THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all of 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, licenced 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 securities of Spring REIT.

SpringREIT

Spring Real Estate Investment Trust
春泉產業信託

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

(Stock code: 01426)

Managed by

Spring
ASSET MANAGEMENT LIMITED

Spring Asset Management Limited
春泉資產管理有限公司

CIRCULAR TO UNITHOLDERS IN RELATION TO
(1) MAJOR ACQUISITION RELATING TO THE PURCHASE OF A COMMERCIAL PROPERTY IN HUIZHOU, PRC
AND ISSUANCE OF CONSIDERATION UNITS
(2) CONTINUING CONNECTED PARTY TRANSACTIONS AND
(3) EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

Financial Adviser to the Manager

DBS

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

SOMERLEY CAPITAL LIMITED

A letter to the Unitholders is set out on pages 19 to 89 of this Circular.

A notice convening the EGM to be held at Room 2401-2, Admiralty Centre 1, 18 Harcourt Road, Hong Kong on 29 October 2018 at 4:30 p.m. is set out on pages N-1 to N-3 of this Circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the unit registrar of Spring REIT, 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 fixed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

26 September 2018

This overview section is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Words and expressions not defined herein shall have the same meaning as in the main body of this Circular unless otherwise stated. Meanings of defined terms may be found in the "Definitions" section of this Circular.

BACKGROUND

Spring Real Estate Investment Trust 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, PRC) and a portfolio of 84 commercial properties in the United Kingdom which is leased to Kwik Fit, a leading car servicing provider in the UK with over 600 centres nationwide.

THE ACQUISITION

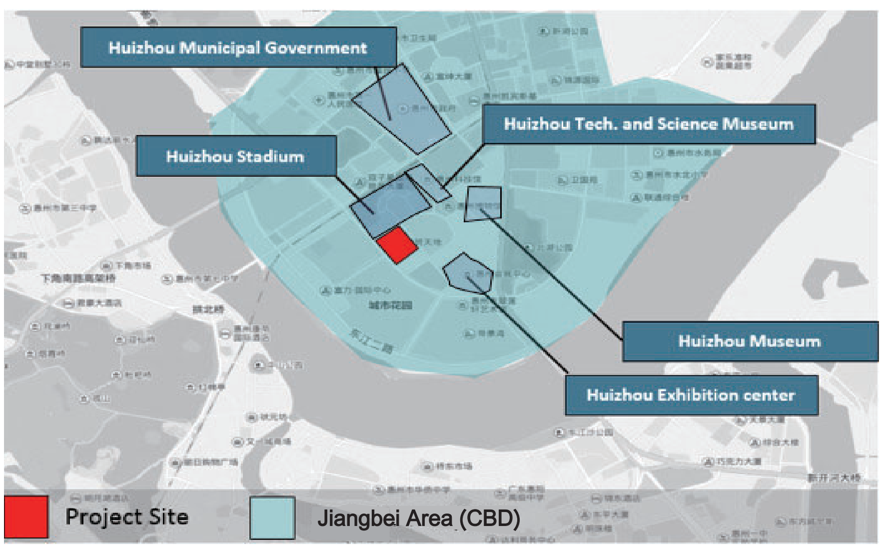
On 19 September 2018, Spring REIT (through the Purchaser), the Seller and the Trustee entered into the Share Purchase Deed, pursuant to which the Purchaser agreed to purchase, and the Seller agreed to sell the entire equity interest in the Target Company. The Target Company will (after the Reorganisation) indirectly hold the entire equity interest in the Project Company, which in turn is the registered legal owner of the land use rights and current ownership rights underlying the Target Property. Upon Completion, Spring REIT will hold the Target Property, being a shopping mall known as "Huamao Place" (華貿天地) located in Huizhou, Guangdong Province, PRC.

The Target Property Price is RMB1,653,466,000, being the asset value of the Target Property agreed by the Seller and the Purchaser, and represents an approximate 18.5% discount to the Appraised Value (being RMB2,029.0 million as at 30 June 2018).

KEY INFORMATION OF THE TARGET PROPERTY

The Target Property comprises: (a) the entire seven-storey shopping mall (including two basement floors) known as "Huamao Place" (華貿天地) and; (b) 677 underground and 44 above-ground carpark spaces located at No. 9, First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, PRC. The Target Property is the retail component of a larger integrated development developed by Beijing Guohua Real Estate Co., Ltd. and known as "Huizhou Central Place" (惠州華貿中心), which also includes, among other things, three Grade-A office buildings, three residential buildings and a serviced apartment.

The Target Property is located at the CBD of Huizhou, one of the key cities in the Greater Bay Area in southern China. The Target Property is surrounded by major roads, the Huizhou People's Government complex and other public facilities and attractions, such as the Huizhou Convention & Exhibition Centre, the Huizhou Stadium, the Huizhou Museum and the Huizhou Science & Technology Museum. It is accessible by expressways and intercity railway to the rest of the Greater Bay Area. By 2020, Huicheng (the district in which the Target Property is located) will be integrated into the intercity network in the Greater Bay Area to cities including Guangzhou. The current tenants of the Target Property include, among others, international and local fashion retailers, jewellers, chain restaurants, personal care and cosmetic shops, a supermarket and a cinema.



Source: Market Consultant's Report

The table below sets out a summary of certain key information on the Target Property as at 31 July 2018, unless otherwise indicated:

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

Operating term of Project Company	Long term
Ownership certificates	Obtained on 29 August 2012
Gross floor area	144,925.1 sq.m.
Gross rentable area	105,464.0 sq.m.
Number of carpark spaces	677 underground and 44 above-ground carpark spaces
Number of Leases and Joint Operation Agreements	393
Average rent (RMB/sq.m./month) for the month of July 2018	RMB116.9 (based on gross rented area)
Percentage of gross rented area of top 10 Occupants	33.6%
Percentage of gross rental income from top 10 Occupants for the month of July 2018	12.7%
Occupancy rate	97.2%
Revenue for the six months ended 30 June 2018	RMB77.696 million, representing an annualised gross property yield of 9.4% based on Target Property Price
Net property income for the six months ended 30 June 2018	RMB62.085 million, representing an annualised net property yield of 7.5% based on Target Property Price
Appraised Value as at 30 June 2018	RMB2,029.0 million

FINANCING OF THE ACQUISITION

The purchase consideration for the Acquisition is equal to the Target Property Price (being RMB1,653,466,000), minus the amounts outstanding under the Existing ICBC Facility and Onshore Loan as at Completion, and subject to an adjustment to either: (a) add the amount of Adjusted NAV as at Completion (if it is a positive amount); or (b) subtract the absolute value of the amount of Adjusted NAV as at Completion (if it is a negative amount), in each case as set out in the Completion Statement.

Based on the Accountant's Reports and the assumptions applied to the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendices 2A, 2B and 3 to this Circular, respectively, and having regard to the proposed Reorganisation which shall be carried out prior to Completion, for illustrative purposes: (i) the outstanding amounts under the Existing ICBC Facility and Onshore Loan are RMB777.5 million as at 30 June 2018; (ii) the Adjusted NAV is approximately minus RMB65.3 million as at 30 June 2018; and (iii) based on (i) and (ii), the Illustrative Consideration is RMB810.7 million (equivalent to approximately HKD930.5 million).

The Manager intends to finance the Consideration as follows:

(i) As to the HKD126.3 million cash payment (being the HKD equivalent of RMB110 million based on the Agreed Exchange Rate), by drawing down from the New Facility;

(ii) As to the remaining balance, by the issuance of Consideration Units at the Issue Price.

The Issue Price of HKD3.372 is equal to the average closing price of a Unit as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and excluding 12 September 2018.

If the number of Consideration Units to be issued under the Share Purchase Deed exceeds the Authorised Issue, the excess consideration which would have been settled in the form of Consideration Units shall instead be settled in the form of cash payable in HKD using internal resources.

EXISTING ICBC FACILITY

Pursuant to a facility agreement dated 11 September 2012, which was entered into between the Project Company as borrower and ICBC Huizhou Branch as lender, and a commitment letter from the Project Company to ICBC Huizhou Branch dated 1 September 2012, ICBC Huizhou Branch agreed to provide the Project Company a loan facility of 15 years maturing in 2027 and bearing interest at the PBOC base lending rate times 105%, and the Project Company guaranteed to pay an annual arrangement fee to ICBC Huizhou Branch of 5% of the PBOC base lending rate times the year-end loan balance in the previous calendar year.

Subsequently the Project Company as borrower and ICBC Huizhou Branch as lender entered into a supplementary facility agreement dated 29 December 2015, and a commitment letter dated 18 December 2015 was issued by the Project Company to ICBC Huizhou Branch. Pursuant to the aforementioned, the interest of the ICBC facility was revised to the PBOC base lending rate and the Project Company guaranteed to pay ICBC Huizhou Branch an additional annual arrangement fee of 5% of the PBOC base lending rate times the year-end loan balance in the previous calendar year.

As at the Latest Practicable Date, the amount outstanding under the Existing ICBC Facility was approximately RMB450 million.

ONSHORE LOAN TRANSACTIONS

As part of the Reorganisation, the Seller Lender and PRC Intermediary Company 2 will enter into a loan agreement pursuant to which the Seller Lender as lender agrees to extend to PRC Intermediary Company 2 as borrower a RMB315.0 million Onshore Loan.

The Onshore Loan will mature in three years but may be further extended to the date falling four years from the Completion Date (or such other date agreed in writing between the parties thereto) where either PRC Intermediary Company 2 or the Seller Lender notifies the other party in writing no later than 30 business days prior to its expiry.

Subject to the Onshore Loan being drawn down on or before Completion, the Purchaser has agreed under the Share Purchase Deed to pay to the Seller at completion the Offshore Amount of approximately HKD361.6 million (being the HKD equivalent of the principal amount of the Onshore Loan based on the Agreed Exchange Rate), which shall be returned concurrently with repayment of the Onshore Loan. No interest is payable in respect of both the Onshore Loan and the Offshore Amount.

NEW FACILITY

The Manager has entered into a commitment letter with the Bank for the provision of the New Facility. The New Facility is denominated in HKD for an amount not less than HKD567.5 million. The New Facility will bear interest at a margin of 1.05% per annum over 3-month HKD HIBOR, and will mature and become repayable in 12 months from the date on which the New Facility is drawn down. The Trustee will provide an unconditional and irrevocable guarantee in favour of the Bank in respect of the New Facility.

The Manager intends to finance RMB110 million of the Consideration, the Offshore Amount and the Total Fees and Charges by drawing down on the New Facility.

EXPECTED GEARING RATIO

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 3 to this Circular, the pro forma adjusted ratio of debt to total assets of Spring REIT is anticipated to increase from 34.4% (as disclosed in its interim report for the six months ended 30 June 2018) to approximately 37.6% immediately following Completion, assuming: (i) completion of the Acquisition; (ii) HKD567.5 million (equivalent to approximately USD72.3 million) drawn down from the New Facility to finance RMB110 million of the Consideration, the Offshore Amount and the Total Fees and Charges; and (iii) the assumption of the Existing ICBC Facility and Onshore Loan by Spring REIT. Such ratio is below the 45% limit permitted under the REIT Code.

REASONS FOR AND BENEFITS OF THE ACQUISITION

1. Yield accretive acquisition

The Target Property Price represents an approximate 18.5% discount to the Appraised Value (being RMB2,029.0 million) as at 30 June 2018 and an annualised gross and net property yield of 9.4% and 7.5% based on the Target Property's revenue (being RMB77.696 million) and net property income (being RMB62.085 million) respectively for the six months ended 30 June 2018. The annualised net property yield of the Target Property based on the Target Property Price is higher than that of Spring REIT's existing portfolio.

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group, it is expected that, on a pro forma basis assuming the Target Property had been held and operated by Spring REIT for the six months ended 30 June 2018, the Acquisition would have been yield accretive and would have improved the earnings of Spring REIT and DPU to Unitholders. As shown in the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the six months ended 30 June 2018, the DPU of Spring REIT would have increased by 6.7% from 12.0 HK cents to 12.8 HK cents, whilst total distributable amount of Spring REIT would have increased 27.3% from USD20.1 million to USD25.6 million for the six months ended 30 June 2018. The acquisition of a yield accretive, quality income-producing property is in line with Spring REIT's investment strategy to invest in income-producing real estate and seek yield-accretive investment opportunities.

2. High quality asset

The Target Property is a high quality asset which has the following competitive strengths:

(i) A regional market leader in the high-end retail space

With a total gross floor area of 144,925.1 sq.m., the Target Property, "Huamao Place" is currently the second largest shopping mall in Huizhou in terms of area. The Target Property is a well-established local retail destination in Huizhou and a industry leader in introducing international apparel retailers, known for its handful of international high fashion brand names being exclusively its tenants in the city. Its leading apparel tenant portfolio alone distinguishes the Target Property from other mid-to-high end shopping malls in the city.

(ii) Prime location with strong catchment area

The Target Property is located in Jiangbei Huicheng district, the CBD of Huizhou and is well positioned to attract potential customer groups including white-collar workers in Jiangbei and users and visitors of the surrounding public facilities. It also caters for the retail needs of office workers and residents of Huizhou Central Place, a 13.5 hectare mixed-use site also comprising commercial and residential buildings, of which the Target Property is part. According to the Market Consultant's Report, accessibility to the Target Property will be further improved once the construction Huizhou Metro Line 1, serving the CBD of Huizhou, completes in 2025 as it is currently planned to do. Apart from accessibility within Huizhou, the entire Dongguan-Huizhou Intercity Railway line, which opened in December 2017, has reduced the travel time between the city centres of Huzhou and Dongguan to 1.5 hours. By 2020, Huicheng will be integrated into the intercity railway network in the Greater Bay Area extending the Target Property's catchment coverage beyond Huizhou to its neighbouring municipalities.

(iii) High occupancy rate and rental with healthy growth potential

The Target Property's occupancy rate has consistently achieved 92% or above every year since 2012. As at 31 July 2018, the Target Property enjoyed a high occupancy rate of 97.2%, exceeding Huizhou's average occupancy rate of 91.8% as at the end of June 2018. Based on the information contained in the Market Consultant's Report, the Target Property currently enjoys the highest rent in the city due to its leading position and reputation in Huizhou, and it is estimated to maintain an occupancy rate of approximately 96% to 97% from 2018 to 2020, driven by Huizhou's rapidly developing retail market.

3. Diversification and enlargement of Spring REIT's property portfolio

Spring REIT's Existing Properties comprise two office buildings in the CBD of Beijing (being the CCP Property) and 84 commercial properties in the United Kingdom which are currently operating as car servicing centres. The Acquisition, which will enlarge the valuation of Spring REIT's property portfolio by approximately 21%, will be Spring REIT's first investment in a retail property asset in the PRC and its first investment in the Greater Bay Area.

The Acquisition will diversify the locations and composition of Spring REIT's portfolio assets and reduce Spring REIT's exposure to concentration risk and other risks associated with its reliance on the income generated by the CCP Property or the performance of the Beijing office market.

4. Capture strong growth potential of the Greater Bay Area and Huizhou

According to the Market Consultant's Report, the Greater Bay Area holds substantial potential with forecasts suggesting the GDP of the region will triple by 2030. As of 2017, the nominal GDP of the Greater Bay Area has reached over RMB10 trillion, accounting for 12.4% of the PRC's total GDP, despite accounting for less than 5% of the country's population. From 2013 to 2017, nominal GDP growth in the Greater Bay Area exhibited compound annual growth rate of 8.7%, and achieved 11% year-on-year growth in 2017.

Huizhou has enjoyed steady economic growth over the past five years as well. Huizhou accounts for one-fifth of the entire Pearl River Delta by land area, but only 9% of which has been developed, indicating its potential to absorb economic and real estate expansion from other key cities in the Greater Bay Area as the transportation infrastructure of the Greater Bay Area rapidly improves.

According to the Market Consultant's Report, Huizhou's annual retail sales is expected to exceed RMB180 billion by 2020, with an expected annual growth rate of 11% between 2016 and 2020, while the annual foreign direct investment (actual utilized) growth rate would reach 3% between 2016 and 2020. This will bring about positive demographic and economic changes to Huizhou, attracting skilled and professional workers from other Greater Bay Area cities and creating additional demand for retail developments.

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

SUMMARY OF KEY RISK FACTORS

This section only provides some (but not all) of the risk factors in relation to the Acquisition. Unitholders should note that Spring REIT is also subject to risks relating to the political and economic conditions of the PRC, risks relating to the Target Property, general risks regarding investing in real estate as well as a variety of other commercial, market, financial, legal, regulatory and tax risks. Unitholders should read and consider carefully the risk factors as more fully described in Appendix 6 before deciding to vote on the Transaction Matters Requiring Approval.

1. The Target Property is located in Huizhou, Guangdong Province. The Manager does not have prior experience in owning, operating and managing shopping malls in Huizhou, Guangdong Province or at all.

2. A downturn in the business of retail Occupants of the Target Property could reduce its property value and operating income, thereby having a material adverse effect on Spring REIT's operating results, financial condition and future levels of distribution.

3. Spring REIT may be unable to renew Leases or Joint Operation Agreements, lease vacant space or re-lease space in the Target Property as these agreements expire.

4. The due diligence survey on the Target Property may not have identified all material defects, breaches of laws and regulations and other deficiencies.

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

6. The Seller may not hold sufficient assets after the Lock-up Period, which may affect the Purchaser's ability to bring claims against the Seller under the Share Purchase Deed.

7. The issue of the Consideration Units will dilute the ownership interests of the existing Unitholders and could adversely affect the market price of the Units.

8. Spring REIT may be adversely affected by the illiquidity of property investments.

9. The Project Company may face difficulties when it seeks to extend the term of land use rights upon expiry of the term of such land use rights.

10. The Target Property may be compulsorily acquired or expropriated by the PRC government.

11. Depreciation of the RMB could adversely affect the amount of distributions to Unitholders and gearing ratio of Spring REIT.

12. Increase in market interest rates may negatively affect Spring REIT's portfolio valuation, net asset value per unit and its ability to pay interest on its bank borrowings.

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

TABLE OF CONTENTS

CORPORATE INFORMATION

Spring REIT	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
Manager	Spring Asset Management Limited (in its capacity as manager of Spring REIT) Room 2801, 28/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
Directors of the Manager	*Non-executive Directors:* Mr. Toshihiro Toyoshima *(Chairman)* Mr. Hideya Ishino *Executive Directors:* Mr. Leung Kwok Hoe, Kevin Mr. Nobumasa Saeki *Independent Non-executive Directors:* Mr. Simon Murray Mr. Qiu Liping Mr. Lam Yiu Kin
Trustee	DB Trustees (Hong Kong) Limited (in its capacity as trustee of Spring REIT) 52/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Unit Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Legal Advisers to the Manager as to Hong Kong law	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Hong Kong

Legal Advisers to the Manager as to PRC law	Zhong Lun Law Firm 28, 31, 33, 36 and 37/F, SK Tower 6A Jianguomenwai Avenue Beijing 100022 People's Republic of China
Legal Advisers to the Trustee as to Hong Kong law	Mayer Brown 16th – 19th Floors, Prince's Building 10 Chater Road Central Hong Kong
Reporting Accountants	PricewaterhouseCoopers 22nd Floor, Prince's Building 10 Chater Road Central Hong Kong
Financial Advisers to the Manager	DBS Asia Capital Limited 73rd Floor, The Center 99 Queen's Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee of the Manager, the Independent Unitholders and the Trustee	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Hong Kong
Independent Property Valuer	Knight Frank Petty Limited 4th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Market Consultant	Cushman & Wakefield 16/F, 1063 King's Road Quarry Bay Hong Kong
Building Consultant	Knight Frank Petty Limited 4th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong

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

"Accountant's Reports"	the reports dated 26 September 2018 from the Reporting Accountants regarding the Target Company and the Project Company, the text of which is set out in Appendix 2A and Appendix 2B headed "Accountant's Report of the Target Company" and "Accountant's Report of the Project Company" respectively in this Circular
"Acquisition"	the proposed acquisition by the Purchaser from the Seller of the Target Company Shares pursuant to the Share Purchase Deed
"Acquisition Fee"	the acquisition fee that the Manager is entitled to, as more particularly described in section 2.7.2 headed "Acquisition Fee" in this Circular
"Adjusted NAV"	has the same meaning ascribed to it in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular
"AEI"	has the same meaning ascribed to it in section 5.6.1 headed "Property Management Agreement" in this Circular
"Agreed Exchange Rate"	HKD1.00 to RMB0.87124, being the RMB/HKD central parity rate as announced by the China Foreign Exchange Trade System, as authorised by the People's Bank of China, on 10 September 2018
"Annual Caps"	has the same meaning ascribed to it in section 8.2.4 headed "Annual Caps" in this Circular
"Appraised Value"	the value of the Target Property as at 30 June 2018 as appraised by the Independent Property Valuer, being RMB2,029.0 million
"associated company(ies)"	has the meaning ascribed to this term in the REIT Code

"Authorised Issue"	279,173,957 Units, being 22.0% of the number of Units outstanding as at the Latest Practicable Date and 22.2% of the number of Units outstanding as at 31 December 2017
"Bank"	DBS Bank Ltd., Hong Kong Branch
"Beijing CCP Carpark Master Lease"	the master lease dated 31 December 2017 entered into between Beijing Hua-re Real Estate Consultancy Co. Ltd. (as agent of RCA01) as lessor and the Beijing CCP Carpark Master Lessee as lessee in respect of the underground carparks of the CCP Property
"Beijing CCP Carpark Master Lessee"	Beijing CCP & Savills Property Services Management Co., Ltd., First Branch (北京華貿第一太平物業管理有限公司第一分公司), being a branch company of Beijing CCP & Savills Property Services Management Co., Ltd. (北京華貿第一太平物業管理有限公司) and a member of the Guohua Connected Persons Group
"Board"	the board of Directors
"Building Consultant"	Knight Frank Petty Limited
"Building Management Agreement"	the building management agreement to be entered into between the Project Company and the Building Manager at Completion, as more particularly described in section 5.6.2 headed "Building Management Agreement" in this Circular
"Building Manager"	Huizhou Huamao Property Management Co., Ltd.* (惠州市華貿物業管理有限公司), being a member of the Guohua Connected Persons Group
"Business Day"	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no.8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong
"CBD"	central business district

"CCP Property"	the real estate property located at No. 79 and No. 81, Jianguo Road, Chaoyang District, Beijing, PRC and which comprises all of the office floors of Office Tower 1, China Central Place, Beijing, PRC (including Levels 4 to 28, and the equipment and emergency shelter floor on Level 16, which contains no lettable space) and Office Tower 2, China Central Place, Beijing, PRC (including Levels 4 to 32, and the equipment and emergency shelter floor on Level 20, which contains no lettable space) and a total of approximately 600 carpark spaces located in the underground levels of the two office buildings, which is wholly-owned by Spring REIT
"China Indirect Transfer Rules"	the tax notices issued by the PRC State Administration of Taxation in respect of offshore indirect transfers of property of an "establishment or place" situated in the PRC, real estate situated in the PRC, equity interests in PRC resident enterprises and any other property directly held by a non-resident enterprise and whose transfer results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the *Enterprise Income Tax Law of the PRC*, including without limitation, the notice titled "State Administration of Taxation's Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (State Administration of Taxation Bulletin 2015 No. 7 (國家稅務總局公告2015年第7號))", as may be amended or supplemented from time to time and including any similar or replacement law and including any applicable laws in the PRC
"China Indirect Transfer Taxes"	has the same meaning ascribed to it in section 2.4.3 headed "Tax Holdback Amount" in this Circular
"Completion"	completion of the Acquisition pursuant to the Share Purchase Deed
"Completion Accounts"	the audited consolidated financial statements of the Target Group as at Completion

"Completion Date"	the date on which Completion takes place, as more particularly described in section 2.4.5 headed "Completion" in this Circular
"Completion Statement"	the completion statement to be prepared after Completion in accordance with the Share Purchase Deed and based on the Completion Accounts
"Conditions"	the conditions precedent to Completion, as more particularly described in section 2.4.4 headed "Conditions Precedent" in this Circular
"Connected BM Transactions"	has the same meaning ascribed to it in section 8.2.3 headed "Building management arrangements" in this Circular
"Connected Leasing Transactions"	has the same meaning ascribed to it in section 8.2.1 headed "Leasing transactions" in this Circular
"connected person(s)"	has the meaning ascribed to this term in the REIT Code
"Connected PM Transactions"	has the same meaning ascribed to it in section 8.2.2 headed "Property management arrangements" in this Circular
"Consideration"	has the same meaning ascribed to it in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular
"Consideration Units"	the new Units proposed to be issued by Spring REIT to the Seller pursuant to the Share Purchase Deed
"Deposited Property"	all the assets of Spring REIT, including the Existing Properties currently held in Spring REIT's portfolio and, from and after Completion, the Target Property
"Directors"	the directors of the Manager
"Distribution Deed"	the deed to be entered into between the Seller, the Manager and the Trustee at Completion pursuant to which the Seller will forego part of its distribution in respect of the Relevant Consideration Units, as more particularly described in section 6 headed "Distribution after Completion" in this Circular

"DPU"	distribution per Unit
"EGM"	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
"EGM Notice"	the notice included in this Circular in respect of the EGM to consider and, if thought fit, approve the Transaction Matters Requiring Approval
"EGM Record Date"	24 October 2018, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined
"EGM Resolutions"	the Ordinary Resolutions to be passed at the EGM, as set out in the EGM Notice and explained in this Circular
"Enlarged Group"	collectively, Spring REIT and the Target Group
"Existing ICBC Facility"	the loan granted to the Project Company pursuant to a facility agreement dated 11 September 2012, two commitment letters dated 1 September 2012 and 18 December 2015 and a supplementary facility agreement dated 29 December 2015 between the Project Company (as borrower) and ICBC Huizhou Branch (as lender) with an outstanding amount of RMB450 million as at the Latest Practicable Date
"Existing Properties"	the properties currently held by Spring REIT, being: (i) the CCP Property; and (ii) 84 commercial properties in the United Kingdom
"Existing Property Mortgage"	the mortgage over the Target Property created by the Project Company in favour of ICBC Huizhou Branch, to secure the Existing ICBC Facility
"Foregone Distribution"	has the same meaning ascribed to it in section 6 headed "Distribution after Completion" in this Circular
"GBP"	British Pound Sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland

"General Mandate"	the authority conferred upon the Manager under paragraph 12.2 of the REIT Code and Clause 7.1.6(ii) of the Trust Deed pursuant to which Units may be issued in any financial year otherwise than on a pro rata basis to all existing Unitholders, without the approval of the Unitholders, if the total number of new Units issued (after making certain adjustments) does not increase the number of Units that were outstanding at the end of the previous financial year by more than 20% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC)
"Group"	Spring REIT and the companies or entities directly or indirectly held or controlled by Spring REIT, and "**Group Company**" means any one of them
"Guohua CCTs"	has the same meaning ascribed to it in section 8.1 headed "Guohua CCTs" in this Circular
"Guohua CCTs Waiver"	has the same meaning ascribed to it in section 8.2 headed "Guohua CCTs Waiver" in this Circular
"Guohua CCTs Waiver Period"	has the same meaning ascribed to it in section 8.3.2 headed "Duration and extensions or modifications" in this Circular
"Guohua Connected Persons Group"	any person who, after Completion, would be connected to the Seller as described in paragraphs 8.1(e), (f) or (g) of the REIT Code. Such persons include: (i) any director, senior executive or officer of the Seller; (ii) any associate (as defined in the REIT Code) of the Seller or of any director, senior executive or officer of the Seller; and (iii) any controlling entity, holding company, subsidiary or associated company of the Seller
"HIBOR"	the rate of interest offered on Hong Kong dollars loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year
"HK Intermediary Company"	a company to be incorporated under the laws of Hong Kong which will, upon completion of the Reorganisation, be wholly-owned by the Target Company and wholly-own the PRC Intermediary Company 1

"HK$, HKD or Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Holdback Consideration Units"	collectively, the Initial Holdback Consideration Units and the Uplift Holdback Consideration Units
"Holdback Custodian"	the custodian under the Holdback Custodian Agreement as agreed by the Purchaser and the Seller in writing
"Holdback Custodian Agreement"	an agreement in respect of, among others, the Holdback Consideration Units, which the Purchaser and the Seller should use all reasonable endeavours to agree on an agreed form and enter into with the Holdback Custodian on or before Completion
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huamao Place Guohua Lease"	the Lease to be entered into between Spring REIT (as lessor) and the Huamao Place Guohua Lessee (as lessee) at Completion which, from the date of Completion as a result of the issuance of Consideration Units to the Seller, will become a connected party transaction of Spring REIT
"Huamao Place Guohua Lessee"	the Property Manager, being the lessee under the Huamao Place Guohua Lease
"Huamao Property"	Huamao Property Holdings Ltd., which owns 9.8% of the shares in the Manager and 87.0% of the shares in the Seller
"ICBC Huizhou Branch"	Industrial and Commercial Bank of China Limited, Huizhou Fuli International Centre Branch
"Illustrative Consideration"	has the same meaning ascribed to it in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular
"Illustrative Consideration Units"	has the same meaning ascribed to it in section 2.1 headed "Overview" in this Circular

"Independent Board Committee"	the independent committee established by the Board of the Manager to advise the Independent Unitholders on the Onshore Loan Transactions, the Guohua CCTs Waiver and the Annual Caps, comprising Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin, being all of the independent non-executive Directors of the Manager
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Onshore Loan Transactions, the Guohua CCTs Waiver and the Annual Caps
"Independent Property Valuer"	Knight Frank Petty Limited, the current principal valuer of Spring REIT
"Independent Property Valuer's Property Valuation Report"	the valuation report dated 19 September 2018 issued by the Independent Property Valuer in respect of the Target Property, the text of which is set out in Appendix 4 headed "Independent Property Valuer's Property Valuation Report" in this Circular
"independent third party(ies)"	party(ies) which are not connected persons of Spring REIT
"Independent Unitholders"	Unitholders other than those who have a material interest in the relevant resolutions, within the meaning of paragraph 8.11 of the REIT Code, and who are entitled to vote at the EGM
"INED(s)"	independent non-executive Director(s)
"Initial Consideration"	has the same meaning ascribed to it in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular
"Initial Holdback Consideration Units"	has the same meaning ascribed to it in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular
"Issue Price"	HKD3.372

"Joint Operation Agreements"	the joint operation agreements (聯營合同) entered into between the Project Company and the Operators for certain premises within the Target Property
"Latest Practicable Date"	19 September 2018, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular
"Leases"	the leases entered into between the Project Company and the lessees of the Target Property
"Lessees"	the lessees under the Leases
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Lock-up Period"	has the same meaning ascribed to it in section 4.1 headed "Consideration Units" in this Circular
"Long Stop Date"	31 March 2019, or such later date as agreed by the Purchaser and the Seller in writing
"Manager"	Spring Asset Management Limited (in its capacity as the manager of Spring REIT), a company incorporated under the laws of Hong Kong
"Manager Group"	collectively, the Manager and its holding company, Mercuria Investment Co., Limited
"Market Consultant"	Cushman & Wakefield
"Market Consultant's Report"	the letter dated 19 September 2018 from the Market Consultant, the text of which is set out in Appendix 5 headed "Market Consultant's Report" in this Circular
"NAV"	net asset value
"Net Initial Consideration"	has the same meaning ascribed to it in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular
"New Facility"	has the same meaning ascribed to it in section 2.8.4 headed "New Facility" in this Circular

"Occupants"	collectively, the Lessees and the Operators
"Offshore Amount"	has the same meaning ascribed to it in section 2.8.3 headed "Onshore Loan Transactions" in this Circular
"Onshore ETA"	has the same meaning ascribed to it in section 2.4.4 headed "Conditions Precedent" in this Circular
"Onshore ETA Date"	has the same meaning ascribed to it in section 2.4.4 headed "Conditions Precedent" in this Circular
"Onshore Loan"	has the same meaning ascribed to it in section 2.8.3 headed "Onshore Loan Transactions" in this Circular
"Onshore Loan Agreement"	has the same meaning ascribed to it in section 2.8.3 headed "Onshore Loan Transactions" in this Circular
"Onshore Loan Transactions"	the entering into of the Onshore Loan (which will be assumed by Spring REIT at Completion) and payment of the Offshore Amount thereunder
"Operators"	has the same meaning ascribed to it in section 5.4.2 headed "Joint Operation Agreements" in this Circular
"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 the Units in issue
"Other Acquisition Fees and Expenses"	has the same meaning ascribed to it in section 2.7.3 headed "Other Acquisition Fees and Expenses" in this Circular
"PBOC"	the People's Bank of China
"PRC"	The People's Republic of China but excluding, for the purposes of this Circular, Hong Kong, Taiwan and the Macau Special Administrative Region
"PRC Intermediary Companies"	collectively, PRC Intermediary Company 1 and PRC Intermediary Company 2

