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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

LETTER OF INTENT IN RELATION TO PROPOSED ACQUISITION OF 84 SEPARATE COMMERCIAL PROPERTIES IN THE UNITED KINGDOM

On 6 December 2016, the Manager and the Seller entered into a non-binding letter of intent in relation to the proposed acquisition of the Target Company, which in turn owns 84 separate commercial properties located in the United Kingdom operating as chained car servicing centres. The indicative consideration is GBP73.5 million (being approximately USD93,345,000 assuming a USD/GBP exchange rate of 1.27, representing approximately 10.2% of the Spring REIT NAV), subject to certain adjustments as more particularly set out in this announcement. The letter of intent sets out the intention of the parties to conduct due diligence and negotiate a sale and purchase agreement in relation to the proposed acquisition within an exclusivity period of 45 days from the date of the letter of intent, which is extendable by the parties' mutual agreement.

The Target Properties are subject to long-term leases between the Seller and a lessee which is a connected party of Spring REIT. Accordingly, upon completion of the proposed acquisition, these leases will constitute continuing connected party transactions of Spring REIT and require Independent Unitholders' approval.

This announcement is made pursuant to Paragraph 10.3 of the Code on Real Estate Investment Trusts.

LETTER OF INTENT

On 6 December 2016, Spring Asset Management Limited in its capacity as the manager of Spring Real Estate Investment Trust ("**Spring REIT**") (the "**Manager**"), entered into a letter of intent (the "**LOI**") with an independent third party seller (the "**Seller**") in relation to the proposed acquisition of the entire issued share capital of a company (the "**Target Company**") that owns 84 separate commercial properties located in the United Kingdom operating as chained car servicing centres (the "**Target Properties**") (the "**Proposed Acquisition**").

The LOI sets out the intention of the parties to conduct due diligence and negotiate a definitive sale and purchase agreement in relation to the Proposed Acquisition ("**SPA**"), although it is not legally binding (except for certain general terms such as exclusivity and confidentiality). The key terms of the LOI, which may differ from the terms of the final SPA, are as follows:

Target Properties 84 separate commercial properties located in the United Kingdom operating as chained car servicing centres.

Indicative Consideration : GBP73.5 million, being approximately USD93,345,000 assuming a USD/GBP exchange rate of 1.27 and representing approximately 10.2% of the net asset value of Spring REIT (less interim distribution paid) as at 30 June 2016 ("**Spring REIT NAV**"), subject to certain adjustments to be agreed under the SPA, including: (a) a net current assets/liability adjustment; and (b) an adjustment for certain outstanding borrowings of the Target Company.

Payment Schedule : An initial deposit of GBP250,000 (being approximately USD317,500 assuming a USD/GBP exchange rate of 1.27) will be payable within 7 business days from the date of the LOI (the "**Initial Deposit**"), which will be refunded if the SPA is not agreed and executed prior to the expiry of the Exclusivity Period (as defined below).

A further deposit of GBP250,000 (being approximately USD317,500 assuming a USD/GBP exchange rate of 1.27) will be payable upon execution of the SPA (the "**Further Deposit**"). The SPA shall set out the terms for refund of the Initial Deposit and Further Deposit.

The balance of the Consideration will be satisfied in full at completion of the Proposed Acquisition, subject to any amount to be withheld by the purchaser as agreed under the SPA and any adjustments to be agreed under the SPA.

Conditions Precedent : Completion of the Proposed Acquisition will be subject to the continuing connected party transactions under the Leases (as defined below) being approved by those unitholders of Spring REIT who are entitled to vote (the "**Independent Unitholders**"), as well as other conditions precedent to be agreed in the SPA.

Exclusivity Period : Due diligence of the Target Company and the Target Properties and negotiations between the parties are subject to an exclusivity period of 45 days from the date of the LOI (the "**Exclusivity Period**"), ending on 20 January 2017, which is extendable by the parties' mutual agreement.

REGULATORY IMPLICATIONS

To the best of the Manager's knowledge, information and belief, the Seller, the Target Company and their respective ultimate beneficial owners are independent third parties (and not connected persons as defined under the REIT Code) of Spring REIT. Based on the information available to the Manager at this stage, the Proposed Acquisition is expected to constitute a disclosable transaction of Spring REIT and will not require the approval of unitholders (except as stated below in respect of the Leases).

The Target Properties are subject to long-term leases between the Seller and a lessee which is a connected party of Spring REIT (the "**Leases**"). Upon completion of the Proposed Acquisition, the Leases to be assumed by Spring REIT will constitute continuing connected party transactions of Spring REIT and will require Independent Unitholders' approval. As noted in the LOI, completion of the Proposed Acquisition will be subject to such Independent Unitholders' approval being obtained.

Before entering into the SPA, the Manager shall ensure that it complies with all applicable legal and regulatory requirements, including but not limited to the requirements prescribed under REIT Code and the Practice Note on Overseas Investments by SFC-authorized REITs contained in the REIT Code.

The Manager considers the Proposed Acquisition to be consistent with the investment objectives and strategy of Spring REIT, and accordingly, believes that it is in the best interest of the Unitholders to enter into the LOI. Based and in sole reliance on: (1) Spring REIT's circular dated 16 April 2015 regarding (among other things) the proposed expansion of the scope of Spring REIT's investment policy; and (2) the information and confirmation provided by the Manager, the trustee of Spring REIT has no objection to the Manager entering into the LOI.

Further announcements in relation to the Proposed Acquisition and Leases, as well as a circular in relation to the Leases, will be made by the Manager in accordance with all applicable requirements of the REIT Code as and when appropriate, including upon: (a) execution of the SPA; and (b) the extension or expiry of the Exclusivity Period if the SPA is not entered into before then.

Unitholders and potential investors in the units of Spring REIT should note that the LOI is non-binding (except for certain general terms such as exclusivity and confidentiality), and therefore, does not obligate the Manager or the Seller to enter into the SPA on the abovementioned terms or at all. Also, completion of the Proposed Acquisition shall be subject to certain conditions precedent (including Independent Unitholders' approval for the assumption of the Leases upon completion) which may or may not be satisfied. Accordingly, unitholders and potential investors of Spring REIT are advised to exercise caution when dealing in the units of Spring REIT.

This announcement is made pursuant to Paragraph 10.3 of the Code on Real Estate Investment Trusts (the "**REIT Code**").

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

Hong Kong, 6 December 2016

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