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Spring Real Estate Investment Trust **春泉產業信託**

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

(Stock code: 01426)

Managed by

Spring Asset Management Limited

ANNOUNCEMENT

CONTINUING CONNECTED PARTY TRANSACTIONS

The Board wishes to announce that on 13 December 2022, Spring REIT (through Beijing Hua-re, on behalf of Spring REIT's wholly-owned special purpose vehicle, RCA01) and the Carpark Operator agreed to renew the Carpark Master Lease for a further term of 12 months with effect from 1 January 2023.

Under the renewed Carpark Master Lease, the Carpark Operator shall pay a fixed annual rent (being RMB4,500,000) to RCA01 in respect of the 608 carparks that it owns in the Development. Such fixed annual rent payable to RCA01 shall be adjusted pursuant to the subsisting Carpark Management and Benefit Sharing Agreement entered into between Spring REIT (through Beijing Hua-re, on behalf of RCA01), the Guohua Subsidiary and the Carpark Operator. Details of the adjustment mechanics are disclosed in the Previous Announcement.

Since the Guohua Subsidiary is a subsidiary and therefore an associate of Huamao Property which is a substantial unitholder of Spring REIT, the Guohua Subsidiary is a connected person of Spring REIT pursuant to 8.1(f) of the REIT Code, and the transactions under the Carpark Contracts (being the Carpark Master Lease and the Carpark Management and Benefit Sharing Agreement) constitute continuing connected party transactions of Spring REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

For the avoidance of doubt, to the best of the knowledge, information and belief of the directors of the Manager, having made all reasonable enquiries, each of the Carpark Operator and its ultimate beneficial owners (i.e. natural persons who control one-third or more thereof) is a third party independent of Spring REIT and its connected persons, and not a connected person of Spring REIT within 8.1 of the REIT Code.

As the highest applicable percentage ratio calculated in respect of the annual cap exceeds 0.1% but is less than 5%, the Carpark Master Lease is subject to the announcement, reporting and annual review requirements but are exempted from the unitholders' approval requirement under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

This announcement is made pursuant to 10.5A of the REIT Code.

A. BACKGROUND

Reference is made to the announcement of Spring Real Estate Investment Trust (“**Spring REIT**”) dated 21 December 2021 (the “**Previous Announcement**”) in relation to, among other things, the renewal of the Carpark Master Lease for a term of 12 months expiring on 31 December 2022 and the renewal of the Carpark Management and Benefit Sharing Agreement for a term of 24 months expiring on 31 December 2023. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Previous Announcement.

The Board wishes to announce that on 13 December 2022, Spring REIT (through Beijing Hua-re, on behalf of Spring REIT's wholly-owned special purpose vehicle, RCA01) and the Carpark Operator agreed to renew the Existing Carpark Master Lease for a further term of 12 months with effect from 1 January 2023.

Key terms of the renewed Carpark Master Lease

Key terms of the renewed Carpark Master Lease are as follows:

Date	13 December 2022
Parties	(1) Beijing Hua-re (on behalf of RCA01) as lessor (2) Beijing Huamao Property Consulting Co., Ltd. First Branch* (being the Carpark Operator) as lessee

Purpose	Renewal of the master lease of 608 carpark spaces in the Development
Term	12 months from 1 January 2023
Annual rent amount	<p>RMB4,500,000 (inclusive of value added tax), which was arrived at after arm's length negotiation between the parties with reference to the prevailing market rents applicable to the carpark spaces and the historical net income to which RCA01 was entitled (inclusive of value added tax) under the Carpark Management and Benefit Sharing Agreement. The annual rent amount of RMB4,500,000 (inclusive of value added tax) shall be paid every 6 months by the lessee to the lessor as follows:</p> <p>(a) an amount of RMB2,250,000 payable by 30 June 2023; and</p> <p>(b) an amount of RMB2,250,000 payable by 31 December 2023.</p>

In accordance with the Carpark Management and Benefit Sharing Agreement, the final annual rent amount receivable by RCA01 under the Carpark Master Lease is subject to an annual payment adjustment. The final annual rent receivable will be agreed between RCA01 and the Carpark Operator after the end of the relevant year with reference to the amount of the net income generated from the carpark and RCA01's cumulative entitlement thereto pursuant to the Carpark Management and Benefit Sharing Agreement.