"PRC Intermediary Company 1"	a company to be incorporated under the laws of the PRC which will, upon completion of the Reorganisation, be wholly-owned by the HK Intermediary Company and wholly-own PRC Intermediary Company 2
"PRC Intermediary Company 2"	a company to be incorporated under the laws of the PRC which will, upon completion of the Reorganisation, be wholly-owned by PRC Intermediary Company 1 and wholly-own the Project Company
"Pro Forma Completion Statement"	the pro forma completion statement of the Target Group to be prepared no later than seven business days prior to the Completion Date in accordance with the Share Purchase Deed and based on the pro forma consolidated financial statement of the Traget Group
"Project Company"	Huizhou Runxin Shopping Mall Development Co., Ltd.* (惠州市潤鑫商城發展有限公司), a company incorporated in PRC and the registered legal owner of the Target Property
"Property Management Agreement"	the property management agreement to be entered into between the Project Company and the Property Manager at Completion, as more particularly described in section 5.6.1 headed "Property Management Agreement" in this Circular
"Property Manager"	Huizhou Huamao Operations Management Co., Ltd.* (惠州華貿商業管理有限公司), being a member of the Guohua Connected Persons Group
"Public Unitholders"	Unitholders other than: (i) significant holders of Spring REIT, which would, upon issuance of the Consideration Units, include the Seller; (ii) the Manager Group; and (iii) the Directors
"Purchaser"	RHZ01 Limited, an exempted company incorporated in the Cayman Islands and a SPV of Spring REIT, that will, upon Completion, directly hold the Target Company Shares
"REIT"	Real Estate Investment Trust
"REIT Code"	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being

"Relevant Consideration Units"	has the same meaning ascribed to it in section 6 headed "Distribution after Completion" in this Circular
"Relevant Percentage"	has the same meaning ascribed to it in section 6 headed "Distribution after Completion" in this Circular
"Reorganisation"	has the same meaning ascribed to it in section 2.2 headed "Holding structure of the Target Property before Completion" in this Circular
"Reporting Accountants"	PricewaterhouseCoopers
"RMB"	Renminbi, the official currency of the PRC
"Seller"	Huamao Focus Limited, a company incorporated in the Cayman Islands
"Seller Lender"	Huizhou Huamao Xingye Real Estate Development Co., Ltd.* (惠州市華貿興業房地產開發有限公司), a company incorporated in the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Purchase Deed"	the deed for the sale and purchase of all the issued shares in the capital of the Target Company dated 19 September 2018 entered into between the Purchaser, the Seller and the Trustee
"significant holder"	has the meaning ascribed to this term in the REIT Code
"SPD Resolution"	has the meaning ascribed to it in section 10.2 headed "Independent Financial Adviser" in this Circular
"Spring REIT"	Spring Real Estate Investment Trust (春泉產業信託), a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
"SPV(s)"	special purpose vehicle(s)
"sq.m."	square metre

"Target Company"	Blue Chrysalis Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands which will, upon completion of the Reorganisation, wholly-own the HK Intermediary Company and be the indirect owner of the Project Company
"Target Company Shares"	all of the issued shares of the Target Company, to which the entire amount of share capital of the Target Company is attributable
"Target Group"	collectively: (1) the Target Company; (2) the HK Intermediary Company; (3) the PRC Intermediary Companies; and (4) the Project Company, and "**Target Group Company**" means any one of them
"Target Property"	the property known as Huamao Place (華貿天地) located at No 9, First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, PRC
"Target Property Price"	RMB1,653,466,000, which represents the asset value of the Target Property agreed by the Seller and the Purchaser
"Tax Holdback Amount"	RMB95,827,000
"Total Fees and Charges"	the estimated total fees and charges payable by Spring REIT in relation to the Acquisition as more particularly described in section 2.7 headed "Fees and Charges" in this Circular
"Transaction Documents"	collectively: (1) the Share Purchase Deed (details of which are set out in section 2.4 headed "Share Purchase Deed" in this Circular); and (2) all other agreements that are to be executed or issued pursuant to the Share Purchase Deed
"Transaction Matters Requiring Approval"	the matters which require the approval of the Unitholders at the EGM being: (i) the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions); and (ii) the Guohua CCTs Waiver and the Annual Caps

"True-up Holdback Amount"	has the same meaning ascribed to it in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular
"True-up Payment"	has the same meaning ascribed to it in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular
"Trust Deed"	the deed of trust constituting Spring REIT dated 14 November 2013 and entered into between the Trustee and the Manager, as the same may be amended and supplemented from time to time by any supplemental deed
"Trustee"	DB Trustees (Hong Kong) Limited, in its capacity as trustee of Spring REIT
"Trustee's Additional Fee"	has the same meaning ascribed to it in section 2.7.4 headed "Trustee's Additional Fee" in this Circular
"Unit"	one undivided unit in Spring REIT
"Unit Registrar"	Computershare Hong Kong Investor Services Limited, in its capacity as the Hong Kong unit registrar of Spring REIT
"United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"Unitholder(s)"	any person registered as holding a Unit on the register of Unitholders of Spring REIT
"Uplift Holdback Consideration Units"	has the same meaning ascribed to it in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular
"US$, USD or US dollars"	United States dollars, the lawful currency of the United States of America
"W&I Insurance"	has the same meaning ascribed to it in section 2.4.7 headed "Warranties, Indemnities and W&I Insurance" in this Circular

"W&I Insurers"	has the same meaning ascribed to it in section 2.4.7 headed "Warranties, Indemnities and W&I Insurance" in this Circular
"%"	per cent 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 to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

For the purpose of this Circular, unless otherwise indicated: (i) conversion of RMB into HKD is calculated at the approximate exchange rate of RMB1.00 to HKD1.1442 as at the Latest Practicable Date; and (ii) conversion of RMB into USD is calculated at the approximate exchange rate of RMB1.00 to USD0.1458 as at the Latest Practicable Date. The exchange rates are for illustrative purposes only and do not constitute representation that any amounts have been, could have been, or may be exchanged at the rates or any other rate at all.

* *For identification purpose only*

Event	Date & Time
Latest date and time for lodging transfers of Units to participate and vote in the EGM	23 October 2018 at 4:30 pm
Book closure period (both days inclusive) to determine the eligibility of Unitholders to participate and vote in the EGM	24 October 2018 to 29 October 2018
Latest date and time for lodging proxy forms for the EGM	27 October 2018 at 4:30 pm
EGM Record Date	24 October 2018
Date and time of the EGM	29 October 2018 at 4:30 pm
Completion of the Acquisition (if the approval sought at the EGM for the Acquisition and the transactions contemplated under the Share Purchase Deed is obtained)	The 10th business day after the satisfaction (or, where permitted, waiver) of all the Conditions (which in turn shall be satisfied or waived before the Long Stop Date), or such other date as may be agreed in writing between the Purchaser and the Seller

Further announcement(s) will be made by the Manager in relation to those events which are scheduled to take place after the EGM, including the poll results of the EGM and Completion of the Acquisition, as and when appropriate in accordance with applicable regulatory requirements.

Completion of the Acquisition is subject to and conditional upon satisfaction of the Conditions (as set out in section 2.4.4 of the Letter to the Unitholders headed "Conditions Precedent" in this Circular), which includes Unitholders' approval being obtained for the Acquisition, and accordingly, may or may not complete. Unitholders, as well as any prospective investors of Spring REIT, are advised to exercise caution when dealing in the Units.

SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

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

(Stock code: 01426)

Managed by

Spring Asset Management Limited

Directors of the Manager:

Non-executive Directors:
Mr. Toshihiro Toyoshima *(Chairman)*
Mr. Hideya Ishino

Executive Directors:
Mr. Leung Kwok Hoe, Kevin
Mr. Nobumasa Saeki

Independent Non-executive Directors:
Mr. Simon Murray
Mr. Qiu Liping
Mr. Lam Yiu Kin

Registered Office of the Manager:

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

26 September 2018

To: Unitholders of Spring REIT

Dear Sir/Madam,

(1) MAJOR ACQUISITION RELATING TO THE PURCHASE OF A COMMERCIAL PROPERTY IN HUIZHOU, PRC AND ISSUANCE OF CONSIDERATION UNITS (2) CONTINUING CONNECTED PARTY TRANSACTIONS AND (3) EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

1. INTRODUCTION

The purposes of this Circular are: (1) to provide you with further information in respect of, among other things, the Transaction Matters Requiring Approval; (2) to set out the recommendations of the Independent Board Committee regarding the Onshore Loan Transactions and the Ordinary Resolution to approve the Guohua CCTs Waiver and the Annual Caps; (3) to set out the recommendation of the Independent Financial Adviser regarding the Onshore Loan Transactions and the Ordinary Resolution to approve the Guohua CCTs Waiver and the Annual Caps; and (4) to serve notice of the EGM at which ordinary resolutions seeking Unitholders' approval for Transaction Matters Requiring Approval shall be proposed.

2. THE ACQUISITION

2.1 Overview

On 19 September 2018, the Purchaser, the Seller and the Trustee entered into the Share Purchase Deed, pursuant to which the Purchaser agreed to purchase, and the Seller agreed to sell, the Target Company Shares, representing the entire equity interest in the Target Company. The Target Company will (after the Reorganisation) indirectly hold the entire equity interest in the Project Company, which in turn is the registered legal owner of the land use rights and current ownership rights underlying the Target Property. Upon Completion, Spring REIT will (through its acquisition of the Target Group) hold the Target Property, being a shopping mall known as "Huamao Place" (華貿天地) located in Huizhou, Guangdong Province, PRC.

The Target Property comprises: (a) the entire seven-storey shopping mall (including two basement floors) known as "Huamao Place" (華貿天地); and (b) 677 underground and 44 above-ground carpark spaces located at No. 9, First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, PRC. The Target Property is the retail component of a larger integrated development developed by Beijing Guohua Real Estate Co., Ltd. and known as "Huizhou Central Place" (惠州華貿中心), which also includes, among other things, three Grade-A office buildings, three residential buildings and a serviced apartment. Beijing Guohua Real Estate Co., Ltd. is the original developer of China Central Place and the owner of Office Tower 3 of China Central Place in Beijing, PRC (Spring REIT currently owns Office Tower 1 and Office Tower 2 of China Central Place).

The Target Property Price of RMB1,653,466,000, being the asset value of the Target Property agreed by the parties, has been arrived at on a willing buyer/seller and arm's length transaction basis after taking into account the quality and historic performance of the Target Property. The Target Property Price represents an approximate 18.5% discount to the Appraised Value (being RMB2,029.0 million) as at 30 June 2018 and an annualised gross and net property yield of 9.4% and 7.5% based on the Target Property's revenue (being RMB77.696 million) and net property income (being RMB62.085 million) respectively for the six months ended 30 June 2018.

The purchase consideration for the Acquisition shall be equal to the Target Property Price minus the amounts outstanding under the Existing ICBC Facility and Onshore Loan as at Completion, and subject to an adjustment to either: (a) add the amount of Adjusted NAV as at Completion (if it is a positive amount); or (b) subtract the absolute value of the amount of Adjusted NAV as at Completion (if it is a negative amount), in each case as set out in the Completion Statement.

The Purchaser shall settle the Consideration in the following manner: (a) approximately HKD126.3 million, being the HKD equivalent of RMB110 million based on the Agreed Exchange Rate, shall be paid in cash; and (b) the balance shall be settled by procuring Spring REIT to issue Consideration Units at the Issue Price, provided the total number of Consideration Units does not exceed the Authorised Issue. The Issue Price of HKD3.372 is equal to the average closing price of a Unit as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and excluding 12 September 2018. Where the total number of Consideration Units to be issued under the Share Purchase Deed would exceed the Authorised Issue, the excess Consideration which would have been settled in the form of Consideration Units shall instead be settled in the form of cash payable in HKD.

For illustrative purposes, based on the Illustrative Consideration (being RMB810.7 million), Issue Price and Agreed Exchange Rate, and taking into account that RMB110 million of the Consideration will be settled in cash, the number of Consideration Units to be issued shall be 238,499,191 (the "**Illustrative Consideration Units**"). The Illustrative Consideration Units represent approximately: (a) 18.8% of the total number of Units as at the Latest Practicable Date; and (b) 15.8% of the total number of Units as at the Latest Practicable Date as enlarged by the issuance of the Illustrative Consideration Units.

The receipt of Consideration in the form of Consideration Units shall result in the Seller becoming a significant holder and connected person of Spring REIT from the date of Completion under paragraph 8.1(d) of the REIT Code. Huamao Property, which owns 87.0% of the shares in the Seller, will also become a connected person from the date of Completion. Furthermore, the Seller Lender, Property Manager (which is also the Huamao Place Guohua Lessee) and Building Manager, each being a subsidiary of Huamao Property and an associated company of the Seller, as well as the Beijing CCP Carpark Master Lessee, being a branch company of an associate of a director of Huamao Property, will also become connected persons of Spring REIT from the date of Completion. Each of the Seller Lender, Property Manager (which is also the Huamao Place Guohua Lessee), Building Manager and Beijing CCP Carpark Master Lessee is a member of the Guohua Connected Persons Group.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries (including with the Trustee): (i) Deutsche Bank AG, as the holding company of the Trustee, is a connected person of Spring REIT pursuant to paragraph 8.1(g) of the REIT Code; (ii) Deutsche Bank AG is, through intermediary companies, one of the ultimate beneficial owners of the Seller with less than 20% attributable interest in the Seller, and it does not control or own the Seller such as to render the Seller an associated company of the Trustee or a connected person under paragraph 8.1 of the REIT Code; and (iii) save as aforesaid, the Seller and its ultimate beneficial owners are, as at the Latest Practicable Date, not connected persons of Spring REIT and are independent third parties. Accordingly, the Acquisition does not constitute a connected party transaction of Spring REIT under the REIT Code.

As: (1) the net profit (after deducting all charges except taxation and excluding extraordinary items) attributable to the Project Company (inclusive of results of a subsidiary disposed of during the year) represents approximately 58.5% of the profit before taxation and transactions with the Unitholders; and (2) the HKD equivalent of the Target Property Price (being HKD1,897.8 million) represents approximately 45.9% of the total market capitalisation of Spring REIT (based on the average closing price of the Units on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of the Share Purchase Deed), the Acquisition constitutes a major transaction of Spring REIT and therefore requires approval by the Unitholders of Spring REIT in accordance with the REIT Code and the Trust Deed.

As the Seller and Seller Lender will become connected persons of Spring REIT from the date of Completion, the Onshore Loan Transactions shall, from the date of Completion, constitute connected party transactions under paragraph 8.5 of the REIT Code. Although the total value of the Onshore Loan Transactions will be less than 5% of the latest audited net asset value of Spring REIT (as disclosed in its latest published audited accounts and as adjusted for the Acquisition after Completion) and accordingly will not require Unitholders' approval, the Manager, taking the view that the Onshore Loan Transactions and the Acquisition are linked to each other and part and parcel of a significant proposal, will voluntarily seek Unitholders' approval of the Onshore Loan Transactions under the same Ordinary Resolution to approve the Acquisition and the transactions under the Share Purchase Deed.

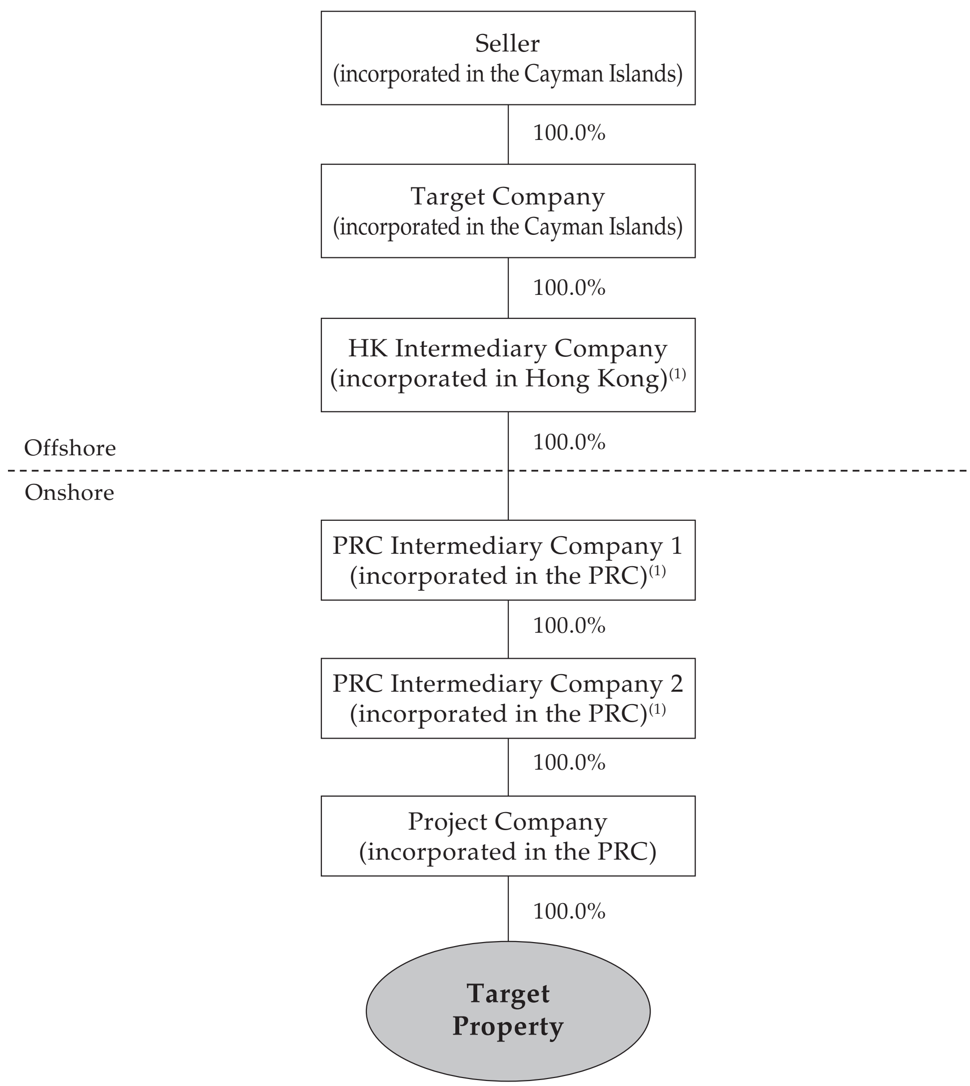
On Completion, the Project Company shall enter into: (a) the Property Management Agreement with the Property Manager; (b) the Building Management Agreement with the Building Manager (which also includes a term to master-lease the Target Property's carpark spaces to the Building Manager); and (c) the Huamao Place Guohua Lease with the Huamao Place Guohua Lessee. As the counterparties to these agreements will, for the reasons mentioned above, become connected persons of Spring REIT from the date of Completion, the transactions thereunder shall from the date of Completion constitute continuing connected party transactions under paragraph 8.5 of the REIT Code. The Manager has applied to the SFC for the Guohua CCTs Waiver, being a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the continuing connected party transactions with the Guohua Connected Persons Group. Subject to the approval of the SFC, the Guohua CCTs Waiver will be granted upon Completion provided Unitholders' approval for the Guohua CCTs Waiver and the Annual Caps is obtained at the EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Seller, the Property Manager (which is also the Huamao Place Guohua Lessee), the Building Manager, the Beijing CCP Carpark Master Lessee and the Seller Lender: (i) do not hold any Units; and (ii) are not connected persons of Spring REIT and are independent third parties.

2.2 Holding structure of the Target Property before Completion

Prior to Completion and as a condition precedent under the Share Purchase Deed, the Seller will complete the restructuring of the Project Company's holding structure, so that the Target Company indirectly holds (through the chain of the HK Intermediary Company and the PRC Intermediary Companies) 100% of the legal and beneficial interest in the Project Company and the Target Property (the "**Reorganisation**"). The Project Company is the registered legal owner of the land use rights and building ownership rights underlying the Target Property.

The expected holding structure of the Target Property after the Reorganisation but immediately before Completion is as follows:



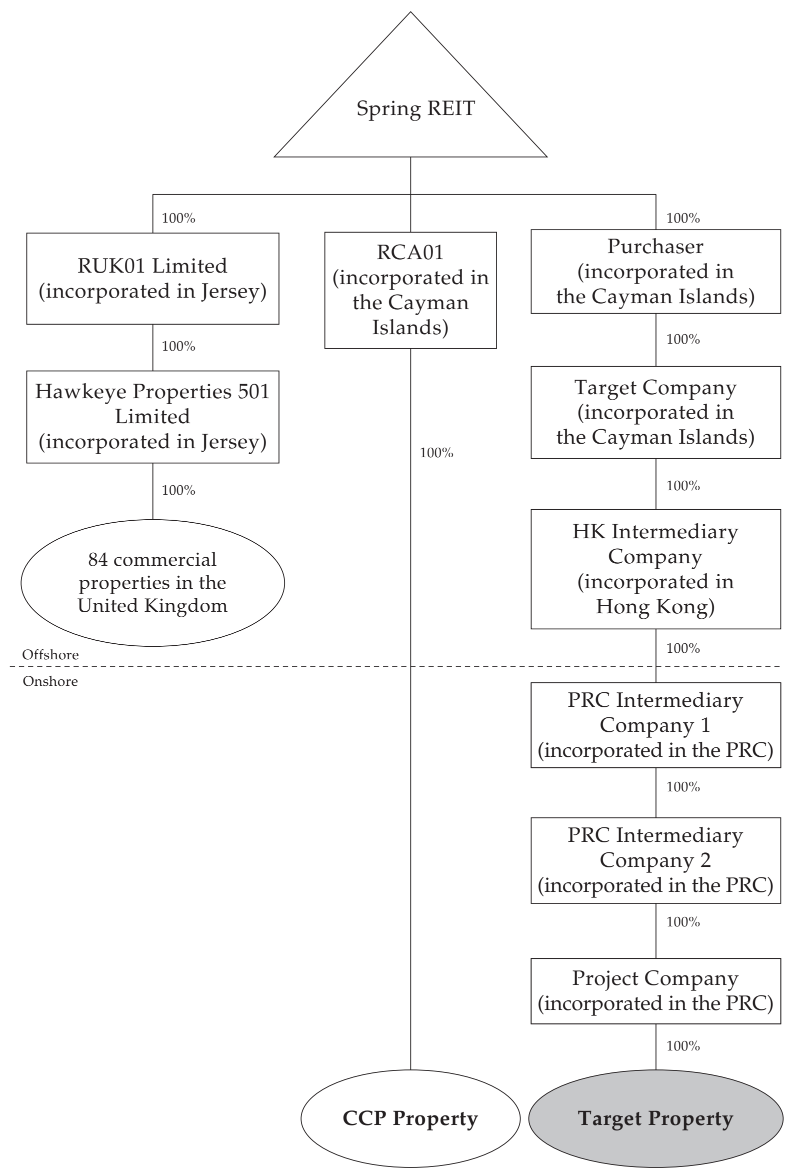
Note:

(1) The HK Intermediary Company and the PRC Intermediary Companies will be incorporated in their respective jurisdictions of incorporation pursuant to the Reorganisation.

To the best of the knowledge, information and belief of the Manager as at the Latest Practicable Date: (1) the Seller is an exempted limited liability company registered under the laws of the Cayman Islands and its principal business activity is investment holding; and (2) the Target Company, HK Intermediary Company, PRC Intermediary Companies and Project Company will, after the Reorganisation and immediately prior to Completion: (i) have the principal business activity of investment holding in the Target Property; (ii) not hold any other investment properties other than the Target Property or operate any other businesses; and (iii) not have any employees. The Target Company, the HK Intermediary Company and the PRC intermediary Companies will, after the Reorganisation and immediately prior to Completion, be investment holding companies with no operations.

2.3 Expected holding structure of the Target Property after Completion

The expected holding structure of the Target Property immediately after Completion is as follows:



2.4 Share Purchase Deed

2.4.1 General

On 19 September 2018, the Purchaser, the Seller and the Trustee entered into the Share Purchase Deed, pursuant to which the Purchaser agreed to purchase, and the Seller agreed to sell, the Target Company Shares, representing the entire equity interest in the Target Company.

2.4.2 Consideration and payment terms for the Acquisition

The purchase consideration for the Acquisition shall be equal to the Target Property Price (being RMB1,653,466,000), minus the amounts outstanding under the Existing ICBC Facility and Onshore Loan as at Completion, and subject to an adjustment to either: (a) add the amount of Adjusted NAV as at Completion (if it is a positive amount); or (b) subtract the absolute value of the amount of Adjusted NAV as at Completion (if it is a negative amount), in each case as set out in the Completion Statement (the "**Consideration**").

The "**Adjusted NAV**" shall be equal to: (i) all assets of the Target Group (other than the Target Property); minus (ii) all liabilities of the Target Group (other than deferred tax liabilities and the aggregate outstanding amounts owed by the Project Company under the Existing ICBC Facility and the aggregate outstanding amounts owed by PRC Intermediary Company 2 under the Onshore Loan), in each case as at Completion as shown in the Completion Statement which shall be prepared and agreed or determined in accordance with the Share Purchase Deed.

Based on the Accountant's Reports and the assumptions applied to the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendices 2A, 2B and 3 to this Circular, respectively, and having regard to the proposed Reorganisation which shall be carried out prior to Completion, for illustrative purposes: (i) the outstanding amounts under the Existing ICBC Facility and Onshore Loan are RMB777.5 million as at 30 June 2018; (ii) the Adjusted NAV is approximately minus RMB65.3 million as at 30 June 2018; and (iii) based on (i) and (ii), the illustrative Consideration is RMB810.7 million (the "**Illustrative Consideration**"). Based on the Accountant's Reports, the Manager understands that the deferred tax liabilities mainly arise from valuation gains and depreciation in respect of the Target Property and dividend withholding tax, which in its view, are unlikely to crystalise in the future as the Target Property is intended to be held by Spring REIT indirectly through the Project Company as a long term investment.

The Target Property Price of RMB1,653,466,000, being the asset value of the Target Property agreed by the parties, has been arrived at on a willing buyer/seller and arm's length transaction basis after taking into account the quality and historic performance of the Target Property. The Target Property Price represents an approximate 18.5% discount to the Appraised Value (being RMB2,029.0 million) as at 30 June 2018 and an annualised gross and net property yield of 9.4% and 7.5% based on the Target Property's revenue (being RMB77.696 million) and net property income (being RMB62.085 million) respectively for the six months ended 30 June 2018.

Pursuant to the Share Purchase Deed, the Consideration shall be paid in the following manner:

(a) on the Completion Date, the Purchaser shall pay, or procure the payment of, an amount equal to:

i. the "**Initial Consideration**", being the sum of: (i) the Target Property Price; <u>minus</u> (ii) the amount outstanding under the Existing ICBC Facility and Onshore Loan as at Completion as set out in the Pro Forma Completion Statement; and <u>plus/minus</u> (iii) the Adjusted NAV as at Completion as set out in the Pro Forma Completion Statement;

ii. <u>minus</u> the Tax Holdback Amount, which is to be paid and released in the manner described in section 2.4.3 headed "Tax Holdback Amount"; and

iii. <u>minus</u> an amount equal to 45% of the gross premium payable for the W&I Insurance, being approximately HKD2.0 million,

(such balance being the "**Net Initial Consideration**"),

by: (A) paying approximately HKD126.3 million, being the HKD equivalent of RMB110 million based on the Agreed Exchange Rate, in cash; and (B) paying the remaining amount of the Net Initial Consideration by way of allotment and issue by Spring REIT to the Seller of Consideration Units at the Issue Price (being HKD3.372) (see section 4.1 headed "Consideration Units" for further details);

(b) on the Completion Date, the Purchaser shall also procure the payment of the Tax Holdback Amount by way of the allotment and issue by Spring REIT to the Seller of Consideration Units (the "**Initial Holdback Consideration Units**") in the manner (and subject to the potential deferral) described in section 2.4.3 below;

(c) within five Business Days after determination of the Completion Statement (which shall be prepared by the Seller), if the sum of:

i. the Adjusted NAV as set out in the Completion Statement minus the Adjusted NAV as set out in the Pro Forma Completion Statement; plus

ii. the aggregate outstanding amounts owed under the Existing ICBC Facility and Onshore Loan (as set out in the Pro Forma Completion Statement) minus the aggregate outstanding amounts owed under the Existing ICBC Facility and Onshore Loan (as set out in the Completion Statement),

is:

(A) a positive amount, the Purchaser shall pay such amount to the Seller in Consideration Units at the Issue Price by way of allotment and issue of the same by Spring REIT, although the Consideration Units (the "**Uplift Holdback Consideration Units**") representing 11% of such amount (the "**True-up Holdback Amount**") shall be issued in the manner (and subject to potential deferral) described in section 2.4.3 below; or

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

and such amount being paid shall be referred to as the "**True-up Payment**".

All amounts payable under the Share Purchase Deed shall be paid in HKD. For the purposes of determining the number of Consideration Units (issued at the Issue Price) to be issued in connection with any RMB amount to be paid, such RMB amount shall first be converted into HKD based on the Agreed Exchange Rate.

The Manager shall publish further announcement(s) regarding the Initial Consideration and True-up Payment, including the number of Consideration Units issued, as soon as practicable after such amounts have been determined.

2.4.3 Tax Holdback Amount

At Completion, the Purchaser shall procure the payment of the Tax Holdback Amount (representing approximately 12% of the Illustrative Consideration) by way of allotment and issue by Spring REIT to the Seller of such number of Consideration Units representing the Tax Holdback Amount and depositing with the Holdback Custodian Unit certificate(s) for the Initial Holdback Consideration Units, in accordance with the terms of the Share Purchase Deed and the Holdback Custodian Agreement if the Holdback Custodian Agreement has been entered into by then. If the Holdback Custodian Agreement has not been entered into by then, payment of the Tax Holdback Amount shall be deferred until: (i) the Holdback Custodian Agreement has been executed; (ii) the Seller provides cash or other security representing the Tax Holdback Amount at any time after Completion up to 10 business days before the record date for Spring REIT's 2019 interim distribution; or (iii) the Tax Holdback Amount is required to be paid to the Seller after it has proved that it has complied with certain obligations under the China Indirect Transfer Rules and paid the corresponding tax payable under the China Indirect Transfer Rules in connection with the Seller's sale of the Target Company Shares (the "**China Indirect Transfer Taxes**") (whichever is the earliest).

In the event that the True-up Payment is a positive amount, the Purchaser shall, within five business days after the determination of the Completion Statement, procure the payment of the True-up Holdback Amount and deposit with the Holdback Custodian the relevant Unit certificate(s) in accordance with the terms of the Share Purchase Deed and the Holdback Custodian Agreement if such agreement has been entered into by then (or if the Holdback Custodian Agreement has not been entered into by then, the payment of the True-up Holdback Amount shall be deferred in the same manner as the Tax Holdback Amount).

If the Holdback Custodian Agreement has been entered into by the time the True-up Payment is made, the Unit certificate(s) deposited with the Holdback Custodian pursuant to the Share Purchase Deed shall be held by the Holdback Custodian in escrow until the Seller proves that it has complied with certain obligations under the China Indirect Transfer Rules set out in the Share Purchase Deed and paid the China Indirect Transfer Taxes, in which case the Purchaser and the Seller shall jointly instruct the Holdback Custodian to release to the Seller all of the Consideration Units deposited with the Holdback Custodian in accordance with the Share Purchase Deed.

2.4.4 Conditions Precedent

Completion is subject to and conditional upon satisfaction of the following conditions (collectively, the "**Conditions**"):

(1) the resolutions approving the Acquisition and the consummation of transactions contemplated under the Share Purchase Deed having been passed by the Independent Unitholders at the EGM;

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

(3) the approval of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Consideration Units having been granted and not revoked;

(4) there being no statute, regulation or court decision in the PRC which would prohibit or invalidate the Acquisition and all other related transactions contemplated under the Transaction Documents or the Onshore Loan Transactions at Completion;

(5) since the date of the equity transfer agreement (the "**Onshore ETA**") being entered into by PRC Intermediary Company 2 for the purchase of the Project Company as part of the Reorganisation (the "**Onshore ETA Date**"), there having been no material adverse change (as defined in the Share Purchase Deed) which, individually or in aggregate with any material adverse change(s) between the date of the Share Purchase Deed and the Onshore ETA Date, has resulted or is reasonably expected to result in the Target Group and the Target Property suffering or sustaining an aggregate loss equal to 10% or more of the Target Property Price;

(6) there being no material breach of any warranties of the Seller under the Share Purchase Deed at Completion that has resulted or is reasonably expected to result in the Purchaser, the Target Group or the Target Property suffering or sustaining an aggregate loss equal to 10% or more of the Target Property Price;

(7) there being no material breach of any warranties of the Purchaser under the Share Purchase Deed at Completion that has resulted or is reasonably expected to result in the Seller suffering or sustaining an aggregate loss equal to 10% or more of the Target Property Price; and

(8) the consent of the ICBC Huizhou Branch in respect of the Acquisition and all other related transactions contemplated under the Transaction Documents not having been revoked.

