder has a material interest in the connected party transaction tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting. 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 the 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).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Simon Murray, Mr. Liping Qiu and Mr. Lam Yiu Kin, has been established to advise the Independent Unitholders on whether 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. We have been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee in this regard.

During the past two years, Somerley Capital Limited has acted once as an independent financial adviser to Spring REIT (the "**Past Engagement**") in relation to certain continuing connected party transactions, as detailed in the circular of Spring REIT dated 16 April 2015. The Past Engagement was limited to providing an independent advisory service to Spring REIT pursuant to the REIT Code, for which Somerley Capital Limited received normal professional fees. Accordingly, we do not consider the Past Engagement gives rise to any conflict of interest for Somerley Capital Limited in acting as the Independent Financial Adviser.

Somerley Capital Limited is independent of, and not associated with, (i) Spring REIT; (ii) the Trustee; (iii) the Manager; (iv) the Lessee; (v) the subsidiaries of the Spring REIT; (vi) each of the significant unitholders of Spring REIT; and (vii) their respective associates and connected persons. Apart from normal professional fees payable to us in connection with this appointment and other similar engagements, no arrangement exists whereby we will receive any fees or benefits from the aforementioned parties.

In formulating our opinion, we have reviewed, amongst others, (i) the Lease CCTs; (ii) the annual report of Spring REIT for the year ended 31 December 2015; (iii) the interim report of Spring REIT for the six months ended 30 June 2016; and (iv) other information as set out in the Circular and the Acquisition Announcement. We have also discussed with the Valuer the assumptions and bases for their opinions on the Leases. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Manager and have assumed that the information, facts and opinions provided to us are true and accurate. We have also sought and received confirmation from the Directors and management of the Manager that no material factors have been omitted from the information supplied and opinions expressed. We have no reason to doubt the truth, accuracy and completeness of the information provided to us or to believe that any material fact or information has been omitted or withheld. We have not, however, conducted an independent investigation into the affairs of the Manager and Spring REIT. We consider that we have been provided with and have reviewed sufficient information to reach an informed view. We have also assumed that the statements and representations made or referred to in the Circular were accurate and not misleading at the time they were made and will continue to be accurate and not misleading up to the time of the EGM.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion with regard to the Lease CCTs, we have taken into account the principal factors and reasons set out below:

### **1. Information on Spring REIT**

Spring REIT was listed on the Stock Exchange on 5 December 2013 as a collective investment scheme constituted as a unit trust by the Trust Deed and authorised under section 104 of the SFO, and is managed by the Manager, Spring Asset Management Limited. Spring REIT owns one property, comprising all the office units and approximately 600 car parking spaces in two premium grade office buildings in Beijing (the “**Property**”). Spring REIT and its special purpose vehicle recorded a total revenue of approximately US\$81.5 million and US\$80.5 million for the two years ended 31 December 2014 and 2015 respectively. The Property maintained a consistently high occupancy rate, averaging around 95% since 2011.

At an extraordinary general meeting of Unitholders held on 20 May 2015, the then Unitholders approved, among others, the expansion of the geographical scope of Spring REIT’s investments to include those outside of Asia. As previously stated by the Manager, such change will keep Spring REIT competitive with other property investors by adding flexibility and widen the investment scope, and for the Manager to capture the opportunity to enhance the return on the portfolio for the Unitholders. The Manager also noted that it is a common and growing market trend in the other regional REIT markets for REITs to have investments outside of Asia. As set out in the interim report of Spring REIT for the six months ended 30 June 2016, in an effort to enhance the long-term value of Spring REIT and to diversify its risk profile, the Manager has been actively looking for potential investments with stable long-term rental income stream in other parts of the world, including but not limited to other parts of Asia and Western Europe.