If such final annual rent amount receivable by RCA01 is higher than the fixed rent amount, RCA01 shall receive a payment adjustment from the Carpark Operator, and if such final annual rent amount receivable by RCA01 is lower than the fixed rent amount, RCA01 shall make a payment adjustment to the Carpark Operator.

Such annual payment adjustment for the calendar year 2022 will be made by the end of January 2023. For the avoidance of doubt, no supplemental agreement is required to be entered between the parties for annual payment adjustment.

Renewal

The contract may be renewed by mutual agreement. Any renewal shall be subject to the relevant requirements under the REIT Code and the Listing Rules.

Historical amounts under the Carpark Master Lease

As a basis for the determination of the annual cap in respect of the Carpark Master Lease, the historical amounts under the Carpark Master Lease in each of the years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022 are as follows:

	Amounts under the Carpark Master Lease		
	for the year ended		for the nine
	31 December	31 December	months ended
	2020	2021	30 September
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Fixed rent (inclusive of value added tax) for the respective year/period	4,400,000	4,500,000	3,375,000 ^(note 1)
Adjustment rent for the respective year (payable after the end of the year)/period	809,172	714,377	(48,950) ^(note 2)

Note 1: Represents the pro-rated annual fixed rent of RMB4,500,000 for the first nine months of the calendar year 2022.

Note 2: Represents the implied adjustment rent for the first nine months of the calendar year 2022, being the difference between the net income to which RCA01 is entitled for the first nine months of the calendar year 2022 and the pro-rated annual fixed rent for the first nine months of the calendar year 2022.

Annual cap

The annual cap applicable to the renewed Carpark Master Lease for the calendar year 2023 is RMB5,214,377, and has been determined based on: (i) the agreed fixed rent under the renewed Carpark Master Lease for the calendar year 2023 (i.e. RMB4,500,000); and (ii) the estimated annual payment adjustment to be made under the renewed Carpark Master Lease for the calendar year 2022 which has been determined by referencing the historical adjustment rent for the calendar year 2021 (i.e. approximately RMB714,377).

Reasons for and benefits of renewing the Carpark Master Lease

Spring REIT (through RCA01) and the Guohua Subsidiary are the respective owners of 608 and 347 carparks underneath the office towers of the Development. As there are economies of scale for both owners to appoint a single carpark manager to provide the necessary management services for the carpark spaces owned by each of them, each of them has appointed the Carpark Operator to provide services, including the allocation of carpark net income pursuant to the Carpark Contracts.

The renewal of the Carpark Master Lease (being one of the Carpark Contracts) is necessary to maintain the above arrangement, and the supportive views of the Board, independent property valuer and Trustee are noted in section C below.

B. REGULATORY IMPLICATIONS

Since the Guohua Subsidiary is a subsidiary and therefore an associate of Huamao Property which is a substantial unitholder of Spring REIT, the Guohua Subsidiary is a connected person of Spring REIT pursuant to 8.1(f) of the REIT Code, and the transactions under the Carpark Contracts (being the Carpark Master Lease and the Carpark Management and Benefit Sharing Agreement) constitute continuing connected party transactions of Spring REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

For the avoidance of doubt, to the best of the knowledge, information and belief of the directors of the Manager, having made all reasonable enquiries, each of the Carpark Operator and its ultimate beneficial owners (i.e. natural persons who control one-third or more thereof) is a third party independent of Spring REIT and its connected persons, and not a connected person of Spring REIT within 8.1 of the REIT Code.

As the highest applicable percentage ratio calculated in respect of the annual cap exceeds 0.1% but is less than 5%, the Carpark Master Lease is subject to the announcement, reporting and annual review requirements but are exempted from the unitholders' approval requirement under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

C. OPINIONS

Opinion of the Board

The Board (including the independent non-executive directors of the Manager) is of the view that the renewed Carpark Master Lease: (a) was negotiated at arm's length and in the ordinary and usual course of business of Spring REIT; (b) is consistent with the investment policy of Spring REIT; (c) is on normal commercial terms; and (d) is fair and reasonable and in the interests of Spring REIT and its unitholders as a whole.

None of the directors of the Manager has a material interest in the Carpark Master Lease and/or is required to abstain from voting on the resolution of the Board to approve the renewal of the Carpark Master Lease.