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

2.4.5 Completion

Completion shall take place on the 10th Business Day after the satisfaction or waiver of all the Conditions, or such other date as may be agreed by the Purchaser and the Seller in writing. Subject to the Conditions being satisfied (or waived, as the case may be), the Manager expects Completion to take place around the first quarter of 2019. As soon as practicable following Completion, the Manager will issue an announcement to inform Unitholders that Completion has occurred.

2.4.6 Termination

In the event that: (a) Conditions (1) and (3) have not been fulfilled on or before 31 December 2018 or such later date notified by the Seller to the Purchaser in writing (provided that such date is no later than the Long Stop Date); (b) the Purchaser has notified the Seller before the execution of the Onshore ETA to terminate the Share Purchase Deed as a result of a material adverse change; or (c) any of the Conditions (excluding Conditions (1) and (3)) have not been fulfilled or waived prior to the Long Stop Date and the Purchaser and the Seller have not agreed in writing to extend the Long Stop Date, then the parties shall not be bound to proceed with the transactions contemplated by the Share Purchase Deed.

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

2.4.7 Warranties, Indemnities and W&I Insurance

The Share Purchase Deed contains customary warranties (including warranties relating to tax, title of the Target Property and compliance with all applicable laws and regulations by each member of the Target Group in conducting its business) to be made by the Seller in respect of, among others, the Target Group and the Target Property.

The maximum aggregate liability of the Seller shall not exceed 100% of the Target Property Price in respect of claims for any breaches of fundamental warranties and 20% of the Target Property Price in respect of claims for breaches of all other warranties save for warranties which are covered by the W&I Insurance. The maximum aggregate liability of the Seller in respect of claims relating to warranties covered by the W&I Insurance shall not exceed HKD18.9 million, being an amount equal to the retention under the W&I Insurance. The liability of the Seller is also subject to a minimum per claim threshold of RMB500,000. Amounts shall only be recoverable from the Seller if the aggregate amount recoverable in respect of all claims exceeds RMB8,250,000 and the Seller will be liable for the entire amount. The Share Purchase Deed also provides for a limitation period of two years after the Completion Date for all claims made under the Share Purchase Deed (other than those claims relating to tax warranties, in which case the limitation period is seven years from the Completion Date).

The Share Purchase Deed also contains several indemnities from the Seller, including but not limited to indemnities relating to: (i) any delay or failure to pay the China Indirect Transfer Taxes; (ii) the Reorganisation; (iii) the Joint Operation Agreements; and (iv) the matters summarised in sections 2.6.1 to 2.6.2. The Seller's liabilities under these indemnities shall not be subject to the abovementioned limitations which are only applicable to warranties.

In addition, the Purchaser has purchased a warranty and indemnity insurance policy (the "**W&I Insurance**") with two insurance providers (the "**W&I Insurers**") carrying financial strength ratings of no less than A- by A.M. Best, respectively, on and with effect from the date of the Share Purchase Deed to further protect itself against claims relating to warranties and certain indemnities that are not recoverable under the Share Purchase Deed due to, for example, the Seller's limitation cap having been exceeded, but subject to certain exclusions as stated in the W&I Insurance (for instance, exclusions relating to deferred tax, recoverability of debts, structural defects, environment and contamination, anti-bribery and the specific indemnities). The maximum aggregate liability of the W&I Insurers will not exceed HKD378.8 million (representing approximately 20% of the HKD equivalent of the Target Property Price) and will be subject to a de minimis claim threshold of HKD1.89 million (being approximately 0.1% of the HKD equivalent of the

Target Property Price). Amounts shall only be recoverable from the W&I Insurers if the aggregate amount recoverable in respect of all claims exceeds HKD18.9 million (which is the amount of retention under the W&I Insurance, being approximately 1.0% of the HKD equivalent of the Target Property Price), and the W&I Insurers will only be liable for claims over and above such threshold. Notice of any claim must be given to the W&I Insurers within seven years from Completion but in no event later than 18 December 2025 (for claims relating to title, capacity and tax) or within two years from Completion (for other claims) but in no event later than 18 June 2021. The premium payable for the W&I Insurance is in line with market rates and will be shared between the Purchaser (as to 55%) and the Seller (as to 45%).

Taking into consideration: (1) the abovementioned warranty and indemnity coverage from the Seller (including the Seller's limitation cap, thresholds and period with respect to claims) which the Manager considers to be fair and reasonable, on normal commercial terms after arm's length negotiations and the best terms available to the Purchaser in the circumstances, and are in the interests of Spring REIT and the Unitholders as a whole; (2) the absence of any guarantee in respect of the Seller's obligations under the Share Purchase Deed; (3) the Lock-up Period being shorter than the limitation of liability period under the Share Purchase Deed; (4) the W&I Insurance and the terms thereof which the Manager considers to be fair and reasonable, on normal commercial terms (for policy of a similar size and nature) after arm's length negotiations and in the interests of Spring REIT and the Unitholders as a whole; (5) the satisfactory results of the Manager's due diligence review in respect of the Target Company, the Project Company and the Target Property; and (6) the Manager's PRC legal adviser's opinion set out in sections 2.6, 5.3 and 5.4.2 below, the Manager is satisfied that the interests of Spring REIT and the Unitholders as a whole in respect of potential claims are adequately and sufficiently protected.

Investors should note that the Share Purchase Deed and W&I Insurance contain certain limitations of the amounts which can be claimed against the Seller and the W&I Insurers, respectively, and accordingly, the Purchaser may not be able to fully recover all claims against the Seller under the Share Purchase Deed. Furthermore, the Lock-up Period is for a period of nine months, which is shorter than the Share Purchase Deed limitation period of two years (for all claims made other than those claims relating to tax warranties) and seven years (for all claims relating to tax warranties). There can be no guarantee that the Seller will hold sufficient assets (such as the Consideration Units) after the Lock-up Period, which in turn may also affect the Purchaser's ability to bring claims against the Seller under the Share Purchase Deed.

2.4.8 Seller's tax obligations

As advised by the Manager's tax adviser: (i) the obligation to pay PRC Enterprise Income Tax under PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) for the Reorganisation should be borne by the Seller (or the relevant entity in connection with the Reorganisation); and (ii) the obligation to pay PRC Enterprise Income Tax under the China Indirect Transfer Rules for the Seller's sale of the Target Company Shares should be borne by the Seller with the Purchaser only having a withholding obligation.

The Manager understands from its tax adviser that in respect of both the Reorganisation and the Acquisition: (i) the Seller (or the relevant entity in connection with the Reorganisation) should first make its tax filing to the relevant PRC tax authority; and (ii) the relevant PRC tax authority should then assess the amount of tax payable.

Pursuant to the Share Purchase Deed, the Seller shall, at its own expense, cause its affiliated company to, as soon as possible and in any event no later than 30 days after the Completion Date, truly, accurately and completely report all relevant information on the sale of the Target Company Shares to the relevant PRC tax authority in accordance with the China Indirect Transfer Rules. The Seller shall: (a) promptly follow-up with and submit all further documents that may be requested by the relevant PRC tax authority in respect of such report; and (b) promptly keep the Purchaser informed of the foregoing.

To the extent that the Seller is determined by the relevant PRC tax authority to be required by the China Indirect Transfer Rules to pay taxes in connection with its sale of the Target Company Shares, the Seller shall: (a) within such period of time as required by the relevant PRC tax authority, cause such taxes to be paid; and (b) provide the Purchaser, as soon as reasonably practicable, with evidence that such taxes have been paid in the form of tax payment certificate(s) issued by the relevant PRC tax authority. The payment of the Tax Holdback Amount and the True-up Holdback Amount shall be made in the manner described insection 2.4.3 above.

The Seller has provided an indemnity for any delay or failure to report and pay China Indirect Transfer Taxes or comply with other obligations under the China Indirect Transfer Rules stated in the Share Purchase Deed. Such indemnity will not be subject to the limitations of liability applicable to warranties, as set out in section 2.4.7 headed "Warranties, Indemnities and W&I Insurance".

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

2.5 Arm's Length Terms

The Transaction Documents and the W&I Insurance have been entered into, or shall be entered into, by the parties thereto on normal commercial terms (including in respect of those terms relating to limitation of liability) following arm's length negotiations.

2.6 Due Diligence Review

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Target Company, the Project Company and the Target Property (including the Leases and Joint Operation Agreements), and no material irregularities or material non-compliance issues have been noted. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the Manager's compliance manual. The Manager's legal advisers will also conduct bring-down legal due diligence on the Target Group after the Reorganisation, and the Manager will obtain a legal opinion from the Manager's PRC legal adviser on whether the Reorganisation has been carried out and completed in accordance with the PRC laws and regulations (to the extent they are applicable) and that each of the PRC Intermediary Companies has been duly incorporated, before proceeding to Completion. In view of the foregoing, and having regard to the advice of its PRC legal adviser in section 5.3 headed "Ownership", the Manager is of the view that Spring REIT will immediately upon Completion hold (through the Purchaser and the Target Group) good, marketable, legal and beneficial title in the Target Property.

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

2.6.1 Non-registration of Leases

As at 15 September 2018, there were 354 Leases at the Target Property, 39 of which had not been registered. The Project Company is using its best endeavours to ensure that such Leases will be registered before Completion. However, as the co-operation of the relevant Lessees and authorities is required to complete and perfect such registration, it is possible that, for reasons outside the Project Company's control, not all currently unregistered Leases will be registered before Completion. Following Completion, the Manager will use best endeavours to register such Leases as soon as practicable. The Manager expects that the currently unregistered Leases will be registered shortly after Completion.

As advised by the Manager's PRC legal adviser, Zhong Lun Law Firm, although there is a term in a few of the Leases that the Project Company shall at its own cost register the relevant Lease within 30 days of the date of such Lease, failing which the Lessee may be exempted from paying rent, property management charges and other fees under such Lease, no Lessees have enforced or indicated that they would enforce such right to withhold payment of rent, property management charges or other fees under the Leases as at the Latest Practicable Date. Further, according to the Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on 1 December 2010, a fine of RMB1,000 to RMB10,000 shall be imposed on the Project Company if the Project Company fails to rectify the situation within a prescribed time limit upon notification by the authority, although it is presently unclear whether such fine applies to each unregistered Lease on a per-lease basis. Assuming a separate fine applies to each unregistered Lease, the maximum aggregate amount of penalty payable by the Project Company in respect of such unregistered Leases if the Project Company fails to rectify the situation within the prescribed time limit is approximately RMB390,000.

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

2.6.2 Non-disclosure of Existing Property Mortgage to Lessees

As advised by the Manager's PRC legal adviser, Zhong Lun Law Firm, according to the judicial interpretation by the Supreme People's Court of PRC Guarantee Law (《中華人民共和國擔保法》), the mortgagor is required to give a written notification to lessees to inform the latter of the existence of a mortgage to which the leased property is subject, failing which the mortgagor shall bear any loss which the lessees suffer as a result of the mortgagee enforcing its rights over leased property that is subject to a mortgage. Based on the Manager's due diligence, the Project Company had not notified the Lessees under most of the Leases that the Target Property is subject to the Existing Property Mortgage. However, as advised by the Manager's PRC legal adviser, this issue cannot be remedied or mitigated by notifying the Lessees now but can only be rectified when the Project Company enters into new or renewed Leases in the future given the relevant PRC laws require such notification to be made before the entering into of a lease. Accordingly, the

Project Company may be liable for any direct loss suffered by the Lessees should the mortgagee enforce its rights under the Existing Property Mortgage. Following Completion, the Manager will use best endeavours to instruct the Project Company to notify the relevant Lessee and new Lessee of the existence of the Existing Property Mortgage whenever a new or renewed Lease is entered into.

As advised by the Manager's PRC legal adviser, the failure to notify the Lessees under the Leases that the Target Property is subject to the Existing Property Mortgage would not affect the enforceability or legality of the Leases, and would not adversely affect the Project Company's legal title to the Target Property. In the event that the mortgagee enforces its rights under the Existing Property Mortgage, the Lessees may make a claim against the Project Company for any loss suffered as a result of the Leases not being enforceable against the mortgagee, but such loss would generally be limited to only direct loss, such as the loss of the residual value of fittings, the loss due to disruption of business and the cost for entering into new leases. Any loss or liability arising out of or in connection with the Project Company's failure to notify the Lessees of the Existing Property Mortgage would be covered under the indemnity provided by the Seller, and the Manager does not consider this issue to pose a material risk. The Manager considers such protection to be sufficient and that the interests of the Unitholders are adequately protected.

2.6.3 Carparks for civil defence

The PRC legal adviser to the Manager, Zhong Lun Law Firm, has advised that underground premises with a gross floor area of approximately 10,876.22 sq.m. (an area equal to approximately 7.5% of the gross floor area of the Target Property) must in times of war be used as a civil defence shelter and cannot be sold or otherwise transferred by the Project Company. However, during all other times, the underground premises are allowed under PRC law to be used as carparks, and the Manager has been advised by its PRC legal adviser that the underground carparks fall within such premises and that the Project Company may lease or grant a licence to use such premises as carparks and collect rent or licence fees in respect of the same and grant operational rights to third parties in respect of such premises.

2.7 Fees and Charges

2.7.1 General

The estimated total fees and charges payable by Spring REIT in relation to the Acquisition (the "**Total Fees and Charges**") is approximately USD9.3 million and consists of the Acquisition Fee, the Other Acquisition Fees and Expenses and the Trustee's Additional Fee. Details of these fees and their amounts are set out in sections 2.7.2 to 2.7.4 below. The USD equivalent of the Target Property Price of RMB1,653,466,000 (being approximately USD241 million) plus the Total Fees and Charges (being approximately USD9.3 million) is approximately USD250 million.

2.7.2 Acquisition Fee

On Completion, the Manager will be entitled under the Trust Deed to receive an acquisition fee of RMB16,534,660, which is equal to 1% of the Target Property Price (the "**Acquisition Fee**"). The Acquisition Fee shall be paid to the Manager in the form of cash in USD based on the then prevailing exchange rate. For illustrative purposes, based on the exchange rate referred to in the definitions section of this Circular, the USD equivalent of the Acquisition Fee is approximately USD2.4 million.

2.7.3 Other Acquisition Fees and Expenses

Spring REIT incurred or is expected to incur other estimated fees and expenses in connection with the Acquisition (including advisory fees, professional fees, upfront fee for the New Facility, stamp duty and the 55% of the W&I Insurance premium borne by the Purchaser), the USD equivalent of which is anticipated to be approximately USD6.9 million ("**Other Acquisition Fees and Expenses**"). The Other Acquisition Fees and Expenses are one-off transaction expenses of a non-recurring nature in connection with the Acquisition.

2.7.4 Trustee's Additional Fee

Pursuant to the Trust Deed, the Trustee is entitled to charge additional fees for duties undertaken by the Trustee which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of normal day-to-day business operations of Spring REIT. The Trustee has agreed with the Manager that it will charge Spring REIT a one-time additional fee based on the time and costs incurred by it for duties undertaken by the Trustee in connection with the Acquisition, with such additional fee expected to be HKD110,000 (equivalent to approximately USD14,000) (the "**Trustee's Additional Fee**").

2.7.5 Ongoing Fees

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

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

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

2.8 Facilities to be assumed and taken out by Spring REIT

2.8.1 General

At Completion, the Project Company will have entered into the Existing ICBC Facility and PRC Intermediary Company 2 will have entered into the Onshore Loan, both of which will be assumed and continue to be owed by Spring REIT (through the Project Company and PRC Intermediary Company 2) after Completion. The amounts outstanding under such facilities as at Completion will be deducted from the Target Property Price when determining the Consideration under the Share Purchase Deed.

In addition, the Manager intends to draw down from the New Facility at Completion to, among other things, finance the Offshore Amount to be paid by the Purchaser to the Seller under the Share Purchase Deed, in satisfaction of the Project Company's obligations under the Onshore Loan Agreement.

2.8.2 Existing ICBC Facility

Pursuant to a facility agreement dated 11 September 2012, which was entered into between the Project Company as borrower and ICBC Huizhou Branch as lender, and a commitment letter from the Project Company to ICBC Huizhou Branch dated 1 September 2012, ICBC Huizhou Branch agreed to provide the Project Company a loan facility of 15 years maturing in 2027 and bearing interest at the PBOC base lending rate times 105%, and the Project Company guaranteed to pay an annual arrangement fee to ICBC Huizhou Branch of 5% of the PBOC base lending rate times the year-end loan balance in the previous calendar year.

Subsequently the Project Company as borrower and ICBC Huizhou Branch as lender entered into a supplementary facility agreement dated 29 December 2015, and a commitment letter dated 18 December 2015 was issued by the Project Company to ICBC Huizhou Branch. Pursuant to the aforementioned, the interest of the ICBC facility was revised to the PBOC base lending rate and the Project Company guaranteed to pay ICBC Huizhou Branch an additional annual arrangement fee of 5% of the PBOC base lending rate times the year-end loan balance in the previous calendar year.

As at the Latest Practicable Date, the amount outstanding under the Existing ICBC Facility is approximately RMB450 million.

The Existing ICBC Facility is secured by the Existing Property Mortgage over the Target Property, which was created by the Project Company in favour of ICBC Huizhou Branch. Repayment of the principal under the Existing ICBC Facility shall be made by instalments of RMB12.5 million each quarter. In addition, pursuant to the Existing ICBC Facility, if any principal, interest or other payment is due and payable but remains outstanding, the Project Company shall not make any form of distributions or dividend payments. The indebtedness under the Existing ICBC Facility is secured by guarantees given by five members of the Guohua Connected Persons Group. The Purchaser has undertaken to the Seller to procure that such guarantees are released and discharged as soon as practicable after Completion, and until such time, indemnify the Seller for any losses suffered in respect of the same.

2.8.3 Onshore Loan Transactions

As at the Latest Practicable Date, the Target Property is held under a PRC onshore structure which will be converted into the expected holding structure (through the Reorganisation) as set out in section 2.2 headed "Holding structure of the Target Property before Completion" in this Circular.

As part of the Reorganisation, the Seller Lender and PRC Intermediary Company 2 will enter into a loan agreement (the "**Onshore Loan Agreement**") pursuant to which the Seller Lender as lender agrees to extend to PRC Intermediary Company 2 as borrower a RMB315.0 million loan (the "**Onshore Loan**"), which is intended to be drawn down on or prior to the date of Completion. The Onshore Loan will mature in three years but may be further extended to the date falling four years from the Completion Date (or such other date agreed in writing between the parties thereto) where either PRC Intermediary Company 2 or the Seller Lender notifies the other party in writing no later than 30 business days prior to its expiry.

Subject to the Onshore Loan being drawn down on or before Completion, the Purchaser has agreed under the Share Purchase Deed to pay to the Seller at Completion a cash amount of approximately HKD361.6 million (being the HKD equivalent of the principal amount of the Onshore Loan based on the Agreed Exchange Rate (the "**Offshore Amount**")), which shall be returned concurrently with repayment of the Onshore Loan. No interest is payable in respect of both the Onshore Loan and the Offshore Amount.

The PRC legal adviser to the Manager, Zhong Lun Law Firm, has advised that the Onshore Loan Transactions, if entered into, comply with the applicable PRC laws and regulations. Upon completion of the Reorganisation, the Manager's PRC legal adviser will also render an opinion as to whether the Reorganisation has been carried out and completed in accordance with the PRC laws and regulations (to the extent they are applicable).

For the reasons stated in section 9.3 headed "Connected Party Transactions in respect of the Onshore Loan Transactions" in this Circular, the Manager will voluntarily seek Unitholders' approval of the Onshore Loan Transactions under the same Ordinary Resolution to approve the Acquisition and the transactions under the Share Purchase Deed, notwithstanding that the total value of the Onshore Loan Transactions will be less than 5% of the latest audited net asset value of Spring REIT (as disclosed in its latest published audited accounts and as adjusted for the Acquisition after Completion). For the views of the Board (including the INEDs), the Independent Financial Adviser, the Independent Board Committee and the Trustee in respect of the Onshore Loan Transactions, please refer to section 10 headed "Recommendations" in this Circular.

2.8.4 New Facility

The Manager has entered into a commitment letter with the Bank, for the provision of a Hong Kong dollar denominated loan facility for an amount not less than HKD567.5 million (the "**New Facility**"). The Manager intends to finance RMB110 million of the Consideration, the Offshore Amount and the Total Fees and Charges by drawing down on the New Facility. The Bank is not a connected person of Spring REIT within the meaning of Chapter 8 of the REIT Code.

The New Facility will bear interest at a margin of 1.05% per annum over 3-month HKD HIBOR, and will mature and become repayable in 12 months from the date on which the New Facility is drawn down. The Trustee will provide an unconditional and irrevocable guarantee in favour of the Bank in respect of the New Facility.

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

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

3.1 Yield accretive acquisition

The Target Property Price represents an approximate 18.5% discount to the Appraised Value (being RMB2,029.0 million) as at 30 June 2018 and an annualised gross and net property yield of 9.4% and 7.5% based on the Target Property's revenue (being RMB77.696 million) and net property income (being RMB62.085 million) respectively for the six months ended 30 June 2018. The annualised net property yield of the Target Property based on the Target Property Price is higher than that of Spring REIT's existing portfolio.

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group as set out Appendix 3, it is expected that, on a pro forma basis assuming the Target Property had been held and operated by Spring REIT for the six months ended 30 June 2018, the Acquisition would have been yield accretive and would have improved the earnings of Spring REIT and Distribution per Unit to Unitholders. As shown in the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the six months ended 30 June 2018 in Appendix 3, the DPU of Spring REIT would have increased by 6.7% from 12.0 HK cents to 12.8 HK cents, whilst the total distributable amount of Spring REIT would have increased 27.3% from USD20.1 million to USD25.6 million for the six months ended 30 June 2018. The acquisition of a yield accretive, quality income-producing property is in line with Spring REIT's investment strategy to invest in income-producing real estate and seek yield-accretive investment opportunities.

3.2 High quality asset

The Target Property is a high quality asset which has the following competitive strengths:

(1) **A regional market leader in the high-end retail space:** With a total gross floor area of 144,925.1 sq.m., the Target Property, "Huamao Place", is currently the second largest shopping mall in Huizhou in terms of area. The Target Property is a well-established local retail destination in Huizhou and a regional industry leader in introducing international apparel retailers, known for its handful of international high fashion brand names being exclusively its tenants in the city. Its leading apparel tenant portfolio alone distinguishes the Target Property from other mid-to-high end shopping malls in the city.

(2) **Prime location with strong catchment area:** The Target Property is located in Jiangbei, the CBD of Huizhou, and is well positioned to attract potential customer groups including white-collar workers in Jiangbei and users and visitors of the surrounding public facilities. It also caters for the retail needs of office workers and residents of Huizhou Central Place, a 13.5 hectare mixed-use site also comprising of commercial and residential buildings, of which the Target Property is part. According to the Market Consultant's Report, accessibility to the

Target Property will be further improved once the construction of Huizhou Metro Line 1, serving the CBD of Huizhou, completes in 2025 as it is currently planned to do. Apart from accessibility within Huizhou, the entire Dongguan-Huizhou Intercity Railway line, which opened in December 2017, has reduced the travel time between the city centres of Huizhou and Dongguan to 1.5 hours. By 2020, Huicheng will be integrated into the intercity railway network in the Greater Bay Area extending the Target Property's catchment coverage beyond Huizhou to its neighbouring municipalities.

(3) **High occupancy rate and rental with healthy growth potential:** The Target Property's occupancy rate has consistently achieved 92% or above every year since 2012. As at 31 July 2018, the Target Property enjoyed a high occupancy rate of 97.2%, exceeding Huizhou's average occupancy rate of 91.8% as at the end of June 2018. Based on the information contained in the Market Consultant's Report, the Target Property currently enjoys the highest rent in the city due to its leading position and reputation in Huizhou, and it is estimated to maintain an occupancy rate of approximately 96% to 97% from 2018 to 2020, driven by Huizhou's rapidly developing retail market.

3.3 Diversification and enlargement of Spring REIT's property portfolio

Spring REIT's Existing Properties comprise two office buildings in the CBD of Beijing (being the CCP Property) and 84 commercial properties in the United Kingdom which are currently operating as car servicing centres. The Acquisition, which will enlarge the valuation of Spring REIT's property portfolio by approximately 21%, will be Spring REIT's first investment in a retail property asset in the PRC and its first investment in the Greater Bay Area. The Acquisition will diversify the locations and composition of Spring REIT's portfolio assets and reduce Spring REIT's exposure to concentration risk and other risks associated with its reliance on the income generated by the CCP Property or the performance of the Beijing office market.

3.4 Capture of strong growth potential of the Greater Bay Area and Huizhou

According to the Market Consultant's Report, the Greater Bay Area holds substantial potential with forecasts suggesting the GDP of the region will triple by 2030. As of 2017, the nominal GDP of the Greater Bay Area has reached over RMB10 trillion, accounting for 12.4% of the PRC's total GDP, despite accounting for less than 5% of the country's population. From 2013 to 2017, nominal GDP growth in the Greater Bay Area exhibited compound annual growth rate of 8.7%, and achieved 11% year-on-year growth in 2017.

Huizhou has enjoyed steady economic growth over the past five years as well. Huizhou accounts for one-fifth of the entire Pearl River Delta by land area, but only 9% of which has been developed, indicating its potential to absorb economic and real estate expansion from other key cities in the Greater Bay Area as the transportation infrastructure of the Greater Bay Area rapidly improves.

According to the Market Consultant's Report, Huizhou's annual retail sales is expected to exceed RMB180 billion by 2020, with an expected annual growth rate of 11% between 2016 and 2020, while the annual foreign direct investment (actual utilised) growth rate would reach 3% between 2016 and 2020. This will bring about positive demographic and economic changes to Huizhou, attracting skilled and professional workers from other Greater Bay Area cities and creating additional demand for retail developments.

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

4. FINANCING OF THE ACQUISITION

The Manager intends to finance the Consideration in the following manner: (i) approximately HKD126.3 million, being the HKD equivalent of RMB110 million based on the Agreed Exchange Rate, shall be paid in cash drawn down from the New Facility; (ii) the remaining shall be financed by issuance of Consideration Units; and (iii) if the number of Consideration Units would exceed the Authorised Issue, the excess Consideration which would have been settled in the form of the Consideration Units shall instead be settled in the form of cash payable in HKD using internal resources. The Manager also intends to finance the Offshore Amount and the Total Fees and Charges by the New Facility.

The intended financing structure is determined taking into consideration, among other things, Spring REIT's working capital sufficiency, optimal level of gearing after Completion, financing cost and the potential impact that the issuance of Consideration Units will have on existing Unitholders' ownership interests.

4.1 Consideration Units

The number of Consideration Units to be issued as part settlement of the Consideration shall be determined by reference to the Issue Price and subject to the Authorised Issue. The Issue Price of HKD3.372 is equal to the average closing price of a Unit as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and excluding 12 September 2018. Where the number of Consideration Units to be issued under the Share Purchase Deed would exceed the Authorised Issue, the excess Consideration which would have been settled in the form of Consideration Units shall instead be settled in the form of cash payable in HKD.

For illustrative purposes, based on the Illustrative Consideration (being RMB810.7 million), Issue Price and Agreed Exchange Rate, and taking into account that RMB110 million of the Consideration will be settled in cash, the number of Consideration Units to be issued shall be 238,499,191 (being the Illustrative Consideration Units). The Illustrative Consideration Units represent approximately: (a) 18.8% of the total number of Units as at the Latest Practicable Date; and (b) 15.8% of the total number of Units as at the Latest Practicable Date as enlarged by the issuance of the Illustrative Consideration Units.

Based on information provided by the Seller and having made all reasonable enquiries, the Manager does not expect the issuance of Consideration Units to trigger an obligation on the part of the Seller (and parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the time such Consideration Units are issued.

The Consideration Units will, upon issuance, rank *pari passu* in all respect with the Units then in issue, although the Seller has separately agreed under the Distribution Deed to waive part of the distributions in relation to the Consideration Units. Please see section 6 headed "Distribution after Completion" in this Circular for further details. An application will be made to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Consideration Units on the Main Board of the Hong Kong Stock Exchange.

The Purchaser and the Trustee have made customary warranties in respect of Consideration Units under the Share Purchase Deed.

The Seller undertakes and covenants under the Share Purchase Deed that it shall not for a period of nine months after the Completion Date (the "**Lock-up Period**"), among other things, dispose of any of the Consideration Units.

The issue of the Consideration Units will dilute the ownership interests of the existing Unitholders. Any sales in the public market of the Consideration Units after the Lock-up Period could adversely affect the prevailing market price for the Units. Nonetheless, based on the Unaudited Pro Forma Financial Information of the Enlarged Group as set out in Appendix 3, the Manager expects the Acquisition to be DPU accretive for Spring REIT on a pro forma basis for the six months ended 30 June 2018.

4.2 Expected Gearing Ratio

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 3 to this Circular and the estimated Total Fees and Charges, the pro forma adjusted ratio of debt to total assets of Spring REIT is anticipated to increase from 34.4%, as disclosed in its interim report for the six months ended 30 June 2018, to approximately 37.6% immediately following Completion, assuming: (i) completion of the Acquisition; (ii) HKD567.5 million (equivalent to approximately USD72.3 million) drawn down under the New Facility to finance RMB110 million of the Consideration, the Offshore Amount and the Total Fees and Charges; and (iii) the assumption of the Existing ICBC Facility and Onshore Loan by Spring REIT. Such ratio is below the 45% limit permitted under the REIT Code.

5. INFORMATION ON THE TARGET PROPERTY

5.1 The Property

5.1.1 Description

The Target Property comprises: (a) the entire seven-storey shopping mall (including two basement floors) known as "Huamao Place" (華貿天地); and (b) 677 underground and 44 above-ground carpark spaces located at No. 9, First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, PRC. The Target Property is the retail component of a larger integrated development developed by Beijing Guohua Real Estate Co., Ltd. and known as "Huizhou Central Place" (惠州華貿中心), which also includes, among other things, three Grade-A office buildings, three residential buildings and a serviced apartment. Beijing Guohua Real Estate Co., Ltd. is the original developer of China Central Place and the owner of Office Tower 3 of China Central Place in Beijing, PRC (Spring REIT currently owns Office Tower 1 and Office Tower 2 of China Central Place).

Situated at the CBD of Huizhou, the Target Property is surrounded by major roads, the Huizhou People's Government complex and other public facilities and attractions, such as the Huizhou Convention & Exhibition Centre, the Huizhou Stadium, the Huizhou Museum and the Huizhou Science & Technology Museum. It is accessible by expressways and intercity railway to the rest of the Greater Bay Area. According to the Market Consultant's Report, the Yunshan Station of the intercity railway, which is planned to become the interchange station of Huizhou Metro Line 1 in 2025, is located within a 10-minutes' walk from the Target Property. The current tenants of the Target Property include, among others, international and local fashion retailers, jewellers, chain restaurants, personal care and cosmetic shops, a supermarket and a cinema.

Simplified charts showing the property holding structure of the Target Property as at the Latest Practicable Date and immediately after Completion are contained in sections 2.2 and 2.3 headed "Holding structure of the Target Property before Completion" and "Expected holding structure of the Target Property after Completion" in this Circular.

5.1.2 Key Information

The table below sets out certain key information on the Target Property as at 31 July 2018, unless otherwise indicated.

Address	Huamao Place, No. 9, First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, PRC
Month and year of completion	March 2011
Term of land use rights(1)	The period commencing on 1 February 2008 and ending on 1 February 2048
Operating term of Project Company	Long term(2)
Ownership certificates	Obtained on 29 August 2012
Gross floor area	144,925.1 sq.m.
Gross rentable area	105,464.0 sq.m.
Number of carpark spaces	677 underground and 44 above-ground carpark spaces
Number of Leases and Joint Operation Agreements	393
Average rent (RMB/sq.m./month) for the month of July 2018(3)	RMB116.9 (based on gross rented area)
Percentage of gross rented area of top 10 Occupants(4)	33.6%
Percentage of gross rental income from top 10 Occupants for the month of July 2018(4)	12.7%
Occupancy rate(5)	97.2%

Revenue for the six months ended 30 June 2018	RMB77.696 million, representing an annualised gross property yield of 9.4% based on Target Property Price
Net property income for the six months ended 30 June 2018(6)	RMB62.085 million, representing an annualised net property yield of 7.5% based on Target Property Price
Appraised Value as at 30 June 2018	RMB2,029.0 million

Notes:

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

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

(3) Average rent per leased sq.m. is based on rental income (inclusive of value-added tax and operation management fees), exclusive of management fees and promotion fees.