### **2. Background to and reasons for the Lease CCTs**

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 Latest Practicable Date) and the Seller (being the sole owner of the Target Company immediately prior to Completion) entered into the Share Purchase Agreement pursuant to which the Purchaser proposed to acquire the Target Company, which holds the freehold and/or the leasehold estate of each of the Target Properties, being 84 commercial properties in the United Kingdom, for the Base Purchase Price of GBP73.5 million, subject to adjustments as set out in the Share Purchase Agreement. The Target Properties have the Appraised Value as at 21 January 2017 of approximately GBP73.6 million, close to the Base Purchase Price. For further details of the Acquisition and the terms of the Share Purchase Agreement, please refer to the Acquisition Announcement. Each of the Target Properties is subject to an existing long-term lease between the Target Company (as lessor) and the Lessee. The Lessee, Kwik-Fit (GB) Limited, is currently operating the Target Properties as car servicing centres under the brand “Kwik-Fit” or other brands of the same group.. According to the website of Kwik-Fit, it has over 600 centres across the United Kingdom and Ireland, and is engaged in automotive parts repair, vehicle testing, car servicing and other associated services. Kwik-Fit was acquired by Itochu Corporation in 2011.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Lessee is an indirectly wholly-owned subsidiary of Itochu Corporation, an associated company of the Manager, and is a connected person of Spring REIT. Upon Completion, 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 , being the Lease CCTs.

Completion is subject to certain conditions precedent, which includes the Independent Unitholders' approval of the Lease CCTs. It follows that if the Lease CCTs (which are part-and-parcel of the Acquisition) are not approved at the EGM, the Acquisition would not complete.

### **3. Principal terms of the Leases**

Each of the 84 Target Properties is subject to a long-term lease between the Target Company (as lessor) and the Lessee. There are two categories of Leases: (1) the English Leases, which pertain to the 58 Target Properties located in England and Wales and are governed by English law; and (2) the Scottish Leases, which pertain to the 26 Target Properties located in Scotland and are governed by Scottish law. The terms of the English Leases are substantially the same (save for rent, internal areas and definition of premises), and similarly, the terms of Scottish Leases are substantially the same (save for rent, internal areas and definition of premises). As set out in the letter from the Board, the principal terms of the Leases are customary and consistent with normal business practice for commercial properties of this type in the United Kingdom. Please see the section headed "1.3 Summary of the Leases" in the letter from the Board in the Circular for the principal terms of the Leases. Please also refer to the section headed "Analysis of the terms of the Leases" for details on our work performed in relation to the terms.

#### *Term*

Each Lease has an initial term of 25 years, expiring on 19 March 2032 (with a remaining term of approximately 15 years from the Latest Practicable Date), save for Islington Target Property, which has an initial term of 17 years expiring in 2024, with a remaining term of approximately 7 years from the Latest Practicable Date. Details of the terms of the Leases are set out in the section headed "1.3.6. Summary of Leases and Target Properties" in the letter from the Board.

At any time before the last 12 months of the initial term, the Lessee has an option to renew a Lease on substantially the same key terms (apart from rent which is to be at a market level and agreed between the parties) for a further term of 15 years at its discretion, namely the 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the English Leases, the Lessee may, instead of exercising its 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 1954 Act (in which case the Lease may be renewed on substantially the same terms as the original lease at market rent), unless challenged by the Target Company pursuant to certain statutory exceptions (for example, that the Target Company intends to demolish or reconstruct the premises or to occupy the premises for its own business at the end of the term). If the rent, the term or any other terms cannot be agreed in the renewed Lease, 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. 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.

There is no statutory right of renewal in Scotland and a Scottish Lease will come to an end at the expiry of its term provided that the parties thereto do not allow it to tacitly continue on a yearly basis or contractually agree otherwise.

### *Rent*

The rent payable under each of the Leases differs and is dependent on various factors, including location and size of the Target Property. The present annual rent for each of the Leases is set out in the table in the section headed “1.3.6 Summary of Leases and Target Properties” in the letter from the Board. The rent under the Leases is payable quarterly, and is subject to review at every five years. The upcoming review of the present annual rent will take place in 2017, and the Manager understands that negotiations in respect of this rent review are presently on-going between the Seller and the Lessee. The Manager expects that the revised annual rent will be agreed upon after Completion, effective from 20 March 2017.

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 then annual rent (being GBP3,893,000). This means that the revised annual rent in 2017 incorporates a floor protection with a minimum annual rental growth of 3%. In other words, starting from 20 March 2017, the aggregate annual rent will be the higher of (i) approximately GBP4,513,054; or (ii) the market rent to be agreed after Completion between the Target Company and the Lessee.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The subsequent reviews will take place in 2022 and 2027, respectively (the “**Rent Review(s)**”). The revised annual rent pursuant to the Rent Reviews will be the greater of (i) the market rent which the parties agree to be reasonable in respect of the relevant Target Property (the “**Negotiated Rent**”) for 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 the parties to the relevant Lease fail to reach an agreement as to the Negotiated 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 in the United Kingdom.