Opinion of the independent property valuer

Based on the opinion of Knight Frank Petty Limited, the independent property valuer and the principal valuer of Spring REIT, the rental amount under the renewed Carpark Master Lease, including the adjustments to such rent determined under the Carpark Management and Benefit Sharing Agreement, is fair and reasonable and represents the prevailing market rent applicable to the carpark spaces, and the renewed Carpark Master Lease is on normal commercial terms.

Opinion of the Trustee

Based and in sole reliance on the respective opinions of the Board and the independent property valuer above and the information and assurances provided by the Manager, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code:

- (i) has no objection to the renewal of the Carpark Master Lease;
- (ii) is of the view that renewed Carpark Master Lease is consistent with Spring REIT's investment policy and in compliance with the REIT Code and the Trust Deed;

(iii) is of the view that renewed Carpark Master Lease is on normal commercial terms, fair and reasonable and in the interests of Spring REIT and its unitholders as a whole; and

(iv) confirms that unitholders' approval is not required under the REIT Code or the Trust Deed for the renewal of the Carpark Master Lease.

These views are not to be taken as a recommendation or representation by the Trustee on the merits of the renewed Carpark Master Lease.

D. OTHER REGULATORY REQUIREMENTS

Review and Reporting

The transactions under the renewed Carpark Master Lease will be subject to the following review and reporting processes:

(a) Annual review by the independent non-executive directors of the Manager

The independent non-executive directors of the Manager shall review the transactions annually and confirm in Spring REIT's annual report for the relevant financial period that each transaction has been entered into:

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

(b) Annual review by the auditors of Spring REIT

In respect of each relevant financial period, the Manager shall engage the auditors of Spring REIT to report on the transactions annually. The auditors of Spring REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any transaction:

- (i) has not been approved by the Board;
- (ii) was not, in all material respects, in accordance with the pricing policies of Spring REIT;

(iii) was not entered into, in all material respects, in accordance with its terms of agreement; and

(iv) has exceeded the applicable annual cap.

The Manager shall allow, and procure the lessee to allow, the auditors of Spring REIT sufficient access to its records for the purpose of reporting on the renewed Carpark Master Lease.

(c) Notification to the Securities and Futures Commission

The Manager shall promptly notify the Securities and Futures Commission and publish an announcement if the independent non-executive directors of the Manager and/or the auditors of Spring REIT cannot confirm the matters set out in (a) and/or (b) above.

(d) Annual reports

A brief summary of each transaction containing the information specified in rules 14A.71 and 14A.72 of the Listing Rules shall be included in Spring REIT's annual reports.

Changes to Annual Cap or Terms

If the annual cap for the renewed Carpark Master Lease is exceeded or Spring REIT proposes to further renew the Carpark Master Lease or effect a material change to its terms, Spring REIT shall comply with the relevant requirements under the REIT Code and the Listing Rules.

E. GENERAL

Spring REIT is a real estate investment trust, the units of which were first listed on The Stock Exchange of Hong Kong Limited on 5 December 2013. Spring REIT's current portfolio includes all office floors of Office Tower 1 and Office Tower 2 of China Central Place (which are located in Beijing, the PRC), a portfolio of 84 commercial properties in the UK which is leased to Kwik Fit, a leading car servicing provider in the UK with over 600 centres nationwide and 68% interest of Huamao Place (which is located in Huizhou, the PRC). RCA01 is a wholly-owned special purpose vehicle of Spring REIT.

Beijing Hua-re is a company incorporated under the laws of the PRC. The principal business activity of Beijing Hua-re is property management and its ultimate beneficial owners are Mercuria Holdings, Ms. Liu Yan and Mr. Liao Zhongyuan. Mercuria Holdings is listed on the Tokyo Stock Exchange, and its principal business activity is business management of group companies and proprietary investment.

The Carpark Operator is a company incorporated under the laws of the PRC. The principal business activity of the Carpark Operator is property management and its ultimate beneficial owners (i.e. natural persons who control one-third or more thereof) are Mr. Xiao Juntao and Ms. Cao Zhicheng.

This announcement is made pursuant to 10.5A of the REIT Code.

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

Hong Kong, 13 December 2022

As at the date of this announcement, the directors of the Manager are Toshihiro Toyoshima (Chairman and non-executive director); Leung Kwok Hoe, Kevin (Chief Executive Officer and executive director) and Chung Wai Fai, Michael (executive director); Hideya Ishino (non-executive director); and Simon Murray, Lam Yiu Kin and Liping Qiu (independent non-executive directors).

* *for identification purposes only*