(4) Top 10 Occupants by leased gross rented area.

(5) Occupancy rate calculated based on leased gross rentable area over total gross rentable area, which excludes the carpark spaces of the Target Property.

(6) Calculated by deducting adjusted property operating expenses from total revenue. Total revenue consists of rental income (net of valued-added tax) and all income accruing or resulting from the operation of the Target Property. Adjusted property operating expenses are property operating expenses including tax expenses, utilities expenses, repair and maintenance expenses, and adjusted to further include without limitation advertising and promotion expenses and employee benefit expenses.

5.1.3 Key financial information

Based on the Accountant's Report of the Project Company set out in Appendix 2B to this Circular, the following table contains certain financial information of the Project Company for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 in accordance with the International Financial Reporting Standards:

	For the year ended 31 December 2015 *(RMB'000)*	**For the year ended 31 December 2016** *(RMB'000)*	**For the year ended 31 December 2017** *(RMB'000)*
Revenue	123,146	131,723	149,842
Fair value gain of investment property	155,000	117,000	144,000
Profit before income tax	192,781	173,048	219,434
Profit and total comprehensive income	131,331	118,072	150,079

The Target Company has no profit or loss for the same period as it was incorporated in September 2018. No profit or loss is attributable to the HK Intermediary Company or the PRC Intermediary Companies as they will only be incorporated prior to Completion pursuant to the Reorganisation.

5.1.4 Occupant Profile and Details of Occupancy Mix

The table below sets out details of the overall occupant diversification of the Target Property, in terms of trade sub-sector by reference to total gross rented area as at 31 July 2018 and total gross rental income for July 2018, based on information provided by the Seller:

Trade sector	**Percentage by gross rented area**	**Percentage by gross rental income**
Fashion	43.4%	53.7%
Food and Beverage	29.3%	27.3%
Leisure and Entertainment	10.3%	6.6%
Household	12.5%	6.2%
Others	4.5%	6.2%
Total	100.0%	100.0%

5.1.5 Schedule of Occupancy Expirations

The table below sets forth details of the percentage of expiries in respect of the Target Property's occupancy under the Leases and Joint Operation Agreements as at 31 July 2018, which are scheduled to take place during the periods indicated below, by reference to total gross rented area as at 31 July 2018 and total gross rental income for July 2018, and assuming the Leases and Joint Operation Agreements will not be renewed, based on information provided by the Seller:

Period	**Percentage by gross rented area**	**Percentage by gross rental income**
Year ending 31 December 2018	16.0%	23.5%
Year ending 31 December 2019	26.8%	38.3%
Year ending 31 December 2020	11.5%	14.1%
Year ending 31 December 2021	6.2%	6.4%
Year ending 31 December 2022 and beyond	39.5%	17.7%
Total	100.0%	100.0%

5.1.6 Top 10 Occupants

The table below sets out the top 10 Occupants by reference to total gross rented area as at 31 July 2018 and total gross rental income for July 2018, based on information provided by the Seller:

No.	**Trade sector**	**Occupancy expiry**	**Percentage by gross rented area(1)**	**Percentage by gross rental income(1)**
1	Household	30 April 2031	7.5%	1.5%
2	Leisure and Entertainment	12 June 2026	7.1%	3.2%
3	Fashion	30 June 2026	6.7%	2.3%
4	Food and Beverage	18 April 2026	4.2%	1.0%
5	Household	31 March 2026	1.8%	0.5%
6	Fashion	30 June 2028	1.5%	0.0%(2)
7	Food and Beverage	24 September 2026	1.4%	1.4%
8	Fashion	31 March 2019	1.2%	0.4%
9	Leisure and Entertainment	31 March 2019	1.2%	1.9%
10	Food and Beverage	30 June 2029	1.1%	0.5%

Notes:

(1) If Leases or Joint Operation Agreements are entered into by different entities belonging to the same group, they are treated as a single entity, and the relevant figures are combined for the purpose of this table.

(2) This occupant recorded no rental income in July 2018 due to it being subject to a rent-free period during the month of July 2018.

5.1.7 Delinquency Rates

No provision was made for unpaid rents for the years ended 31 December 2015, 2016 and 2017 in respect of the Target Property.

5.2 Property Valuation

Knight Frank Petty Limited, the current principal valuer of Spring REIT, has been appointed as the Independent Property Valuer to appraise the value of the Target Property for the purpose of the Acquisition. The Appraised Value of the Target Property (as assessed by the Independent Property Valuer as at 30 June 2018) was RMB2,029.0 million. The Target Property Price represents an approximate 18.5% discount to the Appraised Value.

In arriving at the Appraised Value, the Independent Property Valuer has made use of the income approach with reference to market approach, where appropriate. The income approach values the capacity of the Target Property to generate monetary benefits of income and reversion, and converts estimated annual income expectancy into an indication of the present value of the Target Property either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor. Such approach is based on the premise that the income capability of an investment is a measure of value. Market approach values the Target Property by comparing it with similar properties previously sold and adjusting the property value to reflect items such as location, date of transaction, maintenance, accessibility and other relevant considerations.

As the Appraised Value only relates to the valuation of the Target Property, it does not take into account the financing and shareholding structure of the Target Property and is not equivalent to the value of the Target Group. Accordingly, the parties have agreed to adjust the Target Property Price in the manner described in section 2.4.2 headed "Consideration and payment terms for the Acquisition" in this Circular.

5.3 Ownership

Spring REIT will not directly hold the Target Property. Instead, the Target Property will be held on trust for Spring REIT by the Trustee in accordance with the provisions of the Trust Deed. More specifically, the Trustee will, through the Purchaser, hold the Target Company. The Target Company will (after the Reorganisation) indirectly hold the entire equity interest in the Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Target Property.

The PRC legal adviser of the Manager, Zhong Lun Law Firm, has advised that the Project Company has legally obtained the state-owned land use rights in respect of the Target Property and that it is the registered legal user of the land use rights and the registered legal owner of the building ownership rights underlying the Target Property. The Project Company has legal ownership of the Target Property and can legally own, use and deal with the Target Property in accordance with the relevant PRC laws. The PRC legal adviser of the Manager has also advised that the Project Company is the sole user of the land use rights and the sole owner of the building ownership rights underlying the Target Property and that such rights are free from encumbrances other than the Existing Property Mortgage, Leases and Joint Operation Agreements.

Based on the above, the PRC legal adviser of the Manager is of the view that the Project Company can legally own, occupy, transfer and lease out the Target Property in accordance with the relevant PRC laws free from encumbrances, subject to the conditions of the Existing Property Mortgage, Leases and Joint Operation Agreements. Based on the above advice of the PRC legal adviser, the Manager is of the view that the Project Company will have good, marketable, legal and beneficial title to the Target Property upon Completion.

According to the *Law of the People's Republic of China on Administration of Urban Real Estate* (中華人民共和國城市房地產管理法), if the land user intends to continue to use the land upon expiry of the use term (being 1 February 2048 in respect of the Target Property), such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. For the reasons above, the PRC legal adviser of the Manager has advised that a land user may extend the land use right in accordance with PRC laws and administrative regulations. However, there can be no assurance that a land use right extension can always be obtained.

The Manager's PRC legal adviser has advised that there is no legal impediment on the remittance of dividends on retained earnings of the Project Company out of the PRC to the HK Intermediary Company, provided that such remittance is made and tax-levied in accordance with the procedures set out under the relevant PRC laws and regulations, including but not limited to laws those on foreign investment, tax and foreign exchange and that such remittance is not made in breach of the terms of the Existing ICBC Facility and the Existing Property Mortgage. However, there is no assurance that new PRC regulations restricting RMB remittance into or out of the PRC will not be promulgated in the future.

5.4 Leases and Joint Operation Agreements

5.4.1 Leases

The Leases entered into for the Target Property are generally for terms ranging from one to five years, depending on factors such as the expiry and lessee profile of the Target Property. Most Leases have fixed terms, but in some Leases the Lessees and the Project Company as landlord have agreed on an optional term for renewal apart from the fixed term, in which case, the rental increase shall be re-determined through negotiation between both parties in accordance with the market conditions for commercial retail premises.

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

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

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

5.4.2 Joint Operation Agreements

General

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

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

Joint Operation Agreements are less common than Leases at the Target Property. As at 31 July 2018, the area of the premises at the Target Property subject to Joint Operation Agreements represents approximately 9% of the total gross rented area of the Target Property and, based on the information provided by the Seller, the income derived from the Joint Operation Agreements accounted for approximately 14% of the Project Company's total revenue for the six months ended 30 June 2018.

The PRC legal adviser to the Manager has advised that the Joint Operation Agreements are legal and enforceable under PRC laws and regulations. Having regard to the abovementioned economics and below-mentioned terms and potential liabilities of the Joint Operation Agreements, the Manager considers that the Joint Operation Agreements are consistent with the Manager's investment strategy, comply with the Trust Deed and the REIT Code and are in the best interests of the Unitholders.

Allocation of key responsibilities and potential liabilities

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

(a) the Project Company's key responsibilities include: (1) delivering the premises to the Operators; (2) arranging events in the Target Property's common areas; (3) collecting the gross income from the premises and paying part of the same (as specified in the Joint Operation Agreements) to the Operators; and (4) issuing tax invoices in its own name to end customers; and

(b) the Operator's key responsibilities include: (1) using the premises as agreed and starting the business after the Project Company's requirements have been satisfied (including but not limited to the Operator obtaining proper permits/licenses, staff, goods, facilities and cashier); (2) deciding the prices for goods, returning or changing the goods, keeping inventory; (3) maintaining cleanliness and ensuring property and personal safety on the premise; (4) purchasing erection all risk insurance and public liability insurance for the premises; and (5) reporting income to the Project Company.

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

Based on advice from the PRC legal advisors to the Manager, according to *Article 53 of the General Principles of Civil Law*, if a joint operation agreement between institutions specifies that each party shall conduct business independently (as is the case in relation to the Joint Operation Agreements), it shall stipulate the rights and obligations of each party, and each party shall bear civil liability separately in accordance with the joint operation agreement. Further, the Project Company is not a party to the contracts entered into in respect of the operation of the premises (e.g. employment contracts, supply contracts) as these are entered into between the Operator (in its own name) and third parties. Accordingly, the Project Company shall not be liable for the responsibilities of the Operator under the Joint Operation Agreement, even where the Operator seeks to avoid liability (e.g. salary, costs of goods) with such third parties, although it may be liable for how the Operator operates the premises in the limited circumstance described below.

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

Given the brand reputation of the Operators and the nature of their businesses, the Manager considers the risk of product liability or quality control claims or administrative penalties, as well as the risk of the Operators not being able to indemnify the Project Company, to be low. Having regard to: (i) the income historically derived from the Joint Operation Agreements as a percentage of the Project Company's total revenue; (ii) the area of the premises subject to the Joint Operation Agreements as compared to the gross rented area of the Target Property; (iii) the nature of the business conducted by majority of the Operators; (iv) the abovementioned indemnities from the Operators and other recourse available to the Project Company; and (v) the abovementioned indemnity from the Seller and its holding of the Consideration Units during the Lock-up Period, the Manager does not consider the Joint Operation Agreements to pose a material risk to Spring REIT and is of the view that the interests of Unitholders are adequately protected against the abovementioned potential liabilities.

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

Other terms of the Joint Operation Agreements

The Joint Operation Agreements are generally for terms ranging from four months to four years. At the time of entering into a Joint Operation Agreement, most of the Operators are required to pay a non-interest bearing security deposit ranging in amounts up to approximately RMB300,000.

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

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

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

5.5 Management Strategy

5.5.1 Overall Strategy

Should the Acquisition be completed, the Manager intends to continue with the same key objectives and principal investment strategies for Spring REIT. Certain aspects of these strategies are described below.

5.5.2 Optimize lessee mix

The Manager will continue to actively manage lease expirations to identify opportunities to maintain an optimal mix. The Manager intends to continue to verify the backgrounds of new lessees before entering into leases, including the nature of their business and their customers, and focus on maintaining a high quality tenant base to promote the prestigious status of the Target Property and the Existing Properties and ensure stability of rental income.

5.5.3 Control property expenses

The Manager will continue to work closely with the property managers of Spring REIT's properties to control property expenses without compromising the quality of services to lessees. The Manager will continue to monitor expenses closely against the annual maintenance and renovation plan.

5.5.4 Increasing returns through asset enhancement

The Manager will continue to explore scope for improvements that will create additional value for the properties of Spring REIT and thus the value of Spring REIT. Advice from professional consultants and advisers will be sought for any possible asset enhancement plan as and when appropriate. Possible enhancement measures include modifications of the lettable space, change or addition of use and increasing the connectivity and accessibility of the properties of Spring REIT, subject to compliance with all the relevant laws and regulations.

As at the Latest Practicable Date, the Manager had no specific plans for renovation or improvement of the Target Property, other than to continue ongoing renovation works in the ordinary course of business. The Manager may or may not carry out such activities depending on the needs of the Target Property as the Manager considers appropriate.

5.5.5 Maximising occupancy rate and long-term value of the properties of Spring REIT

The Manager will seek to maximise the occupancy rate of the properties of Spring REIT by, among other things: (i) increasing lessee retention rates by maintaining good relationships with existing lessees; (ii) working with the property managers and/or building managers of such properties to provide world-class professional services to meet the lessees' ongoing needs; (iii) proactively managing lease renewals to minimise downtime arising from lease expirations or early termination; and (iv) actively conducting marketing through property agents and advertising about such properties through the media to further increase the awareness of the properties of Spring REIT to attract new lessees.

5.6 Management of the Target Property

Following Completion, the Manager will have the general power of management over the Target Property and its primary objective is to manage the Target Property solely for the benefit of the Unitholders. The Manager will be responsible for working with and supervising the Property Manager and the Building Manager in respect of the day-to-day management of the Target Property. On Completion, the Project Company will enter into the Property Management Agreement with Huizhou Huamao Operations Management Co., Ltd.* as Property Manager and the Building Management Agreement with Huizhou Huamao Property Management Co., Ltd.* as Building Manager for provision of management services in respect of the Target Property. The Target Property has historically been managed by the property and building management staff of Huamao Group (華貿集團). Huamao Group has extensive experience in the commercial and retail real estate sector in the PRC. It is the developer of China Central Place, a prime mixed-use development complex in the CBD of Beijing comprising office, hotel, retail and residential components. Huamao Group manages certain retail portions of the China Central Place complex and is a joint owner of SKP Beijing, one of the largest department stores by sales in the PRC which is also located within the China Central Place complex. The Property Manager and Building Manager are part of Huamao Group and are managing the Target Property as at the Latest Practicable Date. The Manager understands the key management staff of the Property Manager and Building Manager are selected from the team that has historically been managing the Target Property and, hence, have extensive experience in providing the relevant services in respect of the Target Property. This will ensure smooth transition and continuity of management services after Completion.

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

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Property Manager and the Building Manager is not a connected person of Spring REIT as at the Latest Practicable Date, but will become a connected person of Spring REIT on and from the date of Completion for the reasons described in section 2.1 headed "Overview" in this Circular.

5.6.1 Property Management Agreement

At Completion, the Project Company and the Property Manager will enter into the Property Management Agreement pursuant to which the Property Manager (being the property management company of the Seller) agrees to provide property management services in respect of the Target Property for a term of three years commencing from the Completion Date. Subject to the parties' agreement, the term of the Property Management Agreement can be extended for an additional three years.

Under the Property Management Agreement, the Property Manager will be entitled to receive from the Project Company:

(a) in respect of each year during the three-year term, an amount equal to: (i) the Property Manager's salary expenses; and (ii) general and administrative expenses (including promotion and advertising expenses) of the Project Company incurred and paid by the Property Manager, with such amount reimbursable for the general and administrative expenses incurred and paid by the Property Manager capped at 4% of the annual revenue of the

Project Company (which refers to the revenue generated by the Target Property but excludes, among other things, the revenue generated by the carpark spaces); and

(b) subject to the parties' agreement to extend the term referred to above, in respect of each year during the extended term, an amount equal to: (i) the Property Manager's salary expenses; (ii) the Project Company's general and administrative expenses (including promotion and advertising expenses), with such amount reimbursable for the general and administrative expenses incurred and paid by the Property Manager capped at 4% of the annual revenue of the Project Company (which refers to the revenue generated by the Target Property but excludes, among other things, the revenue generated by the carpark spaces); and (iii) a fee equivalent to 3% of the annual revenue of the Project Company (which refers to the revenue generated by the Target Property but excludes, among other things, the revenue generated by the carpark spaces, which shall be settled on a monthly basis and subject to an annual adjustment based on the annual audit of the Project Company).

The services to be provided by the Property Manager under the Property Management Agreement include, among other things, leasing management services, property management advisory services, marketing advisory services, operational management services and asset enhancement initiatives ("**AEI**").

Pursuant to the Property Management Agreement, the Property Manager is subject to ongoing supervision by the Manager. The Property Manager is required to provide a property management budget report on an annual basis within the required time for approval by the Project Company, in relation to, among others, leasing, marketing and AEI strategies. Further, the Property Manager is required to provide the Project Company with a monthly management report, which should contain, among other things, a summary of the Leases and the Joint Operation Agreements, budgets, operating and management conditions of the Target Property, updates in relation to marketing initiates and AEI plans, and other information as required by the Project Company. On an ad-hoc basis, the Property Manager is obliged to provide updates on the management of the Target Property as and when requested by the Project Company. The Property Manager may not enter into leases and service agreements without first seeking the approval of the Project Company.

5.6.2 Building Management Agreement

On Completion, the Project Company and the Building Manager will enter into the Building Management Agreement pursuant to which the Building Manager agrees to provide building management services in respect of the Target Property (including the carpark spaces) for a term of three years, which is renewable by the parties' agreement, commencing from the date of the Building Management Agreement. All carpark spaces of the Target Property will also be master-leased to the Building Manager for the same period for RMB1,000 per year.

Under the Building Management Agreement, the Building Manager shall collect building management fees from the Lessees (or Operators, as the case may be) at the rate specified in the Leases (or Joint Operation Agreements, as the case may be) and deposit such fees into an account jointly maintained by the Project Company and the Building Manager. The building management fees will be borne and paid entirely by the Lessees (or Operators, as the case may be). Utilities charges incurred for the common areas of the Target Property will be funded from such account and, for operational purposes, be firstly paid from such account to the Project Company, which will in turn pay the utilities providers. The Building Manager will be entitled to be paid from such account a commission of RMB1 per sq.m. per month with reference to the gross floor area of the Target Property.

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

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

5.7 Competition

According to the Market Consultant's Report, upcoming supply in mid-to-high end retail developments in Huizhou will be limited. There is only one confirmed project, Rongcan Huizhou Centre (榮燦惠州中心), which will be ready for occupancy in latter half of 2018.

Rongcan Huizhou Centre has a total gross floor area of approximately 30,000 sq.m. and neighbours the Target Property. It is similar to the Target Property in terms of its positioning as well as the quality of its residential and office components. Nevertheless, the retail component of Rongcan Huizhou Centre will only be approximately one-fifth of the size of the Target Property and, according to the view expressed in the Market Consultant's Report, would not have a material adverse impact on the market performance of the Target Property, but rather would strengthen the area as a retail destination hub, attracting more patronage to the area. According to the Market Consultant's Report, given the Target Property's scale, quality and reputation, the Target Property will remain a leading retail destination in the mid-to-high end retail market of Jiangbei.

Currently in Jiangbei, where the Target Property is located, there are two other mid-to-high end shopping malls, namely Kaisa Plaza (惠州佳兆業廣場) which entered into the market in three phases between 2013 and 2015, and Xinhua Cultural Plaza (惠州新華廣場) which entered into the market in 2017. As a pioneer in the mid-to-high end retail market, the Target Property was the first among the aforementioned three projects to open in 2011 and has remained an established brand name in Huizhou.

According to the Market Consultant's Report, out of the existing mid to high-end shopping malls in Huizhou, Kaisa Plaza (惠州佳兆業廣場) and Ganghui Mall (港惠購物中心) are the key competitors of the Target Property due to their scale and reputation as shopping destinations in Huizhou. Although Xinhua Cultural Plaza is also located in Jiangbei, it is not considered a key competitor to the Target Property, given that its trade mix focuses solely on cultural products, such as a 24/7 book store and stationery boutique, and that it caters to a different target customer group.

Although Kaisa Plaza may compete with the Target Property, in the view of Market Consultant, Kaisa Plaza is still at a stage of maturing and its overall international brand offering and design quality are not as high-end as those of the Target Property. Kaisa Plaza's average rent has also been lower than both the Target Property's and the city's average rent since Kaisa Plaza's opening in 2013.

The Target Property is the second largest mid-to-high end shopping mall in Huizhou in terms of gross floor area, behind only Ganghui Mall. Ganghui Mall is located in Henan'an, which is a submarket different from that of the Target Property. The Target Property is home to more international retail brands and, in the view of the Market Consultant, has a better design and layout.

6. DISTRIBUTION AFTER COMPLETION

At Completion, the Seller will enter into the Distribution Deed with the Manager and the Trustee, pursuant to which the Seller agrees to irrevocably forego part of its distribution in respect of the "**Relevant Consideration Units**", being the Consideration Units issued as payment of the Initial Consideration (including the Tax Holdback Amount).

Specifically, the Seller shall forego in respect of the Relevant Consideration Units only:

(a) (in respect of distribution periods ending on a date prior to Completion) 100% of its distribution entitlement for such period; and

(b) (in respect of the distribution period during which Completion occurred) the Relevant Percentage of its distribution entitlement for such period, with the "**Relevant Percentage**" being equal to the number of days between the start of the distribution period and Completion expressed as a percentage of the total number of days in the distribution period,

with such amount in any distribution period being the "**Foregone Distribution**".

Pursuant to the Distribution Deed, the Foregone Distribution will be additionally distributed to Unitholders (in the same distribution period that the Seller forewent such amount) based on the following formula:

A = (B/C) x D

where:

(i) "**A**" is the amount of the additional distribution for the Unitholder;

(ii) "**B**" is the Foregone Distribution;

(iii) "**C**" is the aggregate number of Units as at the close of business on the relevant record date, less the number of Relevant Consideration Units; and

(iv) "**D**" is the number of Units registered in the name of the relevant Unitholder as at the close of business on the relevant record date, less (where the relevant Unitholder is the Seller) the number of Relevant Consideration Units.

For the avoidance of doubt, the Seller shall not forego any distribution entitlement in respect of the Consideration Units to be issued as payment of the True-up Payment (if any), nor will any Foregone Distribution need to be refunded to the Seller where the Purchaser is required to make a True-up Payment to the Seller.

7. FINANCIAL EFFECTS OF THE ACQUISITION

7.1 Pro Forma Financial Effects of the Acquisition

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

(a) the unaudited interim condensed financial information of Spring REIT for six months ended 30 June 2018; and

(b) the audited financial information of the Project Company for the six months ended 30 June 2018 as set out in Appendix 2B headed "Accountant's Reports of the Project Company" to this Circular,

and assuming:

(1) the Consideration is RMB1,653,466,000 (being the Target Property Price), minus the amounts attributed to the Existing ICBC Facility and Onshore Loan, subject to an adjustment to either: (a) add the amount of Adjusted NAV as at Completion (if it is a positive amount); or (b) subtract the absolute value of the amount of Adjusted NAV as at Completion (if it is a negative amount) and will be satisfied in the following manner: (i) RMB110 million shall be paid in cash; and (ii) the balance shall be settled by issuance of Consideration Units;

(2) in respect of section 7.2 of this Circular, the amounts stated in RMB for the Target Group are converted into US$ at a rate of RMB6.3680 to US$1. In respect of sections 7.3 and 7.4 of this Circular, the amounts stated in RMB for the Target Group are converted into US$ at a rate of RMB6.6210 to US$1, respectively; and

(3) other matters stated in sections 7.2 to 7.4 of this Circular.

The Manager considers the above assumptions to be appropriate and reasonable as at the date of this Circular. However, Unitholders should consider the information outlined below in light of such assumptions and make their own assessment of the future performance of Spring REIT.

Based on the pro forma financial effects of the Acquisition as stated in this section as well as Appendix 3 headed "Unaudited Pro Forma Financial Information of the Enlarged Group" which provides a more detailed illustration of the financial effects of the Acquisition, the Manager does not foresee any material adverse impact on the financial position of Spring REIT as a result of the Acquisition.

Unitholders should note that the financial effects of the Acquisition is on a pro forma basis and is subject to the assumptions set out in Appendix 3 headed "Unaudited Pro Forma Financial Information of the Enlarged Group" to the Circular. Accordingly, they do not constitute a profit forecast or represent the actual financial position of Spring REIT as a result of the Acquisition in the future.

7.2 Pro Forma DPU

The pro forma financial effects of the Acquisition on the DPU for the six months ended 30 June 2018, as if the Acquisition was completed on 1 January 2018 and Spring REIT had held and operated the Target Property through to 30 June 2018, are as follows:

	Before the Acquisition	After the Acquisition
Total Distributable Amount (US$'000)	20,082(1)	25,555(2)
Issued Units ('000)	1,268,973(3)	1,510,327(4)
DPU (HKD)	0.120	0.128

Notes:

(1) Based on the unaudited interim condensed statement of distribution of Spring REIT for the six months ended 30 June 2018.

(2) The financial performance of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Spring REIT for the six months ended 30 June 2018 and the audited financial information of the Project Company for the six months ended 30 June 2018; and (ii) assuming the Acquisition was completed on 1 January 2018.

Total distributable amount includes both the total distributable income and additional amount to be distributed. In respect of the total distributable income of the Enlarged Group, it is determined in accordance with the Trust Deed and the interim report of the Group for the six month ended 30 June 2018, that is the consolidated profit after income tax before transactions with unitholders attributable to unitholders for the six month ended 30 June 2018, after adjusting fair value gains on investment properties, deferred taxation, unrealised foreign exchange loss, Manager's fee paid and payable in units in lieu of cash, fair value gain/loss on derivative financial instruments and other non-cash adjustments. On the basis that the Manager decided to adjust one-off and non-recurring expenses for distribution, Total fees and charges, excluding the upfront fee of the New Facility, incurred in connection with the Acquisition would be added back and distributed as an additional amount.

(3) Number of issued Units as at 30 June 2018 and 3,791,887 Units issued on 3 August 2018 for settlement of the Manager's fee for the period from 1 April 2018 to 30 June 2018.

(4) Number of issued Units as at 30 June 2018 and 239,478,000 Units issued at HKD3.329 per Unit, basing on the average closing price of a Unit as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and excluding the Latest Practicable Date pursuant to the Share Purchase Deed, as Consideration Units and 5,668,000 new Units issued pursuant to the Transaction for payment of manager's fee for the Enlarged Group assuming the Acquisition has been completed on 1 January 2018. For illustrative purposes, the Latest Practicable Date is taken as 1 January 2018 for this section 7.2.

7.3 Pro Forma NAV attributable to Unitholders per Unit

The pro forma financial effects of the Acquisition on the NAV attributable to Unitholders per Unit as at 30 June 2018, as if the Acquisition was completed on 30 June 2018, are as follows:

	Before the Acquisition	**After the Acquisition**
NAV attributable to Unitholders (US'000)	975,767(1)	1,073,460(2)
Issued Units ('000)	1,265,181(3)	1,515,007(4)
NAV attributable to existing Unitholders per Unit (HKD)(5)	6.05	5.56

Notes:

(1) Based on the unaudited interim condensed consolidated statement of financial position of Spring REIT as at 30 June 2018.

(2) The financial position of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial statements of Spring REIT as at 30 June 2018 and the audited financial information of the Project Company as at 30 June 2018; and (ii) assuming the Acquisition was completed on 30 June 2018.

(3) Number of issued Units as at 30 June 2018.

(4) Number of issued Units as at 30 June 2018 and 249,826,000 Units issued at HKD3.324 per Unit, based on the average closing price of a Unit as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and excluding the Latest Practicable Date pursuant to the Share Purchase Deed, as Consideration Units assuming Acquisition was completed on 30 June 2018. For illustrative purposes, the Latest Practicable Date is taken as 30 June 2018 for this section 7.3.

(5) Assuming the Acquisition was completed on 30 June 2018, the Issue Price would be HKD3.324 (based on the average closing price of a Unit as quoted on the Hong Kong Stock Exchange for the last 10 trading days prior to 30 June 2018) and the Consideration Units to be issued would be 249,826,000. Given HKD3.324 is lower than the actual NAV attributable to existing Unitholders per Unit (being HKD6.05) before the Acquisition, there will be a decrease in NAV attributable to Unitholders per Unit immediately after the Acquisition.

7.4 Pro Forma capitalisation

The following table sets forth the capitalisation of Spring REIT as at 30 June 2018 based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 3 to this Circular, as if Spring REIT had completed the Acquisition on 30 June 2018.

	Actual *(USD'000)*	**After the Acquisition** *(USD'000)*
Total debt[(1)]	533,166	722,917
Net assets attributable to Unitholders	975,767	1,073,460
Total capitalisation[(2)]	1,508,933	1,796,377

Notes:

(1) Total debt represents total current and non-current borrowings.

(2) Total capitalisation equals to total debt plus net assets attributable to Unitholders.

7.5 Impact of the Acquisition on the unitholdings in Spring REIT

The following tables set forth information with respect to interests held by Connected Persons and Public Unitholders: (a) as at the Latest Practicable Date; and (b) upon the issuance of the Consideration Units assuming the Illustrative Consideration Units are issued and no additional Units are issued post-Completion.

	As at the Latest Practicable Date		Upon issuance of Illustrative Consideration Units		
	Number of Units	*% Unitholding*	*Newly issued Units*	*Total number of Units*	*% Unitholding*
Connected Persons					
Significant Unitholders	521,285,000	41.1%	–	521,285,000	34.6%
RCA Fund/RCAC	345,204,000	27.2%	–	345,204,000	22.9%
PAG Holdings Limited	176,081,000	13.9%	–	176,081,000	11.7%
Manager Group	60,890,532	4.8%	–	60,890,532	4.0%
Directors	2,310,000	0.2%	–	2,310,000	0.2%
Toshihiro Toyoshima	700,000	0.1%	–	700,000	0.0%
Nobumasa Saeki	400,000	0.0%	–	400,000	0.0%
Hideya Ishino	49,000	0.0%	–	49,000	0.0%
Simon Murray	396,000	0.0%	–	396,000	0.0%
Qiu Liping	396,000	0.0%	–	396,000	0.0%
Lam Yiu Kin	369,000	0.0%	–	369,000	0.0%
Subtotal	584,485,532	46.1%	–	584,485,532	38.8%
Public Unitholders					
Seller[(1)]	–	0.0%	238,499,191	238,499,191	15.8%
Other Public Unitholders	684,487,000	53.9%	–	684,487,000	45.4%
Subtotal	684,487,000	53.9%	238,499,191	922,986,191	61.2%
Total	1,268,972,532	100.0%	238,499,191	1,507,471,723	100.0%

Note:

(1) The receipt of Consideration in the form of Consideration Units shall result in the Seller becoming a significant holder and connected person of Spring REIT from the date of Completion under paragraph 8.1(d) of the REIT Code. Please refer to sections 2.1 and 9.1 in this Circular for further details.

8. GUOHUA CCTS WAIVER

8.1 Guohua CCTs

Following Completion and the issuance of the Consideration Units, the Seller will become a significant holder and connected person of Spring REIT from the date of Completion under paragraph 8.1(d) of the REIT Code. Accordingly, a number of transactions with the Guohua Connected Persons Group in respect of Spring REIT's properties (the "**Guohua CCTs**") will constitute continuing connected party transactions of Spring REIT under paragraph 8.5 of the REIT Code.

To the best of the knowledge, information and belief of the Manager, having made all reasonable enquiries as at the Latest Practicable Date, other than the Beijing CCP Carpark Master Lease, there are no subsisting transactions with the Guohua Connected Persons Group as at the Latest Practicable Date which will, following Completion and the issuance of Consideration Units, become a connected party transaction of Spring REIT under paragraph 8.5 of the REIT Code.

8.2 Guohua CCTs Waiver

The Manager has applied to the SFC for a waiver (the "**Guohua CCTs Waiver**") from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code for a period ending 31 December 2021 in respect of the following categories of Guohua CCTs.