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 Further Lease 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 in the United Kingdom.

Independent Unitholders should also make reference to the Fair Rent Opinion, as set out in the section headed “Analysis of the terms of the Leases”.

### *Other terms*

The Leases do not provide the Target Company (as lessor) with any form of contractual break right to terminate any Lease. However, the Target Company may unilaterally terminate a Lease at any time in the event that:

- (a) the Lessee suffers an event of incapacity (in respect of English Leases) or insolvency (in respect of Scottish Leases);
- (b) the whole or part of the rent is unpaid and overdue for 21 days (in respect of English Leases) or 14 days (in respect of Scottish Leases); or
- (c) there is a material breach by the Lessee of any provision of the relevant Lease.

There is no rent-free period provided to the Lessee, and no security deposits have been received from the Lessees. 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. Given the latest financial position of the Guarantor as publicly disclosed, and that the Guarantor is a wholly-owned

subsidiary of Itochu Corporation, which is a substantial listed company in Japan, 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 a whole.

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.

#### **4. Analysis of the terms of the Leases**

While each of the English Leases and the Scottish Leases have been entered into separately, the terms of the English Leases and the Scottish Leases are substantially the same as other English and Scottish leases respectively, as confirmed by the Manager. All Leases have been entered into between independent third parties in 2007, approximately 10 years before the Share Purchase Agreement was entered into. The transactions under the Leases will become continuing connected party transactions of Spring REIT upon Completion, due to the fact that the Lessee is a connected person of Spring REIT. As set out in letter from the Board, the Leases will continue to subsist after Completion with no change to their terms. The Manager has confirmed that 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.

##### ***Term***

All the Leases represent long-term leases with an initial term of 25 years, together with an option for the Lessee to extend for another 15 years (with the exception of the Islington Target Property). Per our discussion with the Manager and the Valuer, the car maintenance business can be considered a specialty business in the United Kingdom, with a key feature being that such types of tenants typically look to sign long term leases, given that major outfitting work is required, e.g. the installation of various fixtures and fittings such as lifting ramps, oil tanks and stock rackings. We note that the Leases, by virtue of relatively longer term durations, cater for this type of business.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also discussed with the Valuer the renewal mechanism. The Valuer confirmed that such arrangement, where the Lessee (and not the Target Company) has the right of renewal, is usual for such type of leases in the United Kingdom. In addition, following our discussion with the Valuer, we note that this is commonly seen in specialist sectors in the United Kingdom such as the motor trade, where properties are often regarded as long term strategic points of representation for occupiers. We also consider that a longer duration for the Leases is reasonable from the perspective of Spring REIT, because it will bring a long term and stable source of rental income to Spring REIT, at or above market rate (as analysed below), which coincides with Spring REIT's stated strategy to maximise long-term value.

We note that terms of lease agreements in the United Kingdom are not generally available, as details of lease agreements are generally not publicly disclosed and/or available in full from public sources. However, we have reviewed a number of independent lease arrangements for properties being used in the motor servicing industry (e.g. car servicing centres) located in the United Kingdom that we are able to identify in the public domain, as disclosed on websites of relevant property auction houses (the "**Comparable Leases**"). The data relating to the Comparable Leases is based on public information of relevant property auctions concluded between 1 January 2016 and the Latest Practicable Date. We note that the relevant initial terms ranged from 10 years to 30 years, with a mean and median of approximately 22 years and 25 years respectively. For those independent lease arrangements with an option to renew disclosed, the terms of renewal are all 20 years. We also note that the English Leases may be renewed on a statutory basis, independently of the renewal mechanism set out therein. On this basis, we consider the terms of the Leases are generally comparable to the above publicly available lease terms.

The Valuer has confirmed that in relation to the Leases, it is normal business practice for agreements of this type to be of such duration. We have reviewed the independent opinion letter issued by the Valuer which includes the above statement, and have discussed with the Valuer the rationale for it. We note that the Valuer has based its opinion on, among others, comparable rental agreements available to the Valuer.