8.2.1 Leasing transactions

As part of Spring REIT's ordinary and usual course of business, Spring REIT may, from time to time, assume, enter into or renew lease agreements with the Guohua Connected Persons Group in respect of Spring REIT's properties (such transactions being the "**Connected Leasing Transactions**"), including: (i) the Huamao Place Guohua Lease with the Property Manager (being the Huamao Place Guohua Lessee) in respect of an area equal to approximately 0.6% of the gross rentable area of the Target Property which will be entered into on Completion; (ii) the master lease in respect of the Target Property's carpark spaces with the Building Manager under the Building Management Agreement; and (iii) the subsisting Beijing CCP Carpark Master Lease. Other than the Beijing CCP Carpark Master Lease, no Connected Leasing Transactions were subsisting from 1 January 2015 to the Latest Practicable Date.

Relating to Target Property

8.2.1.1 Huamao Place Guohua Lease

The Huamao Place Guohua Lease will commence on the day after Completion for a three-year term. The annual rent under the Huamao Place Guohua Lease is RMB105,660 (including value-added tax) and is payable annually in advance before the start of the relevant year. The Huamao Place Guohua Lessee has an option to renew the Huamao Place Guohua Lease by serving a three-months' prior written notice, in which case the parties must enter into a renewal lease during the three months prior to the original lease's expiry, with the key terms thereof, such as lease term and rent, agreed and determined by reference to what are at the then prevailing market levels.

The Huamao Place Guohua Lease covers an area equal to approximately 0.6% of the gross rentable area of the Target Property, which will be utilised by the Property Manager (as the Huamao Place Guohua Lessee) as office space in which the Property Manager will carry out its services in respect of the Target Property pursuant to the Property Management Agreement.

8.2.1.2 Master lease in respect of Target Property's carpark spaces

The Target Property's carpark spaces comprise 677 underground and 44 above-ground carpark spaces. The main operating objective of the Target Property's carpark spaces has been to offer parking services and convenience to visitors of the Target Property, rather than making profit. The carpark spaces did not generate any profits in the three financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, as the operating expenses were higher than the revenue derived from the carpark spaces of the Target Property. Under the Building Management Agreement, the Target Property's carpark spaces shall be master-leased to the Building Manager at an annual rent of RMB1,000 for the term of three years commencing from the date of the Building Management Agreement. The Building Manager will be entitled to the revenue derived from the operation of those carpark spaces but will also bear the expenses related to the same.

Relating to Existing Properties

8.2.1.3 Beijing CCP Carpark Master Lease

Under the Beijing CCP Carpark Master Lease, approximately 600 underground carpark spaces located at the CCP Property have been master-leased to the Beijing CCP Carpark Master Lessee at an annual rent of approximately RMB3.4 million (net of value-added tax) for one year commencing from 1 January 2018. The Beijing CCP Carpark Master Lease will be automatically renewed and extended for an additional year on the same terms or new terms mutually agreed by both parties unless Beijing Hua-re Real Estate Consultancy Co. Ltd. (as agent of RCA01) as lessor serves a notice to inform the Beijing CCP Carpark Master Lessee that it wishes not to renew the Beijing CCP Carpark Master Lease.

8.2.2 Property management arrangements

Property management arrangements include any transactions in the nature of property management, tenancy services and other operation arrangement in respect of Spring REIT's properties assumed, entered into or renewed between Spring REIT and the Guohua Connected Persons Group (such transactions being the "**Connected PM Transactions**"), including the Property Management Agreement to be entered into at Completion. For further details of the Property Management Agreement, please refer to section 5.6.1 headed "Property Management Agreement" in this Circular.

No Connected PM Transactions in respect of the Existing Properties were subsisting from 1 January 2015 to the Latest Practicable Date.

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 3 to this Circular, assuming the Acquisition was completed and the Property Management Agreement was entered into on 1 January 2018, the property management fee incurred by Spring REIT under the Property Management Agreement would have been RMB8.7 million for the six months ended 30 June 2018.

8.2.3 Building management arrangements

Building management arrangements include any transactions in the nature of building and common area management in respect of Spring REIT's properties assumed, entered into or renewed between Spring REIT and the Guohua Connected Persons Group (such transactions being the "**Connected BM Transactions**"), including the building management arrangements under the Building Management Agreement to be entered into at Completion. For further details of the Building Management Agreement, please refer to section 5.6.2 headed "Building Management Agreement" in this Circular.

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 3 to this Circular, assuming the Acquisition was completed and the Building Management Agreement was entered into on 1 January 2018, the expenses incurred by Spring REIT under the Building Management Agreement would have been RMB0 for the six months ended 30 June 2018.

The parent company of the Beijing CCP Carpark Master Lessee, Beijing CCP & Savills Property Services Management Co., Ltd. (北京華貿第一太平物業管理有限公司), is the building manager for the CCP Property. However, given that the building management agreement in respect of the CCP Property was entered into by the parent company as building manager with Beijing Hua-re Real Estate Consultancy Co. Ltd. as property manager rather than with Spring REIT or RCA01, the building management agreement in respect of the CCP Property does not constitute a continuing connected party transaction under paragraph 8.5 of the REIT Code.

8.2.4 Annual Caps

In any relevant financial year, the annual value of the connected party transactions subject to the Guohua CCTs Waiver described above shall not exceed the respective annual caps (the "**Annual Caps**") set out in the following table:

Categories of Guohua CCTs	**For the year ending 31 December 2019** *(RMB'000)*	**For the year ending 31 December 2020** *(RMB'000)*	**For the year ending 31 December 2021** *(RMB'000)*
Connected Leasing Transactions	4,436	4,848	4,848
Connected PM Transactions	24,699	29,029	30,818
Connected BM Transactions	0	0	0

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

8.2.4.1 Annual Caps for Connected Leasing Transactions

The Annual Caps for the Connected Leasing Transactions have been determined in good faith by the Manager taking into account the following factors and assumptions:

(a) the agreed rent under the Huamao Place Guohua Lease, on the assumption that: (i) the Acquisition will be completed on 31 March 2019, hence the term of the Huamao Place Guohua Lease will commence on 1 April 2019; and (ii) there will be no early termination and as such, the Huamao Place Guohua Lease will expire on 31 March 2022;

(b) the agreed rent under the subsisting Beijing CCP Carpark Master Lease, on the assumption that the rent under such lease will be renewed at the end of 31 December 2018 with a rent increment of 20% and that if such lease is due to expire within the Guohua CCTs Waiver Period, such lease will be renewed upon expiry;

(c) the agreed rent for the Target Property's carpark spaces under the Building Management Agreement, on the assumption that: (i) the Acquisition will be completed on 31 March 2019, hence the term of the Building Management Agreement will commence on 1 April 2019; and (ii) there will be no early termination and as such, the Building Management Agreement will expire on 31 March 2022;

(d) for the amounts in paragraph (a) to (c), specifically and only for the year ending 31 December 2019, apply a buffer of 22% to accommodate the possibility that Acquisition will be completed before 31 March 2019; and

(e) apply a buffer of 15% for the total amount as calculated in paragraph (a) to (d) above for each of the years within the Guohua CCTs Waiver Period. Such buffer is intended for: (i) contingencies such as changes in rent or other market conditions; and (ii) to provide the Manager flexibility to facilitate any additional Connected Leasing Transactions to be entered by Spring REIT during the relevant periods.

8.2.4.2 Annual Caps for Connected PM Transactions

The Annual Caps for the Connected PM Transactions have been determined in good faith by the Manager taking into account the following factors and assumptions:

(a) the Manager's expectation of the Target Property's revenue and the Property Manager's salary expenses within the Guohua CCTs Waiver Period, which was determined by taking into account, among other things, the Target Property's annual rental growth rate as estimated by the Market Consultant, and the outlook of the macro economy in Huizhou and the PRC;

(b) based on the Manager's expectations as mentioned in paragraph (a) above, apply the terms of the Property Management Agreement described in section 5.6.1 headed "Property Management Agreement" to determine value of the Connected PM Transactions; and

(c) apply a buffer of 25% to the amount resulting from paragraph (a) and (b) above, to cope with contingencies such as changes in rent and/or other market conditions in Huizhou and the PRC.

8.2.4.3 Annual Caps for Connected BM Transactions

The building management fees payable under the Building Management Agreement will be paid by the relevant tenants, rather than Spring REIT or the Project Company, to an account jointly maintained by the Project Company and the Building Manager. Furthermore, utilities charges incurred for the common areas of the Target Property will be funded from such account (which is funded by the tenants but not by the Building Manager) and, for operational purposes, be firstly paid from such account to the Project Company, which will in turn pay the utilities providers. Accordingly, no caps are required in respect of the building management fees and the utilities charges.

8.3 Guohua CCTs Waiver Conditions

Pursuant to the Guohua CCTs Waiver, if granted, any connected party transactions falling within the abovementioned categories shall be exempt from the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code, subject to the following waiver terms and conditions:

8.3.1 Approval by Independent Unitholders

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution set out in the EGM Notice to approve the Guohua CCTs Waiver and the Annual Caps.

8.3.2 Duration and extensions or modifications

The Guohua CCTs Waiver shall be for a period which will expire on 31 December 2021 (the "**Guohua CCTs Waiver Period**"). The Guohua CCTs Waiver may be extended beyond 31 December 2021, and/or the terms and conditions of the Guohua CCTs Waiver may be modified from time to time, provided that:

(i) the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

(ii) disclosure of the details of the proposed extension and/or modification, as the case may be, shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

(iii) any extension of the period of the Guohua CCTs Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Spring REIT after the date on which the approval referred to in section 8.3.2(i) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the Guohua CCTs Waiver (including without limitation any such change on the scope or nature of such transactions) as set out in this Circular must be approved by Independent Unitholders pursuant to the condition at section 8.3.2(i) above, and details of the proposed change shall be disclosed in the manner as referred to in the condition at section 8.3.2(ii) above.

8.3.3 Annual Caps

The annual value of the Guohua CCTs shall not exceed the respective annual monetary limits stated in section 8.2.4 headed "Annual Caps" of this Circular.

8.3.4 Disclosure in semi-annual and annual reports

Details of the Guohua CCTs shall be disclosed in Spring REIT's semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

8.3.5 Auditors' review procedures

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

(i) whether all the Guohua CCTs have received the approval of the Board (including the INEDs);

(ii) whether all the Guohua CCTs have been entered into in accordance with the pricing policies of Spring REIT;

(iii) whether all the Guohua CCTs have been entered into and carried out in accordance with the terms of the agreements (if any) governing the transactions; and

(iv) that the total value in respect of each category of Guohua CCTs has not exceeded their respective annual cap amounts (where applicable) set out in section 8.2.4 headed "Annual Caps" above.

8.3.6 Annual review by the Audit Committee and the INEDs

The Audit Committee and the INEDs shall review the relevant Guohua CCTs annually and confirm in Spring 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) based on normal commercial terms (to the extent that there are sufficient 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 agreement 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.

8.3.7 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 of Spring REIT and/or the Audit Committee and/or the INEDs will not be able to confirm the matters set out in sections 8.3.5 and 8.3.6 headed "Auditors' review procedures" and "Annual review by the Audit Committee and the INEDs", respectively.

8.3.8 Auditors' access to books and records

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

8.3.9 Subsequent increase in annual caps with the Independent Unitholders' approval

The Manager may, from time to time seek an increase in one or more of the annual caps amounts set out above, for example, when Spring REIT acquires additional properties and increases the scale of its operations or where there are changes in market or operating conditions, provided that:

(i) the Manager obtains the approval of Independent Unitholders by way of an Ordinary Resolution passed in a general meeting of Unitholders;

(ii) the Manager discloses details of the proposal to increase the cap amounts by way of an announcement of such proposal, and issues a circular and notice to Unitholders in accordance with Chapter 10 of the REIT Code; and

(iii) the requirements set out in sections 8.3.3 to 8.3.8 above shall continue to apply to relevant transactions, save that the increased annual cap amounts shall apply.

8.3.10 Paragraph 8.14 of the REIT Code

The Manager shall comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the relevant Guohua CCTs or where there is any subsequent changes to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval.

8.4 Opinions

8.4.1 Board

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Guohua CCTs Waiver and the Annual Caps as described in this Circular, the Board (including the INEDs) considers that:

(a) each of the Guohua CCTs to be assumed or entered into by Spring REIT on the date of Completion will be assumed or entered into: (i) in the ordinary and usual course of business of Spring REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable in the interests of Spring REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code;

(b) each of the Guohua CCTs to be entered into after the date of Completion for the financial years ending 31 December 2019, 2020 and 2021 shall be entered into: (i) in the ordinary and usual course of business of Spring REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and

(c) the Guohua CCTs Waiver and the basis therefor (including the Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

8.4.2 Independent Financial Adviser

Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on, among other things, the Guohua CCTs Waiver and the Annual Caps to the Independent Board Committee (as well as the Independent Unitholders and the Trustee). The Independent Financial Adviser has confirmed that it is of the view that:

(a) the Guohua CCTs are consistent with the investment objectives and strategy of Spring REIT, at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole; and that the Guohua CCTs are conducted in the ordinary and usual course of business of Spring REIT; and

(b) the Guohua CCTs Waiver and the Annual Caps are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole.

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" to this Circular.

8.4.3 Independent Property Valuer

Knight Frank Petty Limited, the current principal valuer of Spring REIT, has confirmed that the Guohua CCTs to be assumed or entered into are conducted on normal commercial terms at arm's length under prevailing market conditions and are fair and reasonable.

Upon any renewal of any Guohua CCTs, the Manager will obtain an opinion from the principal valuer of Spring REIT to confirm whether the renewed terms of such Guohua CCT are normal commercial terms under prevailing market conditions and are fair and reasonable.

8.4.4 Independent Board Committee

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on, among other things, the Guohua CCTs Waiver and the Annual Caps. Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on, among other things, the Guohua CCTs Waiver and the Annual Caps to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Guohua CCTs Waiver and the Annual Caps, as described in this Circular and having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that:

(a) the Guohua CCTs are consistent with the investment objectives and strategy of Spring REIT, at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole; and that the Guohua CCTs are conducted in the ordinary and usual course of business of Spring REIT;

(b) the Guohua CCTs to be entered into after the date of Completion for the financial years ending 31 December 2019, 2020 and 2021 shall be consistent with the investment objectives and strategy of Spring REIT, at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole; and that such Guohua CCTs shall be conducted in the ordinary and usual course of business of Spring REIT; and

(c) the Guohua CCTs Waiver and the Annual Caps are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole.

8.4.5 Trustee

Based and in sole reliance on: (1) the opinion of the Board in this letter and the information and assurances provided by the Manager; (2) the Letter from 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 Guohua CCTs Waiver and the Annual Caps are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders and the Unitholders as a whole, in accordance with the REIT Code. The Trustee has no objection to the Manager proceeding with the Guohua CCTs Waiver and the Annual Caps, subject to the approval of the same by the Independent Unitholders.

This view is furnished for the sole purpose of complying with paragraph 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 Guohua CCTs Waiver and the Annual Caps. The Trustee has not made any assessment of the merits or impact of the Guohua CCTs Waiver and the Annual Caps, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Guohua CCTs Waiver and the Annual Caps, to seek their own financial or other professional advice.

9. IMPLICATIONS UNDER THE REIT CODE AND THE TRUST DEED

9.1 Independence of counterparties

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries (including with the Trustee): (i) Deutsche Bank AG, as the holding company of the Trustee, is a connected person of Spring REIT pursuant to paragraph 8.1(g) of the REIT Code; (ii) Deutsche Bank AG is, through intermediary companies, one of the ultimate beneficial owners of the Seller with less than 20% attributable interest in the Seller, and it does not control or own the Seller such as to render the Seller an associated company of the Trustee or a connected person under paragraph 8.1 of the REIT Code; and (iii) save as aforesaid, the Seller and its ultimate beneficial owners are, as at the Latest Practicable Date, not connected persons of Spring REIT and are independent third parties.

The receipt of Consideration in the form of Consideration Units shall result in the Seller becoming a significant holder and connected person of Spring REIT from the date of Completion under paragraph 8.1(d) of the REIT Code. Huamao Property, which owns 87.0% of the shares in the Seller, will also become a connected person from the date of Completion. Furthermore, the Seller Lender, Property Manager (which is also the Huamao Place Guohua Lessee) and Building Manager, each being a subsidiary of Huamao Property and an associated company of the Seller, as well as the Beijing CCP Carpark Master Lessee, being an associate of a director of Huamao Property, will also become connected persons of Spring REIT from the date of Completion. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Property Manager (which is also the Huamao Place Guohua Lessee), Building Manager, Beijing CCP Carpark Master Lessee, Seller Lender and their ultimate beneficial owners (other than Deutsche Bank AG for the aforementioned reasons) are, as at the Latest Practicable Date, not connected persons of Spring REIT and are independent third parties.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the W&I Insurers, the Bank and the Occupants (other than the Huamao Place Guohua Lessee and the Building Manager as lessee of the Target Property's carpark spaces) are, as at the Latest Practicable Date, not connected persons of Spring REIT and are independent third parties.

The identity of the Holdback Custodian has not yet been confirmed but shall be an independent third party of Spring REIT and not a connected person.

9.2 Major transaction

As: (1) the net profit (after deducting all charges except taxation and excluding extraordinary items) attributable to the Project Company (inclusive of results of a subsidiary disposed of during the year) represents approximately 58.5% of the profit before taxation and transactions with the Unitholders; and (2) the HKD equivalent of the Target Property Price (being HKD1,897.8 million) represents approximately 45.9% of the total market capitalisation of Spring REIT, based on the average closing price of Spring REIT on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of the Share Purchase Deed, the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions) collectively constitute a major transaction of Spring REIT under the Listing Rules (as if applicable to Spring REIT) and require Unitholders' approval by way of Ordinary Resolution under the REIT Code and the Trust Deed.

Pursuant to paragraph 12.2 of the REIT Code and Clause 7.1.6(ii) of the Trust Deed, Unitholders' approval by way of Ordinary Resolution is required where new securities are not offered to the Unitholders on a pro rata basis unless such new Units are issued pursuant to the General Mandate. As the Consideration Units are not intended to be issued pursuant to the General Mandate, Unitholders' approval will also be specifically sought for the issuance of Consideration Units up to the Authorised Issue under the same Ordinary Resolution to approve the Acquisition and the transactions under the Share Purchase Deed. Details of the Consideration Units are set out in section 4.1 headed "Consideration Units" in this Circular.

9.3 Connected party transactions in respect of the Onshore Loan Transactions

As the Seller and Seller Lender will become connected persons of Spring REIT from the date of Completion, the Onshore Loan Transactions shall, from the date of Completion, constitute connected party transactions under paragraph 8.5 of the REIT Code. Although the total value of the Onshore Loan Transactions will be less than 5% of the latest audited net asset value of Spring REIT (as disclosed in its latest published audited accounts and as adjusted for the Acquisition after Completion) and accordingly will not require Unitholders' approval, the Manager, taking the view that the Onshore Loan Transactions and the Acquisition are linked to each other and part and parcel of a significant proposal, will voluntarily seek Unitholders' approval of the Onshore Loan Transactions under the same Ordinary Resolution to approve the Acquisition and the transactions under the Share Purchase Deed.

9.4 Continuing connected party transactions

On Completion, the Project Company shall enter into: (a) the Property Management Agreement with the Property Manager; (b) the Building Management Agreement with the Building Manager (which also includes a term to master-lease the Target Property's carpark spaces to the Building Manager); and (c) the Huamao Place Guohua Lease with the Huamao Place Guohua Lessee. As the counterparties to the abovementioned transactions (as members of the Guohua Connected Persons Group) will become connected persons of Spring REIT from the date of Completion, the transactions thereunder shall constitute continuing connected party transactions under paragraph 8.5 of the REIT Code.

The Manager has applied for the Guohua CCTs Waiver, being a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of continuing connected party transactions with the Guohua Connected Persons Group (which would include the Property Management Agreement, the Building Management Agreement and the Huamao Place Guohua Lease, as well as the subsisting Beijing CCP Carpark Master Lease). Subject to the SFC's approval, the Guohua CCTs Waiver will be granted upon Completion provided Unitholders' approval for the Guohua CCTs Waiver and the Annual Caps is obtained at the EGM.

9.5 EGM Resolutions

The Manager takes the view that the Acquisition, the issuance of the Consideration Units and the Onshore Loan Transactions are linked to each other and part and parcel of a significant proposal, as the issuance of the Consideration Units and the Onshore Loan Transactions only arise from the consummation of the Acquisition and would not be required but for the entering into of the agreements underlying the Acquisition. Accordingly, the Acquisition, the issuance of Consideration Units and the Onshore Loan Transactions will be proposed under the same Ordinary Resolution.

As the Guohua CCTs Waiver is only required after completion of the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions), the Ordinary Resolution to approve the Guohua CCTs Waiver and the Annual Caps shall be conditional upon the passing of the Ordinary Resolution to approve the Acquisition and the transactions contemplated under the Share Purchase Deed. However, as the total value of the Guohua CCTs to be entered into at Completion is less than 5% of the latest audited net asset value of Spring REIT (as disclosed in its latest published audited accounts and adjusted for the Acquisition), meaning no Unitholder approval is required for the same at Completion, the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions) will not be conditional upon the passing of the Ordinary Resolution to approve the Guohua CCTs Waiver and the Annual Caps. If only the Ordinary Resolution to approve the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions) is approved, then the Manager will comply with all disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of all Guohua CCTs.

Please refer to the EGM Notice for the proposed Ordinary Resolutions in relation to: (a) the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions); and (b) the Guohua CCTs Waiver and the Annual Caps. As soon as practicable after the EGM, the Manager will issue an announcement setting out the results of the EGM, including whether the EGM Resolutions have been passed.

9.6 Restrictions on voting

Paragraph 9.9(f) of the REIT Code and paragraph 3.2 of Schedule 1 to the Trust Deed provide that a Unitholder shall be prohibited from voting their Units at, or counted in the quorum for, a meeting at which they have a material interest in the business to be contracted and that interest is different from the interests of all other Unitholders.

The Seller, being a party to the Share Purchase Deed, has a material interest or deemed material interest in the Ordinary Resolution to approve the Acquisition and issuance of Consideration Units. The Seller has agreed to abstain, and procure that their controlling entities, holding companies, subsidiaries and associated companies as at the date of the EGM will abstain, from voting on the Ordinary Resolution to approve the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions). So far as the Manager is aware, as at the Latest Practicable Date, the parties referred to above as needing to abstain from voting on the Ordinary Resolution to approve the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions) did not hold any Units.

Each member of the Guohua Connected Persons Group has a material interest or deemed material interest in the Ordinary Resolution to approve the Guohua CCTs Waiver. The Seller has agreed to abstain, and procure that each member of the Guohua Connected Persons Group abstain, from voting on the Ordinary Resolution to approve the Guohua CCTs Waiver. The Guohua Connected Persons Group include, among others, the Property Manager, the Building Manager and the Huamao Place Guohua Lessee. So far as the Manager is aware, as at the Latest Practicable Date, the parties referred to above as needing to abstain from voting on the Ordinary Resolution to approve the Guohua CCTs Waiver did not hold any Units.

Notwithstanding that the Manager is owned as to 9.8% by Huamao Property, which also holds 87.0% of the shares in the Seller, Huamao Property is a minority shareholder which does not have any representation in the Board and cannot influence any voting decision of the Manager. The Manager does not consider the interests of its minority shareholder to cause the Manager to have a material interest in the EGM Resolutions that is different from the interests of all other Unitholders which would require it to abstain from voting at the EGM in respect of any EGM Resolution pursuant to the REIT Code and the Trust Deed, nor would the Manager be requested so pursuant to the aforementioned paragraphs as the Manager is not: (i) a controlling entity, holding company, subsidiary or associated company of the Seller; or (ii) a member of the Guohua Connected Persons Group.

Based solely on the information disclosed to it by the Manager and the Manager's confirmation that Huamao Property is a minority shareholder (less than 10%) of the Manager, does not have any representation in the Board and cannot influence any voting decision of the Manager, the Trustee agrees with the Manager's view that the Manager does not have a material interest in the EGM Resolutions solely by virtue of Huamao Property's holding in the Manager that is different from the interests of all other Unitholders which would require the Manager to abstain from voting at the EGM in respect of any EGM Resolution pursuant to the REIT Code and the Trust Deed.

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 any EGM Resolution.

9.7 Submissions made to the SFC in respect of paragraph 7.5(d) of the REIT Code

Paragraph 7.5(d) of the REIT Code provides that the scheme shall have no more than two layers of SPVs through which real estate is held. As indicated in the note to paragraph 7.5(d) of the REIT Code, the SFC has the discretion to allow a scheme to have additional layer(s) of SPVs if justified by the particular circumstances.

As set out in section 2.3 headed "Expected holding structure of the Target Property after Completion" in this Circular, the holding structure of the Target Property after Reorganisation and immediately before Completion involves six layers of SPVs, and upon Completion, Spring REIT will hold the Target Property through six layers of SPVs.

For the purpose of facilitating future group reorganisation and disposal of property interests through intermediate holding companies (for example, to achieve savings in transaction costs), the Manager has made a submission to the SFC for the use of no more than six layers of SPVs in relation to the holding of Spring REIT's interest in the Target Property, subject to the condition that there will be no change to the maximum number of six layers of SPVs used by Spring REIT without further approval of the SFC.

9.8 Preparation of Accountant's Reports

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

Based on the competent accountant's advice, the Manager considers that the presentation of the Accountant's Reports of the Target Company and the Project Company on a separate basis complies with paragraph 7.6 of the REIT Code and Hong Kong Standard on Investment Circular Reporting Engagements 200 issued by the Hong Kong Institute of Certiftied Public Accountants ("**HKICPA**") as: (a) given the Target Company and the Project Company were not under common control on or before the date of reporting, the Accountant's Reports cannot be presented on a combined basis under HKSIR 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by HKICPA; and (b) the other member of the Target Group have yet to be incorporated.

Since the Target Company was incorporated on 7 September 2018, which is after the end of the reporting period for the Accountant's Report of the Project Company, and the other members of the Target Group have yet to be incorporated, the historical financial information of the Target Group prepared on a combined basis (assuming under the common control on or before the date of reporting) would be the same as the historical financial information stated in the Accountant's Report of the Project Company for the years ended 31 December 2015, 2016 and 2017 and six-month period ended 30 June 2018. Further, all the assets and liabilities of the Target Group for the same period will be, at Completion, held by the Project Company.

9.9 Purchaser has discretion

Given the Acquisition is dependent on the satisfaction of the Conditions, for the avoidance of doubt, Unitholders should note that the Manager has the discretion to not proceed with the Acquisition if any of the Conditions shall not have been satisfied or waived prior to the Long Stop Date.

10. RECOMMENDATIONS

10.1 Directors

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the proposed Acquisition as described in this Circular, the Board (including the INEDs) considers that the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions) are: (i) in the ordinary and usual course of business of Spring REIT and consistent with the investment objectives and strategy of Spring REIT; and (ii) 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, the Independent Unitholders and the Unitholders are concerned, and in the interests of Spring REIT, the Independent Unitholders and the Unitholders as a whole.

The opinion of the Board in respect of the Guohua CCTs Waiver and the Annual Caps is set out in section 8.4.1 headed "Board" in this Circular.

Accordingly, the Directors recommend that the Independent Unitholders vote at the EGM in favour of all EGM Resolutions.

10.2 Independent Financial Adviser

The Independent Financial Adviser, Somerley Capital Limited, has been appointed by the Manager to provide its opinion on: (i) the Onshore Loan Transactions; and (ii) the Guohua CCTs Waiver and the Annual Caps, to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

The Independent Financial Adviser has confirmed that it is of the view that the Onshore Loan Transactions are: (i) consistent with the investment objectives and strategy of Spring REIT; and (ii) at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole, in accordance with the REIT Code. The Independent Financial Adviser notes that the Onshore Loan Transactions are included in the Ordinary Resolution (the "**SPD Resolution**") relating to the Share Purchase Deed (including but not limited to the issuance of the Consideration Units), on which the Independent Financial Adviser is not required to provide an independent opinion. Provided the Independent Unitholders are satisfied with all other aspects of the SPD Resolution, based on the opinion regarding the Onshore Loan Transactions as set out in the letter of advice from the Independent Financial Adviser, the Independent Financial Adviser advises the Independent Board Committee to recommend, and the Independent Financial Adviser recommends, the Independent Unitholders to vote in favour of the SPD Resolution. Independent Unitholders are urged to read the Circular in full, including the sections relating to the Share Purchase Deed, before deciding whether to vote in favour of the SPD Resolution.

The opinions of the Independent Financial Adviser in respect of the Guohua CCTs Waiver and the Annual Caps is set out in section 8.4.2 headed "Independent Financial Adviser" in this Circular. The Independent Financial Adviser advises the Independent Board Committee to recommend, and the Independent Financial Adviser recommends, the Independent Unitholders vote in favour of the Ordinary Resolution to be proposed at the EGM to approve the Guohua CCTs Waiver and the Annual Caps.

10.3 Independent Board Committee

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on: (i) the Onshore Loan Transactions; and (ii) the Guohua CCTs Waiver and the Annual Caps. Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion in respect of (i) and (ii) to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Onshore Loan Transactions, as described in this Circular and having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that the Onshore Loan Transactions are: (i) consistent with the investment objectives and strategy of Spring REIT; and (ii) at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole, in accordance with the REIT Code. The opinion of the Independent Board Committee in respect of the Guohua CCTs Waiver and the Annual Caps is set out in section 8.4.4 headed "Independent Board Committee" in this Circular.

Accordingly, the Independent Board Committee recommends that: (i) provided the Independent Unitholders are satisfied with all other aspects of the SPD Resolution, the Independent Unitholders vote in favour of the SPD Resolution; and (ii) the Independent Unitholders vote in favour of the Ordinary Resolution to be proposed at the EGM to approve the Guohua CCTs Waiver and the Annual Caps.

10.4 Trustee

Based and in sole reliance on: (1) the opinion of the Board in this letter and the information and assurances provided by the Manager; (2) the Letter from the Independent Financial Adviser; (3) the Letter from the Independent Board Committee; (4) the Independent Property Valuer's Property Valuation Report; and (5) the Market Consultant's Report, in each case, as set out in this Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code:

(a) is satisfied that the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions) are: (i) consistent with the investment objectives and strategy of Spring REIT; and (ii) fair and reasonable and in the interests of Spring REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and

(b) has no objection to the Manager proceeding with the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions), subject to the approval of the Independent Unitholders.

The views of the Trustee in respect of the Guohua CCTs Waiver and the Annual Caps are set out in section 8.4.5 headed "Trustee".

The Trustee has not made any assessment of the merits or impact of the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions), other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions), to seek their own financial or other professional advice.

11. RESPONSIBILITY STATEMENTS OF THE MANAGER AND THE DIRECTORS

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information contained 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.

12. EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at Room 2401-2, Admiralty Centre 1, 18 Harcourt Road, Hong Kong on 29 October 2018 at 4:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the EGM Resolutions set out in the EGM Notice, which is set out on pages N-1 to N-3 of this Circular.

In order to determine which Unitholders will qualify to attend and vote at the EGM, the Register of Unitholders will be closed from 24 October 2018 to 29 October 2018 (both days inclusive) during which period no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by 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 not later than 4:30 p.m. on 23 October 2018.

You can vote at the EGM if you are a Unitholder on 24 October 2018 which is referred to in this Circular as the EGM Record Date. You will find enclosed with this Circular the EGM Notice (see pages N-1 to N-3 of this Circular) and a form of proxy for use for the EGM.

Your vote is very important. Accordingly, please complete, sign and date the accompanying proxy form in accordance with the instructions printed thereon and return it to the Unit Registrar, Computershare Hong Kong Investor Services Limited, as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Circular.

Yours faithfully,
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

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

26 September 2018

To: The Independent Unitholders

Dear Sirs/Madam,

(1) ONSHORE LOAN TRANSACTIONS; AND
(2) GUOHUA CCTS WAIVER AND ANNUAL CAPS

We have been appointed as members of the Independent Board Committee to advise you in connection with: (i) the Onshore Loan Transactions; and (ii) the Guohua CCTs Waiver and the Annual Caps, details of which are set out in the "Letter to the Unitholders" in the circular dated 26 September 2018 (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 in connection with: (i) the Onshore Loan Transactions; and (ii) the Guohua CCTs Waiver and the Annual Caps. 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 this Circular.

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

(a) the Onshore Loan Transactions are: (i) consistent with the investment objectives and strategy of Spring REIT; and (ii) at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole, in accordance with the REIT Code;

(b) the Guohua CCTs are consistent with the investment objectives and strategy of Spring REIT, at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole; and that the Guohua CCTs are conducted in the ordinary and usual course of business of Spring REIT;

(c) the Guohua CCTs to be entered into after the date of Completion for the financial years ending 31 December 2019, 2020 and 2021 shall be consistent with the investment objectives and strategy of Spring REIT, at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole; and that such Guohua CCTs shall be conducted in the ordinary and usual course of business of Spring REIT; and

(d) the Guohua CCTs Waiver and the Annual Caps are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole.

Accordingly, we recommend that: (i) provided the Independent Unitholders are satisfied with all other aspects of the SPD Resolution, the Independent Unitholders vote in favour of the SPD Resolution; and (ii) the Independent Unitholders vote in favour of the Ordinary Resolution to be proposed at the EGM to approve; the Guohua CCTs Waiver and the Annual Caps.

Yours faithfully,
for and on behalf of
the Independent Board Committee of
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)

Simon Murray
Independent Non-executive Director

Qiu Liping
Independent Non-executive Director

Lam Yiu Kin
Independent Non-executive Director

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee, the Trustee and the Independent Unitholders, 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

26 September 2018

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

Dear Sirs,

CONTINUING CONNECTED PARTY TRANSACTIONS IN RELATION TO (1) ONSHORE LOAN TRANSACTIONS; AND (2) GUOHUA CCTS WAIVER AND ANNUAL CAPS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Trustee and the Independent Unitholders in connection with (i) the Onshore Loan Transactions; and (ii) the Guohua CCTs Waiver and the Annual Caps. Details of the Onshore Loan Transactions, the Guohua CCTs Waiver and the Annual Caps are set out in the Letter to the Unitholders contained in the circular dated 26 September 2018 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 paragraph 9.9(f) of the REIT Code and the Trust Deed, where a Unitholder has a material interest in the transaction tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting. As set out in the Letter to the Unitholders, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller, the Property Manager (which is also the Huamao Place Guohua Lessee), the Building Manager, the Seller Lender and the Beijing CCP Carpark Master Lessee are not connected persons of Spring REIT and are independent third parties as at the Latest Practicable Date. Following Completion and the issuance of the Consideration Units, the Seller will become a "significant holder" and a connected person of Spring REIT under paragraph 8.1(d) of the REIT Code. Huamao Property (which owns 9.8% of the shares in the Manager and 87.0% of the shares in the Seller)will also become a connected person from the date of

Completion. Furthermore, the Seller Lender, the Property Manager (which is also the Huamao Place Guohua Lessee) and the Building Manager, each being a subsidiary of Huamao Property and an associated company of the Seller, as well as the Beijing CCP Carpark Master Lessee, being an associate of a director of Huamao Property, will also become connected persons of Spring REIT from the date of Completion.

Accordingly, the Onshore Loan Transactions and the Guohua CCTs will constitute connected party transactions and continuing connected transactions of Spring REIT respectively under paragraph 8.5 of the REIT Code. As set out in the Letter to the Unitholders, the total value of the Onshore Loan Transactions constitutes less than 5% of the latest audited net asset value of Spring REIT and accordingly will not require Unitholders' approval. The Manager, taking the view that the Onshore Loan Transactions and the Acquisition are linked to each other and part and parcel of a significant proposal, will voluntarily seek Unitholders' approval of the Onshore Loan Transactions under the same Ordinary Resolution to approve, among others, the Acquisition. The Seller, being a party to the Share Purchase Deed, has a material interest or deemed material interest in the Ordinary Resolution to approve the Acquisition and issuance of Consideration Units. In addition, each member of the Guohua Connected Persons Group has a material interest or deemed material interest in the Ordinary Resolution to approve the Guohua CCTs Waiver and the Annual Caps. The Seller has agreed to abstain, and procure that their controlling entities, holding companies, subsidiaries and associated companies (as defined in the REIT Code) as at the date of the EGM and each member of the Guohua Connected Persons Group will abstain, from voting on the Ordinary Resolutions to approve the Acquisition and the Guohua CCTs Waiver.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin, has been established to advise the Independent Unitholders on whether: (i) the Onshore Loan Transactions are: (a) consistent with the investment objectives and strategy of Spring REIT; and (b) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders and the Unitholders as a whole, in accordance with the REIT Code; (ii) the Guohua CCTs are as a whole: (a) 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, in accordance with the REIT Code; and (iii) the basis for the Guohua CCTs Waiver (including the Annual Caps and the basis for arriving at the same) is fair and reasonable and in the interests of Spring REIT, the Independent Unitholders and the Unitholders as a whole, in accordance with the REIT Code. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee, the Trustee and the Independent Unitholders in these regards.

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 continuing connected party transactions, as detailed in the circular of Spring REIT dated 21 March 2017. 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 Spring REIT Group; (v) each of the significant unitholders of Spring REIT; (vi) the Guohua Connected Persons Group 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 draft Property Management Agreement; (ii) the draft Building Management Agreement; (iii) the draft Huamao Place Guohua Lease; (iv) the Beijing CCP Carpark Master Lease; (v) the draft Onshore Loan Agreement; (vi) the annual report of Spring REIT for the year ended 31 December 2017 (the "**2017 Annual Report**"); (vii) the interim report of Spring REIT for the six months ended 30 June 2018 (the "**2018 Interim Report**"); and (viii) other information as set out in the Circular and the Acquisition Announcement. We have also discussed with the Independent Property Valuer the assumptions and bases for their opinion on, and reviewed the opinion letter pertaining to, each of the Huamao Place Guohua Lease, the Property Management Agreement, the Building Management Agreement and the Beijing CCP Carpark Master Lease. 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 Onshore Loan Transactions, the Guohua CCTs Waiver and the Annual Caps, 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 and its special purpose vehicles recorded a total revenue of approximately US$76.7 million and US$43.4 million for the year ended 31 December 2017 and for the six months ended 30 June 2018 respectively. Spring REIT owns the CCP Property, comprising all the office units and approximately 600 car parking spaces in two premium grade office buildings in Beijing, and a portfolio of 84 separate commercial properties in the United Kingdom (the "**UK Portfolio**"). The CCP Property maintained a consistently high occupancy rate, averaging around 95% since 2011. The UK Portfolio is leased to Kwik-Fit (GB) Limited, a nationwide vehicle service provider in the United Kingdom, on a long-term basis.

As set out in the 2017 Annual Report, a significant change in the Beijing real estate tax regime was introduced in 2016, which would have significant impact on the net property income of the CCP Property in the long term. Against this background, the Manager has been considering ways of streamlining its performance, including exploring potential acquisitions opportunities. In July 2017, Spring REIT completed its acquisition of the UK Portfolio, with a view to bringing in stable and regular cash flow over the longer term. The Manager stated its strategy in the 2018 Interim Report that it will continue to seek potential acquisitions actively but at the same time will remain diligent in carefully evaluating these opportunities.

2 Background to and reasons for transactions

2.1 The Acquisition

On 19 September 2018, the Purchaser (a special purpose vehicle of Spring REIT) entered into the Share Purchase Deed with the Seller and the Trustee, to acquire the entire equity interest in the Target Company (subject to a reorganisation) at the Target Property Price of approximately RMB1,653.5 million. The Target Company indirectly holds 100% of the legal and beneficial interest in the Project Company, which in turn is the registered legal owner of the land use rights and current ownership rights underlying the Target Property, a shopping mall known as "Huamao Place" (華貿天地) located in Huizhou city, Guangdong Province, the PRC. The Target Property Price represents an approximate 18.5% discount to the Appraised Value of the Target Property, being approximately RMB2,029.0 million as at 30 June 2018, as appraised by Knight Frank Petty Limited, the Independent Property Valuer.

The Consideration, comprising the Target Property Price and certain adjustments including indebtedness of the Target Group, will be settled in the form of Consideration Units and cash.

The Target Property has an aggregate gross floor area of approximately 144,925.1 sq.m., including a total of 721 carpark spaces located in the underground and aboveground of the Target Property. As stated in the Letter to the Unitholders, the Target Property's occupancy rate has consistently been 92% or above every year since 2012, and was approximately 97.2% as at 31 July 2018. As confirmed by the Manager, all the existing Leases and Joint Operation Agreements as at the Latest Practicable Date were entered into with the parties independent from Spring REIT and the Guohua Connected Persons Group.

As set out in the Letter to the Unitholders, as shown in the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the six months ended 30 June 2018 as set out in Appendix 3 to the Circular, assuming the Target Property had been held and operated by Spring REIT for the six months ended 30 June 2018, the DPU of Spring REIT would be increased by approximately 6.7% from approximately HKD12.0 cents to approximately HKD12.8 cents, whilst the total distributable amount of Spring REIT would be increased by approximately 27.3% from approximately USD20.1 million to approximately USD25.6 million, for the six months ended 30 June 2018. The Manager considers that such acquisition of a yield accretive, quality income-producing property is in line with Spring REIT's investment strategy to invest in income-producing real estate and seek yield-accretive investment opportunities. Further, the Target Property is regarded as a high-quality asset, on the basis of it being in the high-end retail space, in a prime location, and with a high occupancy rate.

The Acquisition will be the first step for Spring REIT to invest in a retail property asset in the PRC and reduces Spring REIT's reliance on the CCP Property. It is expected that the Acquisition will enlarge the valuation of Spring REIT's property portfolio by approximately 21%, and the Manager is of the view that the Acquisition will diversify the locations and composition of Spring REIT's portfolio assets and reduce Spring REIT's exposure to concentration risk and other risks associated with its reliance on the income generated by the CCP Property or the performance of the Beijing office market. For further details of the Acquisition and information on the Target Property, please refer to the Letter to the Unitholders.

Completion is subject to certain conditions precedent, which includes completion of the Reorganisation and the Independent Unitholders' approval of the Acquisition. Pursuant to the Reorganisation, the Seller will restructure the Project Company's holding structure, so that the Target Company indirectly holds (through the chain of the HK Intermediary Company and the PRC Intermediary Companies) the entire equity interest in the Project Company.

2.2 The Onshore Loan Transactions

As part of the Reorganisation, the Seller Lender and the PRC Intermediary Company 2 will enter into the Onshore Loan Agreement, pursuant to which the Seller Lender (as lender) agrees to extend to the PRC Intermediary Company 2 (as borrower) the Onshore Loan, being an unsecured loan in the principal amount of RMB315.0 million in respect of which no interest is payable, for a term of three years.

The Onshore Loan is intended to be drawn down on or prior to the date of Completion. As further analysed in the section headed "The Onshore Loan Transactions and the Guohua CCTs", an equivalent amount of the Offshore Amount will be required to support the Onshore Loan, which will in turn be financed by the New Facility.

2.3 Connected PM Transactions and Connected BM Transactions

As set out in the Letter to the Unitholders, the Target Property has historically been managed by the property and building management staff of Huamao Group, which has extensive experience in the commercial and retail real estate sector in the PRC. Huamao Group is the developer of China Central Place, a mixed-used development complex in the CBD of Beijing comprising office, hotel, retail and residential components, where the CCP Property owned by Spring REIT is located. Huamao Group manages certain retail portions of the China Central Place complex and is a joint owner of SKP Beijing, one of the largest department stores by sales in the PRC which is also located within the China Central Place complex. The Property Manager and the Building Manager (both are part of the Huamao Group) are managing the Target Property as at the Latest Practicable Date. We are advised by the Manager that the key management staff of the Property Manager and Building Manager are selected from the team that has historically been managing the Target Property and, hence, have extensive experience in providing the relevant services in respect of the Target Property.

In order to ensure the smooth transition and continuity of management services of the Target Property after Completion, the Project Company will enter into (i) the Property Management Agreement with the Property Manager, and (ii) the Building Management Agreement with the Building Manager. Pursuant to the Property Management Agreement, the Property Manager will provide property management services in relation to the Target Property, while pursuant to the Building Management Agreement, the Building Manager will provide building management services in respect of the Target Property.

2.4 Connected Leasing Transactions

We understand from the Manager and as stated in the Letter to the Unitholders that as part of Spring REIT's ordinary and usual course of business, Spring REIT may, from time to time, assume, enter into or renew lease agreements with the Guohua Connected Persons Group in respect of Spring REIT's properties. These include (i) the leasing transactions under the Huamao Place Guohua Lease, (ii) the carpark leasing transactions under the Building Management Agreement, and (iii) the carpark leasing transactions under the Beijing CCP Carpark Master Lease.

Relating to Target Property

On Completion, Spring REIT (as lessor) shall enter into the Huamao Place Guohua Lease with the Guohua Lessee (as lessee) in respect of certain areas of the Target Property, for the purpose of the Property Manager carrying out its services under the Property Management Agreement in respect of the Target Property. Separately, pursuant to the Building Management Agreement, all carpark spaces of the Target Property will be master-leased to the Building Manager during the same term.

Relating to Existing Properties

Separately, since January 2017, the underground carparks of the CCP Property, being part of the existing investment portfolio of Spring REIT, have been leased to the Beijing CCP Carpark Master Lessee, being a member of the Guohua Connected Persons Group.

In view of the above, the Manager has applied to the SFC for the Guohua CCTs Waiver so that the Connected PM Transactions, the Connected BM Transactions and the Connected Leasing Transactions between Spring REIT and the Guohua Connected Persons Group for a period ending 31 December 2021 will not be subject to any requirements for announcement or Unitholders' approvals under Chapter 8 of the REIT Code. As confirmed with the Manager, none of the Onshore Loan Transactions, the Connected PM Transactions, the Connected BM Transactions or the Connected Leasing Transactions will proceed without completion of the Acquisition.

3 The Onshore Loan Transactions and the Guohua CCTs

Set out below are the principal terms of the Onshore Loan Transactions and the Guohua CCTs (which include the Connected PM Transactions, the Connected BM Transactions and the Connected Leasing Transactions).

3.1 The Onshore Loan Transactions

3.1.1 Principal terms of the Onshore Loan Agreement:

Pursuant to the Onshore Loan Agreement, the Seller Lender (as lender) agrees to extend to the PRC Intermediary Company 2 (as borrower) a RMB315.0 million loan, for a term of three years, to be drawn down on or prior the date of Completion. The maturity date of the Onshore Loan may be extended for a further year in the event that either the PRC Intermediary Company 2 or the Seller Lender notifies the other party in writing no later than 30 business days prior to its expiry. Any further extension of the Onshore Loan Agreement would require further agreement between the PRC Intermediary Company 2 and the Seller Lender, and would be subject to compliance with the REIT Code, including relevant Unitholders' approval requirements if applicable. During the term of the Onshore Loan Agreement, the PRC Intermediary Company 2 is not required to pay any interest on the Onshore Loan. However, subject to the Onshore Loan being drawn down on or before Completion, the Purchaser has agreed under the Share Purchase Deed to pay to the Seller at Completion a cash deposit of approximately HKD361.6 million, being the Offshore Amount, which is the HKD equivalent of the principal amount of the Onshore Loan of RMB315.0 million based on the Agreed Exchange Rate. No interest is payable in respect of the Offshore Amount and it will be returned concurrently with repayment of the Onshore Loan.

As set out in the Letter to the Unitholders, the Manager has entered into a commitment letter with DBS Bank Ltd., Hong Kong Branch for the provision of a Hong Kong dollar denominated loan facility for an amount not less than HKD567.5 million, being the New Facility, for a period of 12 months from the draw-down date, to be used by the Manager to finance, among others, part of the Consideration and the Offshore Amount as mentioned above.

3.1.2 Financial effect of the Onshore Loan:

The Onshore Loan will be consolidated into the financial statements of Spring REIT following completion of the Acquisition. Taking into account (i) the assumption of the Onshore Loan, (ii) the Existing ICBC Facility, a facility granted to the Project Company by ICBC Huizhou Branch with an outstanding amount of RMB450 million as at the Latest Practicable Date, (iii) the New Facility for an amount of not less than HKD567.5 million, the pro forma adjusted ratio of debt to total assets of Spring REIT is expected to increase from 34.4% as disclosed in the 2018 Interim Report to 37.6%, based on the unaudited pro forma financial information of the Enlarged Group in Appendix 3 to the Circular, principally as a result of the enlarged asset base of Spring REIT following the acquisition of the Target Property, and the additional level of debt following Completion, including the Existing ICBC Facility, the Onshore Loan and the New Facility. The above gearing of Spring REIT on a pro forma basis is still below the 45% limit permitted under the REIT Code.

3.1.3 Our analysis:

We note that the benchmark RMB lending interest rate for a medium to long-term loan between one to five years is 4.75%, according to website of the People's Bank of China as at the Latest Practicable Date. On the other hand, the New Facility will bear interest at a margin of 1.05% per annum over 3-month HKD HIBOR, which translates to an interest rate of approximately 3.10% (based on the 3-month HIBOR of approximately 2.05% as at the Latest Practicable Date), substantially lower than the above RMB benchmark interest rate, which is the reference interest rate for RMB-denominated loans published by the PBOC to be considered by financial institutions when setting the borrowing interest rates.

We note that while the term of the Onshore Loan Agreement is three years, its maturity date may be extended by a further year, thereby bringing the duration of the Onshore Loan Agreement to four years. Based on our discussion with the Manager, we understand that the Target Property is intended to be a long-term investment of Spring REIT, and as such longer-term financing arrangements associated with the Target Property are preferable. We have reviewed the duration of borrowings obtained in the context of property acquisitions completed by other REITs listed on the Stock Exchange in the past 5 years up to the Latest Practicable Date. We observe that such borrowings related to properties mainly in China, with a duration range of between 0.5 years and 8 years, and an average duration of approximately 3.5 years. We note that acquisition financing is a relatively common feature of REITs listed on the Stock Exchange, with a fairly wide duration range depending on the underlying acquisitions, individual needs for each of the REITs, and their respective financial positions. Based on the above, a potential duration of four years is slightly above the average as outlined above, but well within the range of durations. As long as the Onshore Loan Transactions conducted on terms which are fair and reasonable, and the mechanism is beneficial to Spring REIT, which is the case in this instance as analysed in this section, we consider a longer-term financing is beneficial to Spring REIT. The above allows us to conclude that in this instance, it is normal business practice for an agreement of this type to be of such duration.

The combination of the unsecured interest-free Onshore Loan. the Offshore Amount of an amount equivalent to the loan principal of the Onshore Loan, and the New Facility, effectively allows Spring REIT to obtain financing at a lower rate from an offshore facility. From this perspective, we consider such financing arrangement, including the obtaining of the Onshore Loan and a potential duration of four years, is beneficial to Spring REIT. We are advised by the Manager that upon maturity of the New Facility the Manager intends to arrange for the refinancing of the New Facility, together with certain existing borrowings of Spring REIT, to ensure sufficient funds will be available to keep the Offshore Amount in place.

According to the legal opinion issued by Zhong Lun Law Firm, the Manager's PRC legal adviser, the Onshore Loan Transactions, being an unsecured interest-free loan and repayable upon maturity and fulfilment of the relevant conditions, if entered into, comply with the applicable PRC laws and regulation.

3.2 *The Connected PM Transactions*

3.2.1 Principal terms of the Property Management Agreement:

Pursuant to the Property Management Agreement, the Property Manager (being the property management company of the Seller) agrees to provide property management services in respect of the Target Property for a term of three years commencing from the Completion Date. The scope of services provided by the Property Manager under the Property Management Agreement include, among other things, leasing management services, property management advisory services, marketing advisory services, operational management services and asset enhancement initiatives. Subject to the parties' agreement, the term of the Property Management Agreement can be extended for an additional three years. The Manager confirmed that it will comply with the REIT Code, including all disclosure and relevant Unitholders' approval requirements if applicable, in respect of the renewal of the Property Management Agreement at the end of its term.

Pursuant to the Property Management Agreement, the Property Manager is subject to ongoing supervision by the Manager, which includes the Property Manager's responsibility to prepare annual budgets for the Project Company's approvals, and monthly management reports on various matters including lease summary, conditions of the Target Property, marketing and asset enhancement plans.

The Project Company may terminate the appointment of the Property Manager in relation to the Target Property under its management by providing prior written notice and has the right to claim from the Property Manager for the relevant compensation, in each case on the occurrence of certain specified events, which include, among others, the liquidation or cessation of business of the Property Manager.

3.2.2 Service fee:

In respect of the services to be provided by the Property Manager, the Project Company will pay the Property Manager a fee equivalent to 3.0% of the revenue generated by the Target Property (excluding, among other things, the revenue generated by the carpark spaces) each year during the term of the Property Management Agreement. The Property Manager agreed with the Project Company to waive the above service fee during the first three-year term. The above fee will be settled on a monthly basis and subject to an annual adjustment based on the annual audit of the Project Company.

3.2.3 Reimbursable expenses:

In addition to the above service fee, pursuant to the Property Management Agreement, the Property Manager will be reimbursed by the Project Company for the following operating expenses during the term of the Property Management Agreement:

(i) the Property Manager's salary expenses, subject to the Project Company's prior budget approval; and

(ii) general and administrative expenses (including promotion and advertising expenses) of the Project Company incurred and paid by the Property Manager, with such amount reimbursable capped at 4% of the revenue generated by the Target Property (excluding, among other things, the revenue generated by the carpark spaces).

3.2.4 Our analysis:

Following a review of publicly available information, on a best efforts basis, we consider that detailed terms of property management agreements for the commercial retail premises in the PRC are not generally available, as such details are not generally publicly disclosed and/or available in full from public sources. We note that the Property Manager agreed to waive the 3.0% service fee during the first three-year term, and the Manager, if not satisfied with the performance of the Property Manager, is entitled not to renew the Property Management Agreement, a flexibility we consider to be beneficial to the Independent Unitholders.

For the purpose of ascertaining its fairness and reasonableness, the Independent Property Valuer has issued an independent opinion in relation to the terms of the Property Management Agreement. According to the Independent Property Valuer, while it could not identify property management agreements with identical terms and conditions in the market, other listed REITs charged fees equivalent to approximately 3% to 4% of the gross revenue of the subject properties in respect of services that are comparable to those offered pursuant to the Property Management Agreement, as they relate to property management, lease, operational and tenancy management services. For such comparables the separate reimbursement of expenses such as employment costs associated with the property manager are not an uncommon feature. The Property Manager will charge a service fee of 3.0% of the annual revenue of the Target Property, which is similar to the fees charged by the other REITs as set out above.

We have reviewed the independent opinion letter issued by the Independent Property Valuer, and discussed with the Independent Property Valuer the terms of the Property Management Agreement. Based on the analyses performed, the Independent Property Valuer is of the view that the proposed remuneration to the Property Manager and the relevant terms as stipulated in the Property Manager Agreement are fair and reasonable, conducted on normal commercial terms at arm's length, and consistent with normal business practice for contracts of similar type. On the basis of the above analysis and work done on the independent opinion letter, we concur with the opinion of the Independent Valuer. The Manager has confirmed that upon any renewal of the Property Management Agreement, an independent property valuer of Spring REIT will issue a similar opinion on the terms and conditions of such renewed property management agreement.

3.3 The Connected BM Transactions

3.3.1 Principal terms of the Building Management Agreement:

Pursuant to the Building Management Agreement, the Building Manager agrees to provide building management services in respect of the Target Property (including the carpark spaces) for a term of three years commencing from the date of the Building Management Agreement, which is expected to be entered into on Completion, and is renewable by the parties' agreement. The Manager confirmed that it will comply with the REIT Code, including all disclosure and relevant Unitholders' approval requirements if applicable, in respect of the renewal of the Building Management Agreement at the end of its term.

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

In addition, pursuant to the Building Management Agreement, the Project Company agrees to master-lease all the carpark spaces of the Target Property, including 677 underground carpark spaces and 44 above-ground carpark spaces, to the Building Manager at an annual rent of RMB1,000 for a term of three years commencing from the date of the Building Management Agreement. The Building Manager will be entitled to the revenue derived from the operation of such carpark spaces but will also bear the expenses related to the same. As above relates to a leasing transaction, the relevant annual caps of the carpark rental income are captured under the Connected Leasing Transaction, as further analysed under the section below headed "Annual Caps for the Connected Leasing Transaction".

Pursuant to the Building Management Agreement, the Building Manager is subject to ongoing supervision by the Manager, including the preparation for an annual budget for approval by the Project Company and monthly management reports.

The Project Company may terminate the appointment of the Building Manager in relation to the Target Property under its management by providing prior written notice and has the right to claim from the Building Manager for the relevant compensation, in each case on the occurrence of certain specified events, which include, among others, the disqualification from acting as the building manager in respect of the Target Property as a result of any penalty by the relevant government authorities.

3.3.2 Service fee:

Under the Building Management Agreement, the Building Manager shall collect building management fees from the Lessees (or Operators, as the case may be) at the rate specified in the Leases (or Joint Operation Agreements, as the case may be) and deposit such fees into an account jointly maintained by the Project Company and the Building Manager. The building management fees will be borne and paid entirely by the Lessees (or Operators, as the case may be). The utility charges incurred for the common areas of the Target Property will be funded from such account. The Building Manager will be entitled to be paid from such account a fee of RMB1 per sq.m. per month with reference to the gross floor area of the Target Property, being a monthly fee of approximately RMB144,925.1.

3.3.3 Our analysis:

Following a review of publicly available information, on a best efforts basis, we consider that detailed terms of building management agreements for the commercial retail premises in the PRC are not generally available, as such details are not generally publicly disclosed and/or available in full from public sources. However, we note that the building management budget report is subject to review and approval by the Project Company, and the building management fees will be paid directly from the relevant tenants of the Target Property, rather than Spring REIT or the Project Company. On this basis, the Project Company will not bear the fee payable to the Building Manager under the Building Management Agreement, i.e. the abovementioned RMB1 per sq.m. per month.

In respect of the carpark spaces of the Target Property, we have discussed and reviewed with the Manager the relevant historical operations and financial performance, which indicated that the operating expenses (for example, staff costs, utilities, security and cleaning) were higher than the revenue derived from the carpark spaces of the Target Property, and the carpark space did not generate any profits in the three financial years ended 31 December 2017. Based on our discussion with the Manager, we understand that main operating objective of the Target Property's carpark spaces has been to offer parking services and convenient to visitors of the Target Property, rather than making profit. Pursuant to the Building Management Agreement, the Project Company will lease all the Target Property's carpark spaces at a rent of RMB1,000 per annum to the Building Manager, who will take up the profit or loss of the carpark operation. Having considered the above, we are of the view that it is beneficial to the Project Company outsourcing the carpark operations, which has been loss making in the past few years, at a nominal rental rate to the Building Manager, reducing its business risks in relation to the Target Property.

We have also reviewed the independent opinion letter issued by the Independent Property Valuer, and discussed with the Independent Property Valuer the terms of the Building Management Agreement. We understand from the Independent Property Valuer that the Building Management Agreement is conducted on normal commercial terms at arm's length under prevailing market conditions, and is considered to be fair and reasonable as compared to normal business practice for contracts of similar type. On the basis of the above analysis and work done on the independent opinion letter, we concur with the opinion of the Independent Valuer. The Manager has confirmed that upon any renewal of the Building Management Agreement, an independent property valuer of Spring REIT will issue a similar opinion on the terms and conditions of such renewed building management agreement.

3.4 The Connected Leasing Transactions

Relating to Target Property

3.4.1 Principal terms of the Huamao Place Guohua Lease:

The Huamao Place Guohua Lease is for a term of three years commencing on the day after Completion, covering a total gross floor area of 587 sq.m. (an area equal to approximately 0.6% of the gross rentable area of the Target Property) of the Target Property. There is no rent-free period under the Huamao Place Guohua Lease. The annual rental for the Huamao Place Guohua Lease is RMB105,660 (including value-added tax, equivalent to monthly rental of RMB15 per sq.m.), payable annually in advance before the start of the relevant year. Under the Huamao Place Guohua Lease, the Huamao Place Guohua Lessee is not required to pay any building management fees during the lease term. The Huamao Place Guohua Lessee has an option to renew the Huamao Place Guohua Lease by serving a three-months' prior written notice, in which case the parties must enter into a renewal lease during the three months prior to its expiry with the key terms thereof, such as the term and rent, agreed and determined by reference to what are at the then prevailing market level.

We understand from the Manager that the entering into of the Huamao Place Guohua Lease is for the Project Company to provide an office space within the Target Property to the Property Manager to carry out its services under the Property Management Agreement, and that the relevant rents to be paid pursuant to the Huamao Place Guohua Lease will not be entitled to reimbursement by the Project Company pursuant to the Property Management Agreement.

Relating to Existing Properties

3.4.2 Principal terms of the Beijing CCP Carpark Master Lease:

The Beijing CCP Carpark Master Lease is for a term of one year, commencing from 1 January 2018, covering a total of approximately 600 car parking lots located in the underground of the CCP Property, which is currently owned by Spring REIT, with a total gross floor area of approximately 25,127 sq.m.. The total annual rent for the carparks is approximately RMB3.4 million (net of value-added tax). Pursuant to the Beijing CCP Carpark Master Lease, upon expiry of each one-year term, the parties can agree to amend the terms under the agreement, including the rent levels.

3.4.3 Our analysis:

We have reviewed the terms for each of the Huamao Place Guohua Lease and the Beijing CCP Carpark Master Lease and the underlying independent opinion letters issued by the Independent Property Valuer.

We are advised by the Independent Property Valuer that they have identified certain leases of comparable properties in the vicinity of the Target Property (the "**Comparable Leases**"), and have applied appropriate adjustments to reflect the differences between the Comparable Leases and the Huamao Place Guohua Lease, including asking price, quality, facilities, grading and size of the Target Property and the comparable properties. We have discussed with the Independent Property Valuer its scope for selecting Comparable Leases, and were provided with information on how, and to what extent, adjustments were made to the Comparable Leases, and found the methodology deployed by the Independent Property Valuer reasonable. Having considered that the rental rates charged under the Huamao Place Guohua Lease are comparable to the market rental rates of the Comparable Leases as adjusted by the Independent Property Valuer, the Independent Property Valuer is of the opinion that the Huamao Place Guohua Lease and the terms therein, are at market level, on normal commercial terms under prevailing market conditions, and are considered as fair and reasonable.

In respect of the Beijing CCP Carpark Master Lease, we note that Beijing CCP Carpark Master Lessee has been an independent third party of Spring REIT at the time the agreement was entered into. The transactions under the Beijing CCP Carpark Master Lease will become the Connected Leasing Transactions upon Completion because Beijing CCP Carpark Master Lessee will become a connected person of Spring REIT. We are also advised by the Manager that the terms of the Beijing CCP Carpark Master Lease have been agreed by the parties in Spring REIT's ordinary and usual course of business, on normal commercial terms after arm's length negotiations, after taking into account the then prevailing market conditions of carpark leasing business in Beijing. In independent opinion has been issued by the Independent Property Valuer, that the rent and other terms and conditions of the Beijing CCP Carpark Master Lease are on normal commercial terms under prevailing market conditions, and are fair and reasonable. On the basis of the above, we concur with the opinion of the Independent Valuer in respect of each of the Huamao Place Guohua Lease and the Beijing CCP Carpark Master Lease.

The Manager has confirmed that upon any renewal of each of the Huamao Place Guohua Lease and the Beijing CCP Carpark Master Lease, an independent property valuer of Spring REIT will issue an similar opinion on the terms and conditions of such renewed lease.

4 The Annual Caps

4.1 Annual Cap for the Connected PM Transactions

As set out in the Letter to the Unitholders, there were no Connected PM Transactions in respect of the Existing Properties subsisting from 1 January 2015 to the Latest Practicable Date.

Set out below are the proposed Annual Caps for the Connected PM Transactions for each of the three years ending 31 December 2021:

	For the year ending 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
The Property Management Agreement	16,196	23,223	24,654
Buffers	8,503	5,806	6,164
The Connected PM Transactions	24,699	29,029	30,818

We have discussed with the Manager the basis of the proposed Annual Caps for the Connected PM Transactions, for the three years ending 31 December 2021. The above caps have been determined by the Manager after taking into account: (a) the Target Property's revenue and the reimbursable payable to the Property Manager estimated by the Manager, for each of the three years ending 31 December 2021; (b) the terms of the Property Management Agreement; (c) a buffer of 22% for the year of 2019, accommodating the possibility that Completion may take place earlier than the scheduled Completion Date, being 31 March 2019. In addition to (c) above, the Manager has also taken into account a general buffer of 25% catering for seasonal and/or promotional events may be organised by the Property Manager, with approval of the Project Company on the relevant budgets, in the Target Property, and other contingencies.

In assessing the reasonableness of the proposed annual caps, we have reviewed the terms of the Property Management Agreement, including the reimbursement mechanism in relation to operating expenses incurred and paid by the Property Manager on behalf of the Project Company. We note that no service fee was factored into the Annual Caps because such fee will be waived for the three-year period to which the relevant Annual Caps relate. We further note that the service fee payable to the Property Manager and the estimated increase in reimbursable expenses are in line with the estimated growth of the Target Property's annual revenue in the upcoming years. According to the Accountant's Report of the Project Company as set out in Appendix 2B to the Circular that the Project Company's rental income increased steadily from approximately RMB98.2 million in 2015, to approximately RMB105.2 million in 2016, and further to approximately RMB118.2 million in 2017, indicating an increasing trend in the recent years.