Based on the above analyses and the Valuer's opinion as set out the above, we consider that it is normal business practice for agreements of this type to be of such duration.

### ***Rent***

The minimum revised annual rent in 2017, taking into account the minimum increase in rent in 2017, is in the range of approximately GBP3.5 to GBP19.7 per sq.ft., with an average of approximately GBP8.9 per sq.ft. and a total aggregate annual rent of approximately GBP4.5 million. The major factor for determining the unit rental rate is the location of the property, as sites in South East England, including London, and certain other larger cities outside of South East England, command higher rental rates. As such, the rental rate per sq.ft. varies depending on locale and other factors.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the letter from the Board, 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 as set out in the letter from the Board 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 no Appraised Value as set out in the section headed “1.3.6 Summary of Leases and Target Properties” in the letter from the Board); 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, as set out in the section headed “1.3.2 Term” in the letter from the Board). Implied rental yields for properties under the Comparable Leases are in the range of approximately 4.4% and 11.6%, with a mean and median of approximately 7.2% and 6.8% respectively. We consider that the implied yields of the Comparable Leases are impacted by the location of the related property, as well as the circumstance of the auction sales process, for example, the number of bidders for a transaction. The yields of Comparable Leases are based on the disclosed current annual rent paid and the transacted price of the underlying property, based on auctions concluded between 1 January 2016 and the Latest Practicable Date. We understand from the Valuer that higher value locations tend to exhibit relatively lower rental yields, and this in turn impacts the range of yields that a portfolio may exhibit. We note that the Comparable Leases are all associated with properties that have a similar type of use as the Target Properties, i.e. car-related services, thus taking into account the specific nature of this specialty business as set out in the section headed “Term”. The portfolio rental yield is within the range of the yields of the Comparable Leases as set out above, and close to the mean and median figures. We have discussed our analysis with the Valuer, who has separately made reference to its own database for comparison purposes. The Valuer has confirmed that the rental rates for the Leases as a whole are at arm’s length, on normal commercial terms and fair and reasonable. Taking into account of the analyses and work performed above, we concur with the Valuer’s opinion.

A major term under the Leases is the rent review mechanism every five years, which adjusts the rent under the Leases to market rate on a regular basis. We note that such review mechanism is the same for each of the Leases, as set out in the section headed “Principal terms of the Leases”. As set out in the section headed “Principal terms of the Leases”, the revised annual rent in 2017 incorporates a floor protection with a minimum annual rental growth of 3%, which we consider beneficial to Unitholders. Looking forward, the revised annual rent under the Rent Reviews will be the greater of the then annual rent or the Negotiated Rent. This means that there will be a downside protection such that the revised annual rent would at least be the existing rent. We are of the view that the downside protection afforded during the initial term of the Leases provides additional protection to the Spring REIT, and is therefore beneficial to the Unitholders.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also note that the Lessee has the right, at its discretion, to renew a Lease for a further term of 15 years. In such case, the initial annual rent, and subsequent revised annual rents to be determined every five years, will be re-negotiated by the parties to the relevant Further Lease, or to be referred to a chartered surveyor in case the annual rent cannot be agreed, as set out in the section headed “Principal terms of the Leases”.

As stated in the letter from the Board in the Circular, 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. The parties will not agree on the new rent and will continue to negotiate until the independent valuer issues an opinion letter (the “**Fair Rent Opinion**”) 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. We consider such Fair Rent Opinion, to be issued upon every Rent Review, provides additional protection to Spring REIT and the Unitholders as to the fairness of the rent receivable by Spring REIT under the Leases.

### *Other terms*

Per our discussion with the Valuer, other terms of the Leases are in general in line with market practices in the United Kingdom, including the termination clauses, and the fact that there is no rent-free period provided to the Lessee, and no security deposit received from the Lessee.

### *Valuer’s opinion*

The Valuer has confirmed that as regards to the Leases as a whole, the Valuer is of the opinion that the terms and conditions therein, including but not limited to, the rental rate, the contract duration and renewal and termination clauses, are at arm’s length, on normal commercial terms and fair and reasonable. Furthermore, the Valuer is of the opinion that the lease contracts are consistent with normal business practice for commercial properties of this type in the United Kingdom. We have reviewed the independent opinion letter issued by the Valuer, and discussed with the Valuer the terms of the Lease CCTs. We concur with the view of the Valuer as set out above.