Moreover, we have reviewed the Market Consultant's Report as set out in Appendix 5 to the Circular, which outlined, among others, overview of Huizhou city, in particular mid to high-end retail market, and market outlook of the Target Property. According to the Market Consultant's Report, Huizhou's retail market is at a rapid developing stage, with more new brands expected to enter the market, who will look for destination malls such as the subject property. Therefore, it is expected that the Target Property's tenant portfolio will continue to be renewed on a regular basis, with the average occupancy rate staying approximately 96% to 97% from 2018 to 2020, and that rental growth of the Target Property could achieve a range of 8% to 9% annually from 2018 to 2021.

As mentioned above, a general buffer of 25% has been applied in the calculation of the proposed annual caps. We consider that the additional 25% can provide a contingency to accommodate possible changes in fluctuations resulting from any changes in conditions in Huizhou and in the PRC, which may lead to a further increase in total reimbursable expenses to the Property Manager. In addition, the general buffer of 25% is within the range of the buffers between 5% to 25% normally adopted by other REITs listed in Hong Kong for comparable annual caps, we consider the inclusion of such buffer for the purpose of determining the proposed annual caps for the Connected PM Transactions to be reasonable.

4.2 Annual Cap for the Connected BM Transactions

As set out in the Letter to the Unitholders, there were no Connected BM Transactions in respect of the Existing Properties subsisting as at the Latest Practicable Date. The building management fees payable under the Building Management Agreement will be paid by the relevant tenants, rather than Spring REIT or the Project Company, and the utility charges incurred for the common areas of the Target Property will be funded from the abovementioned building management fees, no caps are required in respect of the building management fees and the utilities charges.

4.3 Annual Cap for the Connected Leasing Transactions

As set out in the Letter to the Unitholders, other than the Beijing CCP Carpark Master Lease, there were no Connected Leasing Transactions subsisting from 1 January 2015 to the Latest Practicable Date.

Set out below are the proposed Annual Caps for the Connected Leasing Transactions for each of the three years ending 31 December 2021:

	For the year ending 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
The Building Management Agreement	1	1	1
The Huamao Place Guohua Lease	76	101	101
The Beijing CCP Carpark Master Lease	3,085	4,114	4,114
	3,162	4,216	4,216
Buffers	1,274	632	632
The Connected Leasing Transactions	4,436	4,848	4,848

We have discussed with the Manager the basis of the proposed Annual Caps for the Connected Leasing Transactions, for the three years ending 31 December 2021. The above caps have been determined by the Manager after taking into account: (a) the agreed rent under the Building Management Agreement and the Huamao Place Guohua Lease; (b) an assumed 20% rental increment on top of the rental amount under the subsisting Beijing CCP Carpark Master Lease; and (c) a buffer of 22% for the year of 2019, accommodating the possibility that Completion may take place earlier than the scheduled Completion Date, being 31 March 2019. In addition, the Manager has also taken into account a general buffer of 15% catering for other contingencies, such as possible growth in rental and change in market conditions in the future.

In assessing the reasonableness of the proposed annual caps, we have reviewed the terms for each of the Building Management Agreement, the Huamao Place Guohua Lease and the subsisting Beijing CCP Carpark Master Lease. We note that the subsisting Beijing CCP Carpark Master Lease will expire on 31 December 2018, and as confirmed by the Manager that they are not aware of the Beijing CCP Carpark Master Lessee's intent not to renew, or any significant matter or issues that Spring REIT will cease the auto-renewal mechanism under the subsisting Beijing CCP Carpark Master Lease. In addition, when projecting the proposed annual caps for each of the three years ending 31 December 2021, the Manager has factored in an allowance catering for a possible 20% rental increase, based on the current rental amount under the subsisting Beijing CCP Carpark Master Lease. This is based on the fact that the Beijing CCP Carpark Master Lessee has recently entered into a lease relating to a number of carparks of the CCP Property for the upcoming three years, which contributes positively to the underlying performance of the carpark of the CCP Property, according to the Manager. The current annual rental under each of the Building Management Agreement and the Huamao Place Guohua Lease is being used, which is exclusive of any value-added tax and other taxes, for each of the three years ending 31 December 2021.

Further, we have discussed with the Manager the historical car park rental of the CCP Property in the past three years, and note that it decreased from approximately RMB4.3 million in 2015 to RMB3.4 million in 2017, mainly due to a change in taxes levied on car park rental with effective from 2016. Against this background, the Manager has been putting efforts in optimising the returns to the CCP Property, and as set out in the 2017 Annual Report, the occupancy rate of the CCP Property continued to remain high in 2017, averaging over 94% in 2017 with positive rental reversions, and the net property income from the CCP Property, excluding the impact arising from the above tax changes and exchange rate changes, for 2017 would surpass that reported for 2016. Having considered the above and the continued high occupancy rate of the CCP Property, we consider the inclusion of buffers for the purpose of determining the proposed annual caps for the Connected Leasing Transactions to be reasonable.

5 The Guohua CCTs Waiver Application

The Manager has applied to the SFC for the Guohua CCTs Waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code for a period ending 31 December 2021 in respect of the Connected Leasing Transactions and the Connected PM Transactions between Spring REIT and the Guohua Connected Persons Group.

The Guohua CCTs Waiver will be subject to standard disclosures in semi-annual and annual reports and review by auditors of Spring REIT and independent non-executive Directors as more particularly set out in the Letter to the Unitholders. Any material change to the Annual Caps or the transactions covered by the Guohua CCTs Waiver (including without limitation any such change on the scope or nature of such transactions) as set out in the Circular will require approval of the Independent Unitholders and/or notifications to the SFC.

OPINION

Having considered the above reasons and factors, we consider that the Guohua CCTs are consistent with the investment objectives and strategy of Spring REIT, at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole; and that the Guohua CCTs are conducted in the ordinary and usual course of business of Spring REIT. Further, the Guohua CCTs Waiver and the Annual Caps are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the 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 to be proposed at the EGM to approve the Guohua CCTs Waiver and the Annual Caps.

We also consider the Onshore Loan Transactions are consistent with the investment objectives and strategy of Spring REIT, at arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole. We note that the Onshore Loan Transactions are included in the Ordinary Resolution (the "**SPD Resolution**") relating to the Share Purchase Deed (including but not limited to the issuance of the Consideration Units), on which we are not required to provide an independent opinion. Provided the Independent Unitholders are satisfied with all other aspects of the SPD Resolution, based on our opinion regarding the Onshore Loan Transactions as set out above, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Unitholders to vote in favour of the SPD Resolution. Independent Unitholders are urged to read the Circular in full, including the sections relating to the Share Purchase Deed, before deciding whether to vote in favour of the SPD Resolution.

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 ten years of experience in the corporate finance industry.

The financial information of Spring REIT for the past three financial years ended 31 December 2017 has been published in the reports as follows:

(1) the financial information of Spring REIT for the six months ended 30 June 2018 is disclosed in the interim report of Spring REIT for the six months ended 30 June 2018 published on 30 August 2018, from pages 28 to 57;

(2) the financial information of Spring REIT for the year ended 31 December 2017 is disclosed in the annual report of Spring REIT for the year ended 31 December 2017 published on 20 April 2018, from pages 99 to 139;

(3) the financial information of Spring REIT for the year ended 31 December 2016 is disclosed in the annual report of Spring REIT for the year ended 31 December 2016 published on 20 April 2017, from pages 80 to 117; and

(4) the financial information of Spring REIT for the year ended 31 December 2015 is disclosed in the annual report of Spring REIT for the year ended 31 December 2015 published on 18 April 2016, from pages 66 to 97.

The annual reports of Spring REIT for the years ended 31 December 2015, 2016 and 2017 have been published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of Spring REIT (www.springreit.com/zh-HK).

The following is the text of a report set out on pages A2A-1 to A2A-3, received from Spring REIT's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SPRING ASSET MANAGEMENT LIMITED (AS THE MANAGER OF SPRING REAL ESTATE INVESTMENT TRUST)

Introduction

We report on the historical financial information of Blue Chrysalis Ltd (the "**Target Company**") set out on pages A2A-4 to A2A-13, which comprises the statement of financial position as at 13 September 2018 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 7 September 2018 (date of incorporation) to 13 September 2018 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages A2A-4 to A2A-13 forms an integral part of this report, which has been prepared for inclusion in the circular of Spring Real Estate Investment Trust ("**Spring REIT**") dated 26 September 2018 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest of the Target Company by Spring REIT.

Directors' responsibility for the Historical Financial Information

The directors of the Manager are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Company for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Manager based on the management accounts of the Target Company for the Track Record Period. The directors of the Target Company are responsible for the preparation and fair presentation of the financial statements of the Target Company in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 13 September 2018 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

26 September 2018

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"), and have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing ("**ISAs**") issued by International Auditing and Assurance Standards Board ("**IAASB**").

The Historical Financial Information is presented in Hong Kong dollar, and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

(A) STATEMENT OF COMPREHENSIVE INCOME

	Section II Note	**Period from 7 September 2018 (date of incorporation) to 13 September 2018** *HK$'000*
Revenue	*3*	–
Administrative expenses		–
Profit before income tax	*4*	–
Income tax expenses	*5*	–
Profit and total comprehensive income for the period		–

(B) STATEMENT OF FINANCIAL POSITION

	Section II Note	As at 13 September 2018 HK$'000
Current assets		
Cash and cash equivalents		–
Net assets		–
EQUITY		
Share capital	7	–
Retained earnings		–
Total equity		–

(C) STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Target Company		
	Share capital *(Note 7)*	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 7 September 2018 (date of incorporation)	–	–	–
Issue of share capital	–	–	–
Other comprehensive income for the period	–	–	–
At 13 September 2018	–	–	–

(D) STATEMENT OF CASH FLOWS

	Period from 7 September 2018 (date of incorporation) to 13 September 2018
	HK$'000
Operating activities	
Net cash generated from operations	–
Net cash generated from operating activities	–
Financing activities	
Issuance of ordinary shares	–
Net cash generated from financing activities	–
Change in cash and cash equivalents	–
Cash and cash equivalents at beginning of the period	–
Cash and cash equivalents at end of the period	–

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Blue Chrysalis Ltd (the "**Target Company**") was incorporated in Cayman Islands on 7 September 2018 with limited liability. The address of its registered office is 27 Hospital Road, George Town, Cayman Islands.

The Target Company is dormant during the Track Record Period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Track Record Period presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Target Company has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standard Board ("**IASB**"). The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Company's accounting policies. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) Interpretation and new and amended standards have been issued but are not yet effective for the period ended 13 September 2018 and have not been early adopted by the Target Company

		Effective for accounting periods beginning on or after
IAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 28 Amendments	Long-term Interests in Associates and Joint Venture	1 January 2019
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRS 2015-2017 Cycles	Annual Improvements to IFRS 2015-2017 Cycles	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Target Company anticipate that the adoption of these interpretation and new and amended standards would not result in any significant impact on the results and financial position of the Target Company. The Target Company will adopt these new standards and amendments to standards when they become effective.

2.2 Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Target Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using income tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Target Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.3 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Target Company are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information are presented in Hong Kong dollar ("**HKD**"), which is the Target Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period-end exchange rates are recognised in the statement of comprehensive income.

2.5 Financial assets

(i) Classification

The Target Company classifies its financial asset as measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

The Target Company derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Target Company transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Target Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

(iii) Measurement

At initial recognition, the Target Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets measured at amortised cost are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(iv) Impairment

The Target Company does not have any types of financial assets that are subject to IFRS 9's new expected credit loss model.

While cash and cash equivalents is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.6 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.7 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the management's best estimate of the expenditures required to settle the present obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

3 REVENUE

The Target Company did not generate any revenue during the Track Record Period.

4 PROFIT BEFORE INCOME TAX

No auditors' remuneration and employees' emoluments were paid by the Target Company during the Track Record Period. Registration fee in relation to the set up of the Target Company was borne by the shareholder.

5 INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made in the financial statements as the Target Company has no estimated assessable profit for the period.

6 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

None of the directors and senior management of the Target Company received any emoluments in respect of their services rendered to the Target Company during the period ended 13 September 2018.

7 SHARE CAPITAL

	No. of share	*HK$'000*
Ordinary share, issued and fully paid:		
As at 7 September 2018 and 13 September 2018	1	–

The Target Company was incorporated on 7 September 2018 in the Cayman Islands with an authorised share capital of US$50,000 divided into 5,000,000 ordinary shares of US$0.01 each. On the date of incorporation, 1 ordinary share was issued at par.

8 EVENT AFTER BALANCE SHEET DATE

On 19 September 2018, RHZ01 Limited, a special purpose vehicle of Spring Real Estate Investment Trust ("**Spring REIT**"), entered into the Share Purchase Deed with Huamao Focus Limited, pursuant to which RHZ01 Limited agreed to acquire 100% of the issued shares of the Target Company, which after the reorganisation indirectly holds 100% of the equity interest of 惠州市潤鑫商城發展有限公司, the Project Company.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 13 September 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 13 September 2018 and up to the date of this report.

The following is the text of a report set out on pages A2B-1 to A2B-3, received from Spring REIT's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, in respect of the Target Company and the Project Company, respectively.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SPRING ASSET MANAGEMENT LIMITED (AS THE MANAGER OF SPRING REAL ESTATE INVESTMENT TRUST)

Introduction

We report on the historical financial information of 惠州市潤鑫商城發展有限公司 (the "**Project Company**") and its subsidiaries (together, the "**Project Group**") set out on pages A2B-4 to A2B-46, which comprises the consolidated and company statements of financial position as at 31 December 2015 and 2016, the company statements of financial position as at 31 December 2017 and 30 June 2018 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2015, 2016 and 2017, and the company statement of comprehensive income, the company statement of changes in equity and the company statement of cash flows for the six-month period ended 30 June 2018 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages A2B-4 to A2B-46 forms an integral part of this report, which has been prepared for inclusion in the circular of Spring Real Estate Investment Trust ("**Spring REIT**") dated 26 September 2018 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest of Blue Chrysalis Limited by Spring REIT.

Directors' responsibility for the Historical Financial Information

The directors of the Manager are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Project Group for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Manager based on the previously issued financial statements and management accounts of the Project Company and its subsidiaries now comprising the Project Group for the Track Record Period. The directors of the respective companies now comprising the Project Group are responsible for the preparation and fair presentation of the respective company's financial statements in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("**CAS**") issued by the China Ministry of Finance, and for such internal control as the directors determine is necessary to enable the preparation of respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Project Company as at 31 December 2015, 2016, 2017 and 30 June 2018 and the consolidated financial position of the Project Group as at 31 December 2015 and 2016, and of the Project Group's consolidated financial performance and its consolidated cash flows for the years ended 31 December 2015, 2016, 2017 and of the Project Company's financial performance and its cash flows for the six-month period ended 30 June 2018 in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Project Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2017 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Manager are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("**IAASB**"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

26 September 2018

I HISTORICAL FINANCIAL INFORMATION OF THE PROJECT GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"), and have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing ("**ISAs**") issued by International Auditing and Assurance Standards Board ("**IAASB**").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

					Six months ended	
		Year ended 31 December			**30 June**	
	Section II	**2015**	**2016**	**2017**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*5*	123,146	131,723	149,842	73,354	77,696
Property operating expenses	*6*	(28,283)	(24,763)	(24,214)	(10,064)	(8,099)
Net operating income		94,863	106,960	125,628	63,290	69,597
General and administrative expenses	*7*	(16,976)	(19,732)	(21,808)	(8,423)	(8,646)
Fair value gain of investment property	*13*	155,000	117,000	144,000	83,000	200,907
Other (losses)/gains, net	*8*	(17)	(208)	(1,048)	14	(17)
Operating profit		232,870	204,020	246,772	137,881	261,841
Finance income		169	182	193	86	86
Finance costs	*9*	(40,258)	(31,154)	(27,531)	(13,303)	(12,483)
Profit before income tax		192,781	173,048	219,434	124,664	249,444
Income tax expenses	*10*	(61,450)	(54,976)	(69,355)	(39,505)	(79,187)
Profit and total comprehensive income for the year/period		131,331	118,072	150,079	85,159	170,257

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II Note	As at 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	As at 30 June 2018 RMB'000
Non-current assets					
Plant and equipment	12	1,048	1,141	755	576
Investment property	13	1,562,000	1,679,000	1,823,000	2,029,000
Deferred income tax assets	20	17,878	11,894	1,064	–
Total non-current assets		1,580,926	1,692,035	1,824,819	2,029,576
Current assets					
Trade and other receivables	15	21,610	23,860	20,842	16,980
Amount due from immediate holding company	23	302,552	302,552	302,552	–
Amounts due from fellow subsidiaries	23	164,505	167,169	207,816	567,502
Restricted bank balance	16	1,000	1,000	1,000	1,000
Cash and cash equivalents	16	19,491	41,356	22,588	17,382
Total current assets		509,158	535,937	554,798	602,864
Total assets		2,090,084	2,227,972	2,379,617	2,632,440
LIABILITIES					
Current liabilities					
Trade and other payables	17	60,290	77,098	90,911	67,144
Rental deposits	17	26,913	30,932	33,028	36,300
Amount due to the ultimate holding company	23	19,167	19,166	17,042	17,042
Amount due to immediate holding company	23	–	–	–	49,448
Amounts due to fellow subsidiaries	23	78,846	78,844	57,881	59,075
Tax payables		–	–	–	4,729
Interest-bearing borrowings	18	50,000	50,000	50,000	50,000
		235,216	256,040	248,862	283,738
Non-current liabilities					
Interest-bearing borrowings	18	537,500	487,500	437,500	412,500
Deferred income tax liabilities	20	305,421	354,413	413,157	485,847
		842,921	841,913	850,657	898,347
Total liabilities		1,078,137	1,097,953	1,099,519	1,182,085
Net assets		1,011,947	1,130,019	1,280,098	1,450,355
EQUITY					
Share capital	19	400,705	400,705	400,705	400,705
Retained earnings		611,242	729,314	879,393	1,049,650
Total equity		1,011,947	1,130,019	1,280,098	1,450,355
Total equity and liabilities		2,090,084	2,227,972	2,379,617	2,632,440

(C) STATEMENTS OF FINANCIAL POSITION

	Section II Note	As at 31 December 2015 RMB'000	2016 RMB'000
Non-current assets			
Plant and equipment	12	881	1,092
Investment property	13	1,562,000	1,679,000
Investment in subsidiary	14	6,000	6,000
Deferred income tax assets	20	17,330	11,331
Total non-current assets		1,586,211	1,697,423
Current assets			
Trade and other receivables	15	21,237	23,849
Amount due from immediate holding company	23	302,552	302,552
Amounts due from fellow subsidiaries	23	164,431	167,096
Restricted bank balance	16	1,000	1,000
Cash and cash equivalents	16	19,467	40,625
Total current assets		508,687	535,122
Total assets		2,094,898	2,232,545
LIABILITIES			
Current liabilities			
Trade and other payables	17	60,096	77,013
Rental deposits	17	26,913	30,932
Amount due to the ultimate holding company	23	19,167	19,166
Amounts due to fellow subsidiaries	23	78,846	78,844
Amount due to a subsidiary	23	3,494	3,067
Interest-bearing borrowings	18	50,000	50,000
		238,516	259,022
Non-current liabilities			
Interest-bearing borrowings	18	537,500	487,500
Deferred income tax liabilities	20	305,421	354,413
		842,921	841,913
Total liabilities		1,081,437	1,100,935
Net assets		1,013,461	1,131,610
EQUITY			
Share capital	19	400,705	400,705
Retained earnings		612,756	730,905
Total equity		1,013,461	1,131,610
Total equity and liabilities		2,094,898	2,232,545

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Project Company		
	Share capital *(Note 19)* *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2015	400,705	479,911	880,616
Comprehensive income			
Profit and total comprehensive income for the year	–	131,331	131,331
At 31 December 2015	400,705	611,242	1,011,947
Balance at 1 January 2016	400,705	611,242	1,011,947
Comprehensive income			
Profit and total comprehensive income for the year	–	118,072	118,072
At 31 December 2016	400,705	729,314	1,130,019
Balance at 1 January 2017	400,705	729,314	1,130,019
Comprehensive income			
Profit and total comprehensive income for the year	–	150,079	150,079
At 31 December 2017	400,705	879,393	1,280,098
Balance at 1 January 2018	400,705	879,393	1,280,098
Comprehensive income			
Profit and total comprehensive income for the period	–	170,257	170,257
At 30 June 2018	400,705	1,049,650	1,450,355
(Unaudited)			
Balance at 1 January 2017	400,705	729,314	1,130,019
Comprehensive income			
Profit and total comprehensive income for the period	–	85,159	85,159
At 30 June 2017	400,705	814,473	1,215,178

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II Note	For the years ended 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	For the six months ended 30 June 2017 RMB'000 (unaudited)	2018 RMB'000
Cash flows from operating activities						
Cash generated from operations	21	99,916	101,388	54,551	101,670	38,487
Interest received		169	182	193	86	86
Tax paid		–	–	–	–	(704)
Net cash generated from operating activities		100,085	101,570	54,744	101,756	37,869
Cash flows from investing activities						
Purchase of plant and equipment	12	(85)	(756)	(72)	(25)	–
Proceed from disposal of a subsidiary, net	14	–	–	4,425	–	–
Proceed from disposal of plant and equipment	12	–	–	–	–	66
Addition of investment property	13	–	–	–	–	(4,187)
Net cash (used in)/generated from investing activities		(85)	(756)	4,353	(25)	(4,121)
Cash flows from financing activities						
Repayment of borrowings	18	(50,000)	(50,000)	(50,000)	(25,000)	(25,000)
Interest paid		(39,083)	(28,949)	(25,446)	(13,019)	(11,794)
Loan arrangement fees paid		(1,439)	–	(2,419)	(2,419)	(2,160)
Net cash used in financing activities		(90,522)	(78,949)	(77,865)	(40,438)	(38,954)
Net increase/(decrease) in cash and cash equivalents		9,478	21,865	(18,768)	61,293	(5,206)
Cash and cash equivalents at beginning of the year/period		10,013	19,491	41,356	41,356	22,588
Cash and cash equivalents at end of the year/period	16	19,491	41,356	22,588	102,649	17,382

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

惠州市潤鑫商城發展有限公司 (the "**Project Company**", "**潤鑫商城**") was incorporated in the People's Republic of China ("**PRC**") on 31 January 2008 with limited liability. The address of its registered office is Huamao Place, No. 9 First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, PRC.

The Project Company and its subsidiary (the "**Project Group**") are principally engaged in leasing of properties in the PRC (the "**Property Business**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Track Record Period presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Project Group has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standard Board ("**IASB**"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment property which was stated at fair value.

Consolidated financial statements on the Project Group have been prepared for the years ended 31 December 2015, 2016 and 2017. As the Project Company has no subsidiary since 29 November 2017, consolidated statements of financial position as at 31 December 2017 and 30 June 2018 disclosed in Section I(B) represent the Project Company only. Statements of financial position for the Project Company as at 31 December 2015 and 2016 also disclosed in Section I(C).

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Project Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) *Interpretation and new and amended standards have been issued but are not yet effective for the six months ended 30 June 2018 and have not been early adopted by the Project Group*

		Effective for accounting periods beginning on or after
IAS 19 Amendments	Plan amendment, curtailment or settlement	1 January 2019
IAS 28 Amendments	Long-term Interests in Associates and Joint Venture	1 January 2019
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRS 2015-2017 Cycles	Annual Improvements to IFRS 2015-2017 Cycles	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Project Group anticipate that the adoption of these interpretation and new and amended standards would not result in any significant impact on the results and financial position of the Project Group. The Project Group will adopt these new standards and amendments to standards when they become effective.

2.2 Consolidation

Subsidiaries

The Historical Financial Information includes the financial statements of the Project Company and all of its subsidiaries made up to 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018.

A subsidiary is an entity (including a structured entity) over which the Project Group has control. The Project Group controls an entity when the Project Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Project Group. They are deconsolidated from the date that control ceases.

Inter-company transaction, balances and unrealised gains on transactions between Project Group Companies are eliminated in full on consideration.

Disposal of subsidiaries

When the Project Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated entity, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Project Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Project Group's activities. The Project Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Project Group's activities as described below.

(a) Rental income

Operating lease rental income from investment property is recognised in the consolidated statement of comprehensive income on a straight-line basis over the terms of lease agreement. When the Project Group provides incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income. The difference between the gross receipt of rental and operating lease rental recognised over the lease term is recognised as deferred rent receivables.

(b) Commission income from concessionaire sales

Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

(c) Hotel operations and catering services

The Group provides hotel accommodations and catering services to customers. Revenue from hotel operations and catering services are recognised as revenue when such services are rendered.

(d) Advertising and other income

The Group provides advertising services to the tenants in the Target Property. Revenue from advertising services provided to tenants are recognised when such services are rendered.

Other income comprises primarily revenue from tenants for using the common area of the Target Property for promotions and events. Revenue are recognised when the tenants utilised the common area.

2.4 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Project Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate assets is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Office equipment	5 years
Computer equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the consolidated statement of comprehensive income.

2.5 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Project Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the consolidated statement of comprehensive income as part of a valuation gain or loss.

2.6 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

The Project Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and deferred rent receivables, the Project Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

In the event that lease incentives, including rent-free periods, are given to enter into operating leases, such incentives are recognised as deferred rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis.

2.7 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.8 Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Project Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.9 Borrowing costs

Borrowing costs are recognised in the consolidated statements of comprehensive income in the period in which they are incurred.

2.10 Payables and provisions

(i) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the management's best estimate of the expenditures required to settle the present obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

(iii) Rental deposit

Rental deposits arise when the Project Group enters into lease agreement directly with a tenant. Such deposits are included in current liabilities, as they are expected to be realised in the Project Group's normal business operating cycle.

2.11 Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Project Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using income tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through use.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Project Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Project Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information are presented in Renminbi ("**RMB**"), which is the Project Company's functional and the Project Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated statements of comprehensive income.

2.14 Employee benefits

(i) Employee leave entitlement

Employee entitlements to annual leaves are recognised when they accrue to employees. Provisions are made for the estimated liability for annual leaves as a result of services rendered by employees up to the end of the reporting period.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Project Group pays fixed contributions into a separate entity. The Project Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Project Group pays contributions to publicly administered pension insurance plans on a mandatory, contractual or voluntary basis. The Project Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Bonus plan

Provisions for bonus plan due wholly within twelve months after the end of the reporting period are recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15 Financial assets

(i) Classification

The Project Group classifies its financial asset as measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

The Project Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

(iii) Measurement

At initial recognition, the Project Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets measured at amortised cost are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(iv) Impairment

The Project Group's has two types of financial assets that are subject to IFRS 9's new expected credit loss model (note 3.1(b)):

– trade and other receivables

– amounts due from related parties

While cash and cash equivalents and restricted bank balance are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.16 Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

3.1 Financial risk factors

The Project Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk. The Project Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Project Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Interest rate risk

The Project Group's interest-rate risk arises from its long-term borrowings. Borrowings at variable rates expose the Project Group to cash flow interest rate risk which is partially offset by bank deposits at variable rate. Under the Project Group's interest rate management policy, the Project Group generally raises borrowings at floating rates and may use plain vanilla interest rate caps to manage the risk where the Project Group forecasts a significant rise in interest rate in the foreseeable future.

During the Track Record Period, if interest rates had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been RMB2,126,000, RMB1,857,000, RMB1,740,000 and RMB1,665,000 lower/higher for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

(b) Credit risk

The Project Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank balance, trade and other receivables and amounts due from related parties. The carrying amount of each class of the above financial assets represent the Project Group's maximum exposure to credit risk in relation to financial assets.

To manage risk arising from cash and cash equivalents and restricted bank balance, the Project Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Expected credit loss in respect of the cash and cash equivalents and restricted bank balance is minimal.

To manage risk arising from trade and other receivables, the Project Group has policies in place by undertaking transactions with a large number of counterparties and conducting credit evaluations on prospective tenants before entering into lease agreements. The Project Group also has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. To measure the expected credit losses, trade and other receivables have been assessed for each individual tenant. In view of the sound collection history of receivables due from tenants, no impairment was recognised in respect of the trade and other receivables.

To manage the risk from amounts due from related parties, the Project Group has made periodic assessment on recoverability for each individual receivable based on historical settlement records and adjusts for forward-looking information. In view of the strong financial capability of these related parties and considering the future prospects of the industry in which these related parties operate, the management of the Project Group considers that the expected credit loss on these balances is minimal.

The Project Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

– internal credit rating

– external credit rating (as far as available)

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations

– actual or expected significant changes in the operating results of the counter party

– significant increases in credit risk on other financial instruments of the same counter party

– significant changes in the expected performance and behavior of the counter party, including changes in the payment status of borrower in the group and changes in the operating results of the counter party.

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Project Group.

(c) Liquidity risk

Cash flow forecasting is performed by the Project Group's finance function ("**Group Finance**"). Group Finance monitors rolling forecasts of the Project Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Project Group's debt financing plans, compliance with internal financial position ratio targets and, if applicable external regulatory or legal requirements.

Liquidity risk management includes maintaining sufficient cash, the availability of funding from operating cash flow and seeking stable financing activities.

The table below analyses the Project Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows which comprise both interest and principal cash flows.

Project Group

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015					
Trade and other payables	49,554	–	–	–	49,554
Rental deposits	13,623	5,015	3,712	4,563	26,913
Amount due to the ultimate holding company	19,167	–	–	–	19,167
Amounts due to fellow subsidiaries	78,846	–	–	–	78,846
Interest-bearing borrowings and interest payable	78,735	75,371	211,557	395,383	761,046
At 31 December 2016					
Trade and other payables	64,292	–	–	–	64,292
Rental deposits	15,189	7,641	5,514	2,588	30,932
Amount due to the ultimate holding company	19,166	–	–	–	19,166
Amounts due to fellow subsidiaries	78,844	–	–	–	78,844
Interest-bearing borrowings and interest payable	75,371	72,969	204,207	329,764	682,311
At 31 December 2017					
Trade and other payables	74,615	–	–	–	74,615
Rental deposits	15,918	9,027	3,938	4,145	33,028
Amount due to the ultimate holding company	17,042	–	–	–	17,042
Amounts due to fellow subsidiaries	57,881	–	–	–	57,881
Interest-bearing borrowings and interest payable	72,969	70,519	196,857	266,595	606,940
At 30 June 2018					
Trade and other payables	55,151	–	–	–	55,151
Rental deposits	21,417	5,742	4,386	4,755	36,300
Amount due to the ultimate holding company	17,042	–	–	–	17,042
Amount due to immediate holding company	49,448	–	–	–	49,448
Amounts due to fellow subsidiaries	59,075	–	–	–	59,075
Interest-bearing borrowings and interest payable	71,744	69,294	193,181	236,234	570,453

Project Company

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015					
Trade and other payables	49,360	–	–	–	49,360
Rental deposits	13,623	5,015	3,712	4,563	26,913
Amount due to the ultimate holding company	19,167	–	–	–	19,167
Amounts due to fellow subsidiaries	78,846	–	–	–	78,846
Amount due to subsidiary	3,494	–	–	–	3,494
Interest-bearing borrowings and interest payable	78,735	75,371	211,557	395,383	761,046
At 31 December 2016					
Trade and other payables	64,207	–	–	–	64,207
Rental deposits	15,189	7,641	5,514	2,588	30,932
Amount due to the ultimate holding company	19,166	–	–	–	19,166
Amounts due to fellow subsidiaries	78,844	–	–	–	78,844
Amount due to subsidiary	3,067	–	–	–	3,067
Interest-bearing borrowings and interest payable	75,371	72,969	204,207	329,764	682,311
At 31 December 2017					
Trade and other payables	74,615	–	–	–	74,615
Rental deposits	15,918	9,027	3,938	4,145	33,028
Amount due to the ultimate holding company	17,042	–	–	–	17,042
Amounts due to fellow subsidiaries	57,881	–	–	–	57,881
Interest-bearing borrowings and interest payable	72,969	70,519	196,857	266,595	606,940
At 30 June 2018					
Trade and other payables	55,151	–	–	–	55,151
Rental deposits	21,417	5,742	4,386	4,755	36,300
Amount due to the ultimate holding company	17,042	–	–	–	17,042
Amount due to immediate holding company	49,448	–	–	–	49,448
Amounts due to fellow subsidiaries	59,075	–	–	–	59,075
Interest-bearing borrowings and interest payable	71,744	69,294	193,181	236,234	570,453

3.2 Capital risk management

The Project Group's objectives when managing capital are to safeguard the Project Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Project Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total asset value as shown in the consolidated statements of financial position.