We have identified the key terms of all 84 Leases as set out in the letter from the Board in the Circular and have reviewed them in the related 84 source tenancy agreements. In addition, we have, on a sample basis, selected a number of Leases and have reviewed their terms in full.

**5. The Lease CCTs Waiver Application**

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 on the waiver terms and conditions as set out in the letter from the Board in the Circular. Such waiver will only be granted upon Completion, provided that Independent Unitholders' approval of the Lease CCTs is obtained.

The Lease CCTs will be subject to standard disclosures in interim and annual reports and review by auditors and independent non-executive Directors as more particularly set out in the letter from the Board in the Circular. 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.

**OPINION**

Having considered the above reasons and factors, we consider that 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. Consequently, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the Lease CCTs.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**John Wong**  
*Director*

*Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over nine years of experience in the corporate finance industry.*

NOTICE OF EGM



**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**

NOTICE OF EGM

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“EGM”) of unitholders (the “Unitholders”) of Spring Real Estate Investment Trust (“**Spring REIT**”) will be held at Room 2401-2, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 25 May 2017 at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

**ORDINARY RESOLUTION**

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the unitholder circular dated 21 March 2017 (the “**Circular**”).

**“That:**

- (a) the Lease CCTs as more particularly set out in the section headed “Lease CCTs” of the Circular respectively be and are hereby approved; and
- (b) the Manager, and any director of the Manager, each be and is hereby severally authorised to complete and do or cause to be done all such acts and things as the Manager or any director of the Manager, as the case may be, may consider expedient or necessary or in the interest of Spring REIT to give effect to the above approval.”

By Order of the Board

**SPRING ASSET MANAGEMENT LIMITED**

(as manager of Spring Real Estate Investment Trust)

**Mr. Toshihiro Toyoshima**

*Chairman of the Manager*

Hong Kong, 21 March 2017

## NOTICE OF EGM

*Registered Office of the Manager:*  
Room 2801, 28/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

*Notes:*

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the circular of Spring REIT dated 21 March 2017 to the Unitholders shall have the same meanings when used in this notice.
2. A Unitholder of Spring REIT entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Unitholder of Spring REIT. A Unitholder who is the holder of two or more Units of Spring REIT may appoint no more than two proxies to represent him to attend and vote on his behalf. In case of a recognised clearing house (or its nominees(s) and in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at the meeting and vote in its stead.
3. A form of proxy for use in connection with the EGM is enclosed with this Circular. To be valid, the form of proxy, and (if required by the Board) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch unit registrar of Spring REIT in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint Unitholders, the vote of the Unitholder who is first-named on the register of Unitholders, whether tendered in person or by proxy, shall be acceptable to the exclusion of the votes of the other joint Unitholders and for this purpose seniority shall be determined by the order in which the names stand in the register of Unitholders.
5. For the purpose of determining eligibility of Unitholders to attend and vote at the meeting, the register of Unitholders of Spring REIT will be closed from 19 May 2017 to 25 May 2017, both days inclusive, during which period no transfer of units will be effected. In order to qualify to attend and vote at the meeting (or at any adjournment thereof), all transfers of units accompanied by the relevant unit certificates and the duly completed transfer forms must be lodged with the Unit Registrar no later than 4:00 p.m. on Thursday, 18 May 2017.
6. Completion and delivery of the form of proxy will not preclude a Unitholder of Spring REIT from attending and voting in person at the EGM or any adjournment thereof should such Unitholder so wishes, and in such event, the instrument appointing a proxy shall be deemed revoked.
7. The votes at the meeting will be taken by way of poll.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
9. As at the date of this notice, the executive Directors are Mr. Lau Jin Tin, Don, Mr. Nobumasa Saeki, and Mr. Leung Kwok Hoe, Kevin; the non-executive Directors are Mr. Toshihiro Toyoshima, and Mr. Hideya Ishino; and the independent nonexecutive Directors are Mr. Simon Murray, Mr. Liping Qiu, and Mr. Lam Yiu Kin.