The gearing ratios at 31 December 2015, 2016 and 2017 and 30 June 2018 were as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings *(note 18)*	587,500	537,500	487,500	462,500
Total assets	2,090,084	2,227,972	2,379,617	2,632,440
Gearing ratio	28%	24%	20%	18%

3.3 Fair value estimation

The carrying values of the Project Group's financial assets and liabilities approximate their fair values. The fair value of non-current financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Project Group for similar financial instruments.

The disclosure of the investment property that is measured at fair value are set out in note 13.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Project Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Estimates of fair value of investment property

The fair value of the investment property is determined at each reporting date by independent valuer using valuation techniques. Details of the judgement and assumptions have been disclosed in note 13.

(b) Taxation

The Project Group is subject to various taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxation and deferred tax.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

5 REVENUE AND SEGMENT INFORMATION

The Project Group holds an investment property in the PRC and is principally engaged in leasing of property, commission income from concessionary sales, hotel operations and provides catering services. Revenue mainly consists of rental income from tenants. Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Given that management review the operating results of the Project Group on an aggregate basis, no segment information is therefore presented.

The Project Group's revenue is derived solely from its operation in the PRC and the current and non-current assets of the Project Group are also located in the PRC. The additions to non-current assets for each of the financial years/periods are the additions to plant and equipment as set out in Note 12.

An analysis of revenues of the Project Group is as follows:

	For the year ended 31 December			For six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental and management fees income *(note i and ii)*	98,219	105,166	118,228	57,943	62,065
Commission income from concessionaire sales	14,588	13,532	16,837	8,048	9,266
Revenue from catering services *(note iii)*	464	3,106	3,082	1,668	–
Revenue from hotel operations *(note iii)*	98	906	1,246	602	–
Advertising	2,274	2,000	3,013	1,331	1,185
Other income *(note iv)*	7,503	7,013	7,436	3,762	5,180
	123,146	131,723	149,842	73,354	77,696

Notes:

(i) With effect from 1 May 2016, the business tax in the PRC formerly applicable to the Project Group was replaced by the value added tax ("**VAT**"). VAT is a tax detached from selling price and pursuant to the IFRS, the rental income from 1 May 2016 onwards is presented in the Historical Financial Information as excluding any VAT collected by the Project Group on behalf of the relevant tax authority in the PRC. Relevant business tax of rental income borne by the Project Group before 1 May 2016 was included in property operating expenses (note 6).

(ii) Leases with tenants provide for monthly base rent and recovery of certain outgoings. Additional rents based on business turnover amounted to RMB14,032,000, RMB17,075,000, RMB21,779,000, RMB9,798,000 and RMB13,729,000 for the year ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018, respectively, and have been included in the rental income.

(iii) The revenue from catering and hotel services ceased after the disposal of a subsidiary on 29 November 2017.

(iv) Other income mainly represents miscellaneous income charged to tenant.

6 PROPERTY OPERATING EXPENSES

	For the year ended 31 December			For the six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Property tax *(note i)*	11,248	11,104	11,980	5,620	6,439
Business tax *(note ii)*	5,420	1,739	–	–	–
Other taxes *(note iii)*	837	1,156	1,343	563	674
Electricity and water	7,113	6,634	4,387	2,534	986
Repair and maintenance	2,798	1,784	4,670	407	–
Others *(note iv)*	867	2,346	1,834	940	–
	28,283	24,763	24,214	10,064	8,099

Notes:

(i) Property taxes represent real estate tax and land use tax in the PRC.

(ii) With effect from 1 May 2016, the business tax formerly applicable to the Project Group was replaced by the VAT.

(iii) Other taxes represent urban construction and maintenance tax, education surcharge and stamp duty in the PRC.

(iv) It mainly represents the cost of providing catering and hotel services. The catering and hotel services ceased after the disposal of a subsidiary on 29 November 2017.

7 GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December			For the six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Advertising and promotion expenses	4,824	5,273	5,555	1,859	1,161
Depreciation *(note 12)*	1,015	663	403	208	171
Employee benefit expenses *(note)*	8,926	10,524	11,258	4,436	4,580
Management fee *(note 23)*	–	–	–	–	1,116
Auditor's remuneration	70	66	87	47	65
Legal and professional fees	413	1,719	1,727	883	813
Others	1,728	1,487	2,778	990	740
	16,976	19,732	21,808	8,423	8,646

Note:

	For the year ended 31 December			For the six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wages, salaries and bonus	7,283	8,471	9,440	3,456	3,281
Retirement benefit costs	854	993	1,036	496	409
Staff Welfare	789	1,060	782	484	890
	8,926	10,524	11,258	4,436	4,580

8 OTHER (LOSSES)/GAINS, NET

	For the year ended 31 December			For the six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Compensation paid	–	(156)	(1,797)	–	(45)
Gain on disposal of a subsidiary *(note 14(b))*	–	–	640	–	–
Foreign exchange (losses)/gains	(6)	(54)	94	13	(30)
Gain on disposal of plant and equipment	–	–	–	–	58
Others	(11)	2	15	1	–
	(17)	(208)	(1,048)	14	(17)

9 FINANCE COSTS

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest expenses on interest-bearing borrowings	38,819	28,735	25,371	12,214	11,461
Loan arrangement fees *(note)*	1,439	2,419	2,160	1,089	1,022
	40,258	31,154	27,531	13,303	12,483

Note: The loan arrangement fees were calculated at the outstanding loan balance as at each year/period ended date times the People's Bank of China lending rate times 5%.

10 INCOME TAX EXPENSES

For the subsidiaries incorporated and operating in the PRC, they are subject to the PRC corporate income tax at a rate of 25% under Corporate Income Tax Law of the PRC.

No Hong Kong profits tax has been provided as the Project Group has no assessable profits in Hong Kong.

The amount of income tax expenses charged to the consolidated statement of comprehensive income represents:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax					
Current tax on profit for the year/period	–	–	–	–	5,433
Deferred taxation					
Decrease in deferred income tax assets *(note 20)*	1,464	5,984	10,611	6,361	1,064
Increase in deferred income tax liabilities *(note 20)*	59,986	48,992	58,744	33,144	72,690
	61,450	54,976	69,355	39,505	79,187

The taxation on the Project Group's profit before income tax differs from the theoretical amount that would arise using the corporate income tax rate of the PRC as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before income tax	192,781	173,048	219,434	124,664	249,444
Calculated at PRC corporate income tax rates of 25%	48,195	43,262	54,859	31,166	62,361
Expenses not deductible for tax purposes	56	73	54	27	27
Income not subject to tax	–	–	(160)	–	–
Withholding tax on unremitted earnings of subsidiaries	13,164	11,670	14,672	8,358	16,833
Others	35	(29)	(70)	(46)	(34)
Taxation charges	61,450	54,976	69,355	39,505	79,187

11 PROJECT COMPANY'S DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

None of the directors and senior management of the Project Company received any emoluments in respect of their services rendered to the Project Group during the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018. Their remuneration were borne by the ultimate holding company and it is not practical to allocate such expense to the Project Group.

12 PLANT AND EQUIPMENT

Project Group

	Office equipment	Computer equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015				
Cost	1,910	4,056	279	6,245
Accumulated depreciation	(1,271)	(2,726)	(270)	(4,267)
Net book amount	639	1,330	9	1,978
Opening net book amount at 1 January 2015	639	1,330	9	1,978
Additions	4	81	–	85
Depreciation	(365)	(650)	–	(1,015)
Closing net book amount	278	761	9	1,048
At 31 December 2015 and 1 January 2016				
Cost	1,914	4,137	279	6,330
Accumulated depreciation	(1,636)	(3,376)	(270)	(5,282)
Net book amount	278	761	9	1,048

	Office equipment *RMB'000*	Computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Opening net book amount at 1 January 2016	278	761	9	1,048
Additions	32	140	584	756
Depreciation	(218)	(407)	(38)	(663)
Closing net book amount	92	494	555	1,141
At 31 December 2016 and 1 January 2017				
Cost	1,946	4,277	863	7,086
Accumulated depreciation	(1,854)	(3,783)	(308)	(5,945)
Net book amount	92	494	555	1,141
Opening net book amount at 1 January 2017	92	494	555	1,141
Additions	19	53	–	72
Disposal of a subsidiary *(note 14(b))*	(37)	(18)	–	(55)
Depreciation	(32)	(258)	(113)	(403)
Closing net book amount	42	271	442	755
At 31 December 2017				
Cost	618	4,292	863	5,773
Accumulated depreciation	(576)	(4,021)	(421)	(5,018)
Net book amount	42	271	442	755
Opening net book amount at 1 January 2018	42	271	442	755
Disposal	–	–	(8)	(8)
Depreciation	(13)	(101)	(57)	(171)
Closing net book amount	29	170	377	576
At 30 June 2018				
Cost	618	4,292	584	5,494
Accumulated depreciation	(589)	(4,122)	(207)	(4,918)
Net book amount	29	170	377	576
(Unaudited)				
Opening net book amount at 1 January 2017	92	494	555	1,141
Additions	12	13	–	25
Depreciation	(15)	(136)	(57)	(208)
Closing net book amount	89	371	498	958
At 30 June 2017				
Cost	1,958	4,290	863	7,111
Accumulated depreciation	(1,869)	(3,919)	(365)	(6,153)
Net book amount	89	371	498	958

Project Company

	Office equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2015				
Cost	391	1,836	279	2,506
Accumulated depreciation	(247)	(1,240)	(270)	(1,757)
Net book amount	144	596	9	749
Opening net book amount at 1 January 2015	144	596	9	749
Additions	4	81	–	85
Transfer from subsidiary	52	547	–	599
Depreciation	(87)	(465)	–	(552)
Closing net book amount	113	759	9	881
At 31 December 2015 and 1 January 2016				
Cost	596	4,119	279	4,994
Accumulated depreciation	(483)	(3,360)	(270)	(4,113)
Net book amount	113	759	9	881
Opening net book amount at 1 January 2016	113	759	9	881
Additions	4	133	584	721
Depreciation	(67)	(405)	(38)	(510)
Closing net book amount	50	487	555	1,092
At 31 December 2016				
Cost	600	4,252	863	5,715
Accumulated depreciation	(550)	(3,765)	(308)	(4,623)
Net book amount	50	487	555	1,092

13 INVESTMENT PROPERTY

Project Group and Project Company

	For the year ended 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	1,407,000	1,562,000	1,679,000	1,823,000
Changes in fair value recognised in consolidated statement of comprehensive income	155,000	117,000	144,000	200,907
Additions	–	–	–	5,093
At end of the year/period	1,562,000	1,679,000	1,823,000	2,029,000

The investment property comprises shopping mall and car parking spaces located in the PRC. Land use rights have been granted to Project Group for a 40-year term expiring on 1 February 2048.

As at 31 December 2015, 2016 and 2017 and six months ended June 30 2018, the Project Group had no unprovided contractual obligations for future repairs and maintenance of the investment property.

As at 31 December 2015, 2016 and 2017 and six months ended June 30 2018, the investment property was pledged to secure the Project Group's interest-bearing borrowings (note 18).

Valuation process

The Project Group's investment property was valued by an independent professionally qualified valuer not connected to the Project Group who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment property valued.

As at 31 December 2015, 2016 and 2017 and six months ended June 30 2018, the fair value of the investment property has been determined by Knight Frank Petty Limited. The independent valuer adopted the income capitalisation approach.

Valuation techniques

The income capitalisation approach estimates the value of the property on an open market basis by capitalising the estimated rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. In this valuation method, the total rental income comprises the current passing rental income over the existing remaining lease terms (the "**term income**") and potential market rental income upon reversion (the "**reversionary income**"). The term value involves the capitalisation of the current passing rental income over the existing remaining lease terms. The reversionary value is estimated by capitalising the current market rental income on a fully leased basis. It is then discounted back to the valuation date. In this approach, the independent qualified valuer has considered the term and reversionary yields to capitalised the current passing rental income and the market rental income respectively.

Fair value hierarchy

Project Group and Project Company

	Fair value measurements using		
	Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*
Recurring fair value measurements			
As at 31 December 2015	–	–	1,562,000
As at 31 December 2016	–	–	1,679,000
As at 31 December 2017	–	–	1,823,000
As at 30 June 2018	–	–	2,029,000

There were no transfers between levels 1, 2 and 3 during the Track Record Period.

Key unobservable inputs used to determine fair values

(a) Capitalisation rate

This is estimated based on the market lease over market value on comparable. The higher the capitalisation rates used, the lower the fair values of the investment property. For the 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 valuation, a capitalisation rate of 7.2%, 7.4%, 7.6% and 7.5%, respectively are used in the income capitalisation approach.

(b) Base rent

Base rent is the standard rent payable under the lease exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment property. The average gross monthly base rent as at 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 are of RMB127, RMB135, RMB154 and RMB157 per square meter respectively inclusive of VAT is used in the valuation.

14 INVESTMENT IN A SUBSIDIARY

(a) Subsidiary

Upon completion of the Reorganisation, the Target Company would have direct and indirect interests in the following subsidiaries:

Name	Date of incorporation	Place of incorporation/ establishment and kind of legal entity	Principal activity and place operation	Particulars of issued share capital	Effective Interest held
惠州市潤泰商貿有限公司 *(note i)*	23 October 2010	the PRC, limited liability company	General trading	Registered capital of RMB6,000,000	100%

Note:

(i) The subsidiary was disposed on 29 November 2017.

(b) Disposal of a subsidiary

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gain on disposal of:					
惠州市潤泰商貿有限公司	–	–	640	–	–

On 29 November 2017, the Target Group disposed of the entire interest held in惠州市潤泰商貿有限公司, a subsidiary of the Target Group, for cash consideration of RMB6,080,000.

Details of the assets and liabilities of 惠州市潤泰商貿有限公司 disposed of and the gain on disposal are as follows:

	For the year ended 31 December 2017
	RMB'000
Assets and liabilities disposed of:	
Plant and equipment *(note 12)*	55
Amount due from a fellow subsidiary	4,067
Prepayment and other receivables	64
Cash and cash equivalents	1,655
Deferred income tax assets *(note 20)*	219
Trade and others payables	(620)
Net assets disposed of	5,440
Consideration	6,080
Less: Net assets disposed of	(5,440)
Gain on disposal of 惠州市潤泰商貿有限公司	640
Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary:	
Cash received	6,080
Cash and bank balances disposed	(1,655)
	4,425

The profit and loss items in relation to the disposed subsidiary during the track record period is as follows:

	Year ended 31 December			**For the six month ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	1,399	4,012	4,328	2,270	–
Property operating expenses	(2,876)	(2,717)	(1,850)	(940)	–
Net operating income/(loss)	(1,477)	1,295	2,478	1,330	–
General and administrative expenses	(860)	(1,389)	(1,122)	(540)	–
Other gain, net	432	3	14	2	–
Operating profit/(loss)	(1,905)	(91)	1,370	792	–
Finance income	1	1	3	(9)	–
(Loss)/profit before income tax	(1,904)	(90)	1,373	783	–
Income tax credit/(expense)	483	13	(343)	(195)	–
(Loss)/profit and total comprehensive (loss)/income for the year/period	(1,421)	(77)	1,030	588	–

15 TRADE AND OTHER RECEIVABLES

Project Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	3,342	3,816	5,194	4,094
Deferred rent receivables	11,624	13,205	12,756	9,536
Other receivables	6,644	6,839	2,892	3,350
	21,610	23,860	20,842	16,980

Project Company

	As at 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Trade receivables	3,342	3,816
Deferred rent receivables	11,623	13,205
Other receivables	6,272	6,828
	21,237	23,849

Trade and other receivables are denominated in RMB and the carrying amounts of these receivables approximate their fair values.

The normal credit terms given to the tenants are generally 30 days.

Fixed monthly rentals are payable in advance by tenants in accordance with the leases while the turnover rent is payables in arrears from tenants in accordance of the lease.

The Project Group's exposure from outstanding rent receivables is generally fully covered by the rental deposits from the corresponding tenants (note 17).

Deferred rent receivables represents the accumulated difference between effective rental revenue and actual rental receipts.

The aging of trade receivables, presented based on the invoice date, is as follows:

Project Group and Project Company

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	2,919	3,755	5,194	4,094
31 – 90 days	362	–	–	–
Over 90 days	61	61	–	–
	3,342	3,816	5,194	4,094

The maximum exposure to credit risk at the reporting date is the carrying amount of trade receivables.

16 RESTRICTED BANK BALANCE AND CASH AND CASH EQUIVALENTS

Project Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank balance (a)	1,000	1,000	1,000	1,000
Cash and cash equivalents (b)	19,491	41,356	22,588	17,382
	20,491	42,356	23,588	18,382

Project Company

	As at 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Restricted bank balance (a)	1,000	1,000
Cash and cash equivalents (b)	19,467	40,625
	20,467	41,625

(a) Restricted bank balance

Project Group and Project Company

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank balance *(note)*	1,000	1,000	1,000	1,000
Maximum exposure to credit risk	1,000	1,000	1,000	1,000

Note: Restricted bank balance is related to a bank account restricted under the interest-bearing borrowing agreements of the Project Group's interest-bearing borrowings (note 18).

(b) Cash and cash equivalents

Project Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	19,345	41,239	22,484	17,259
Cash on hand	146	117	104	123
	19,491	41,356	22,588	17,382
Maximum exposure to credit risk	19,345	41,239	22,484	17,259

Project Company

	As at 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Cash at bank	19,339	40,509
Cash on hand	128	116
	19,467	40,625
Maximum exposure to credit risk	19,339	40,509

Restricted bank balances and cash and cash equivalents of the Project Group are denominated in RMB. The carrying amounts approximate their fair values.

The Project Group's RMB balances are placed with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies in the PRC is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

17 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

Project Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Rental deposits *(note i)*	26,913	30,932	33,028	36,300
Trade and other payables:				
Receipt on behalf of tenant	32,019	39,977	52,135	30,744
Rental receipts in advance	6,612	8,914	9,853	9,599
Membership deposit	10,706	12,743	13,707	13,824
Provision for other taxes *(note ii)*	3,064	3,112	4,015	2,394
Other deposits	2,962	3,562	4,026	5,713
Accrued expenses and other payables	4,927	8,790	7,175	4,870
	60,290	77,098	90,911	67,144

Project Company

	As at 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Rental deposits *(note i)*	26,913	30,932
Trade and other payables:		
Receipt on behalf of tenant	31,984	39,971
Rental receipts in advance	6,612	8,914
Membership deposit	10,706	12,743
Provision for other taxes *(note ii)*	3,055	3,106
Other deposits	2,962	3,562
Accrued expenses and other payables	4,777	8,717
	60,096	77,013

Notes:

(i) Rental deposits are classified as current liabilities on the basis that it is expected to be realised in the Project Group's normal rental business operating cycle. The ageing analysis is as follows:

Project Group and Project Company

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	13,623	15,189	15,918	21,417
Over 1 year	13,290	15,743	17,110	14,883
	26,913	30,932	33,028	36,300

(ii) Provision for other taxes represents provision for business tax, urban construction and maintenance tax, education surcharge and stamp duty.

The carrying amounts of rental deposits and trade and other payables approximate their fair values and mainly denominated in RMB.

18 INTEREST-BEARING BORROWINGS

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Project Group's interest-bearing borrowings were repayable as follows:

Project Group and Project Company

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	50,000	50,000	50,000	50,000
Non-current	537,500	487,500	437,500	412,500
	587,500	537,500	487,500	462,500

The exposure of the Project Group's non-current borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting year are as follows:

Project Group and Project Company

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
12 months or less	537,500	487,500	437,500	412,500

The interest-bearing borrowings as at 31 December 2015, 2016 and 2017 and 30 June 2018 were denominated in RMB. The carrying amounts of interest-bearing borrowings approximate their fair value, as the borrowings were at floating interest rate. The nominal interest rate of the borrowings are the People's Bank of China lending rate times 105% for the year ended 31 December 2015 and People's Bank of China lending rate for the years ended 31 December 2016 and 2017 and six months ended 30 June 2018.

The interest-bearing borrowings were secured by the Project Group's investment property (note 13) as at 31 December 2015, 2016 and 2017 and 30 June 2018.

19 SHARE CAPITAL

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share capital	400,705	400,705	400,705	400,705

20 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate.

Project Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
– to be recovered after more than 12 months	11,894	1,283	–	–
– to be recovered within 12 months	5,984	10,611	1,064	–
	17,878	11,894	1,064	–
Deferred income tax liabilities:				
– Deferred income tax liabilities to be settled after more than 12 months	305,421	354,413	413,157	485,847

Project Company

	As at 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after more than 12 months	11,331	1,064
– to be recovered within 12 months	5,999	10,267
	17,330	11,331
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	305,421	354,413

The movements in deferred income tax assets and deferred income tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the Track Record Period are as follows:

Deferred income tax assets:

Project Group

	Income tax losses
	RMB'000
At 1 January 2015	19,342
Charged to profit or loss	(1,464)
At 31 December 2015	17,878
At 1 January 2016	17,878
Charged to profit or loss	(5,984)
At 31 December 2016	11,894
At 1 January 2017	11,894
Charged to profit or loss	(10,611)
Disposal of a subsidiary	(219)
At 31 December 2017	1,064
At 1 January 2018	1,064
Charged to profit or loss	(1,064)
At 30 June 2018	–

Project Company

	Income tax losses
	RMB'000
At 1 January 2015	19,276
Charged to profit or loss	(1,946)
At 31 December 2015	17,330
At 1 January 2016	17,330
Charged to profit or loss	(5,999)
At 31 December 2016	11,331

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The tax losses will expire within five years from the end of each year.

Deferred income tax liabilities:

Project Group and Project Company

	Fair value gain	Withholding tax in respect of unremitted earnings	Acceleration depreciation allowance and others	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	181,818	47,473	16,144	–	245,435
Charged to profit or loss	38,750	13,164	8,072	–	59,986
At 31 December 2015	220,568	60,637	24,216	–	305,421
At 1 January 2016	220,568	60,637	24,216	–	305,421
Charged to profit or loss	29,250	11,670	8,072	–	48,992
At 31 December 2016	249,818	72,307	32,288	–	354,413
At 1 January 2017	249,818	72,307	32,288	–	354,413
Charged to profit or loss	36,000	14,672	8,072	–	58,744
At 31 December 2017	285,818	86,979	40,360	–	413,157
At 1 January 2018	285,818	86,979	40,360	–	413,157
Charged to profit or loss	50,227	16,833	4,036	1,594	72,690
At 30 June 2018	336,045	103,812	44,396	1,594	485,847

21 NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operating activities

	For the year ended 31 December			For the six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax	192,781	173,048	219,434	124,664	249,444
Fair value gain of investment property	(155,000)	(117,000)	(144,000)	(83,000)	(200,907)
Depreciation	1,015	663	403	208	171
Finance income	(169)	(182)	(193)	(86)	(86)
Interest expenses	38,819	28,735	25,371	12,214	11,461
Loan arrangement fees	1,439	2,419	2,160	1,089	1,022
Gain on disposal of a subsidiary	–	–	(640)	–	–
Gain on disposal of plant and equipment	–	–	–	–	(58)
Foreign exchange losses/(gains)	6	54	(94)	(13)	30
Decrease/(increase) in trade and other receivables	4,321	(2,250)	2,954	7,178	3,862
(Decrease)/increase in trade and other payables	(4,608)	14,550	14,861	6,596	(23,232)
Increase in rental deposits	1,196	4,019	2,096	1,629	3,272
Decrease/(increase) in amounts due from/(to) fellow subsidiaries	20,133	(2,667)	(65,677)	(18,809)	(358,492)
(Decrease)/increase in amount due to the ultimate holding company	(17)	(1)	(2,124)	50,000	–
Decrease in amount due from/(to) immediate holding company	–	–	–	–	352,000
Cash generated from operations	99,916	101,388	54,551	101,670	38,487

(b) Movement of financial liabilities arising from financing activities

The details of the movement of financial liabilities arising from financing activities are as follows:

Liabilities from financing activities

	Interest bearing borrowings – repayable within one year	Interest bearing borrowings – repayable after one year	Interest and loan arrangement fees payables (included in trade and other payables)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2015	50,000	587,500	1,283	638,783
Cash flows in financing activities				
Repayment of interest-bearing borrowings	(50,000)	–	–	(50,000)
Interest and loan arrangement fees paid	–	–	(40,522)	(40,522)
Reclassification to current liabilities	50,000	(50,000)	–	–
Finance costs	–	–	40,258	40,258
As at 31 December 2015	50,000	537,500	1,019	588,519
As at 1 January 2016	50,000	537,500	1,019	588,519
Cash flows in financing activities				
Repayment of interest-bearing borrowings	(50,000)	–	–	(50,000)
Interest and loan arrangement fees paid	–	–	(28,949)	(28,949)
Reclassification to current liabilities	50,000	(50,000)	–	–
Finance costs	–	–	31,154	31,154
As at 31 December 2016	50,000	487,500	3,224	540,724
As at 1 January 2017	50,000	487,500	3,224	540,724
Cash flows in financing activities				
Repayment of interest-bearing borrowings	(50,000)	–	–	(50,000)
Interest and loan arrangement fees paid	–	–	(27,865)	(27,865)
Reclassification to current liabilities	50,000	(50,000)	–	–
Finance costs	–	–	27,531	27,531
As at 31 December 2017	50,000	437,500	2,890	490,390
As at 1 January 2018	50,000	437,500	2,890	490,390
Cash flows in financing activities				
Repayment of interest-bearing borrowings	(25,000)	–	–	(25,000)
Interest and loan arrangement fees paid	–	–	(13,954)	(13,954)
Reclassification to current liabilities	25,000	(25,000)	–	–
Finance costs	–	–	12,483	12,483
As at 30 June 2018	50,000	412,500	1,419	463,919

Liabilities from financing activities

	Interest bearing borrowings – repayable within one year	Interest bearing borrowings – repayable after one year	Interest and loan arrangement fees payables (included in trade and other payables)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)				
As at 1 January 2017	50,000	487,500	3,224	540,724
Cash flows in financing activities				
Repayment of interest-bearing borrowings	(25,000)	–	–	(25,000)
Interest and loan arrangement fees paid	–	–	(15,438)	(15,438)
Reclassification to current liabilities	25,000	(25,000)	–	–
Finance costs	–	–	13,303	13,303
As at 30 June 2017	50,000	462,500	1,089	513,589

22 FUTURE MINIMUM RENTAL RECEIVABLES

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the analysis of the Project Group's aggregate future minimum rental receivables under non-cancellable leases is as follows:

Project Group and Project Company

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	51,697	62,045	65,697	78,771
After 1 year, but within 5 years	73,610	99,754	90,655	112,393
After 5 years	52,776	54,646	43,005	30,994
	178,083	216,445	199,357	222,158

23 SIGNIFICANT RELATED PARTY BALANCES

(a) Nature of relationship with related parties

The table below summarises the names of the related parties, with whom the Project Group has significant balances, and their relationship with the Project Group during the Track Record Period except as explained in Note(i) below:

Related parties	Relationship with the Project Group
北京國華置業有限公司 (“**國華置業**”)	The ultimate holding company
惠州市華貿興業房地產開發有限公司 (“**華貿興業**”)	The immediate holding company
惠州市潤豐房地產開發有限公司 (“**潤豐房地產**”)	Fellow subsidiary
惠州市潤和房地產開發有限公司 (“**潤和房地產**”)	Fellow subsidiary
惠州華貿商業管理有限公司 (“**華貿商業**”)	Fellow subsidiary
惠州市華貿太平物業管理有限公司 (“**華貿太平**”)	Fellow subsidiary
惠州市潤泰商貿有限公司 (“**潤泰商貿**”) *(Note (i))*	Subsidiary

Note (i): The Company became a fellow subsidiary of the Project Group after the disposal as set out in note 14(b).

(b) Balances with related parties

Project Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from immediate holding company	302,552	302,552	302,552	–
Amounts due from fellow subsidiaries	164,505	167,169	207,816	567,502
Amount due to the ultimate holding company	(19,167)	(19,166)	(17,042)	(17,042)
Amount due to immediate holding company	–	–	–	(49,448)
Amounts due to fellow subsidiaries	(78,846)	(78,844)	(57,881)	(59,075)

Project Company

	As at 31 December	
	2015	**2016**
	RMB'000	*RMB'000*
Amount due from immediate holding company	302,552	302,552
Amounts due from fellow subsidiaries	164,431	167,096
Amount due to the ultimate holding company	(19,167)	(19,166)
Amounts due to fellow subsidiaries	(78,846)	(78,844)
Amount due to a subsidiary	(3,494)	(3,067)

These balances are unsecured, interest free, repayable on demand and denominated in RMB.

(c) Transaction with a related party

Save as disclosed elsewhere in the Historical Financial Information, the Project Group had the following transaction with a related party during the year/period:

	For the year ended 31 December			For the six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Management fee *(Note)*	–	–	–	–	1,116

Note: On 1 June 2018, 潤鑫商城 entered into a management service agreement with 華貿商業 pursuant to which 華貿商業 provides management services to 潤鑫商城 and the Target Property. The management services was charged on cost reimbursement basis

(d) Key management compensation

The directors are regarded as key management. Directors' emoluments are disclosed in Note 11.

24 EVENT AFTER BALANCE SHEET DATE

On 19 September 2018, RHZ01 Limited, a special purpose vehicle of Spring Real Estate Investment Trust ("**Spring REIT**"), entered into the Share Purchase Deed with Huamao Focus Limited, pursuant to which RHZ01 Limited agreed to acquire 100% of the issued shares of the Blue Chrysalis Ltd, which after the reorganisation indirectly holds 100% of the equity interest of the Project Company.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Project Company or any of its subsidiaries in respect of any period subsequent to 30 June 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Project Company or any of its subsidiaries in respect of any period subsequent to 30 June 2018 and up to the date of this report.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma consolidated statement of assets and liabilities and unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the consolidated statement of assets and liabilities and the consolidated statement of comprehensive income of the Enlarged Group as if the Acquisition had been completed on 30 June 2018 for the unaudited pro forma consolidated statement of assets and liabilities and on 1 January 2018 for the unaudited pro forma consolidated statement of comprehensive income.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the unaudited interim condensed consolidated statement of financial position and the unaudited interim condensed consolidated statement of comprehensive income of the Group as at and for the six month ended 30 June 2018, as set out in its published report on interim financial information for the six months ended 30 June 2018; (ii) the statement of financial position and the statement of comprehensive income of the Project Company as at and for the six months ended 30 June 2018; and (iii) the pro forma adjustments prepared to reflect the effects of the Acquisition as explained in the notes set out below that are directly attributable to the Acquisition and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Manager for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2018 or 1 January 2018 or any future date.

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2018

	The Group as at 30 June 2018	The Project Company as at 30 June 2018	Pro forma adjustments				Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2018
	US$'000	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 9*	
ASSETS							
Non-current assets							
Plant and equipment	–	87					87
Investment properties	1,463,754	306,449					1,770,203
Goodwill	–	–	16,661				16,661
Other receivables	–	–	47,576				47,576
Derivative financial instruments	103	–					103
	1,463,857	306,536					1,834,630
Current assets							
Trade and other receivables	4,798	2,565					7,363
Amount due from fellow subsidiaries	–	85,712	(85,712)				–
Restricted bank balances	57,192	151					57,343
Cash and cash equivalents	21,841	2,625	(63,142)	72,321	(2,511)	(5,620)	25,514
	83,831	91,053					90,220
Total assets	1,547,688	397,589					1,924,850

	The Group as at 30 June 2018	The Project Company as at 30 June 2018	Pro forma adjustments				Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2018
	US$'000	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*
	Note 1	*Note 2*	*Note 3*	*Note 3,4*	*Note 5*	*Note 10*	
LIABILITIES							
Current liabilities							
Interest-bearing borrowings	–	7,552		72,321			79,873
Trade and other payables	13,901	10,855					24,756
Rental deposits	24,550	5,483					30,033
Amount due to the ultimate holding company	–	2,574	(2,574)				–
Amount due to the immediate holding company	–	7,469	(7,469)				–
Amount due to fellow subsidiaries	–	8,922	(8,922)				–
Income tax payable	241	–					241
	38,692	42,855					134,903
Non-current liabilities, other than net assets attributable to unitholders							
Interest-bearing borrowings	533,166	62,302					595,468
Loan from a related party	–	–	47,576				47,576
Derivative financial instrument	63	–					63
Deferred tax liabilities	–	73,380					73,380
	533,229	135,682					716,487
Total liabilities, excluding net assets attributable to unitholders	571,921	178,537					851,390
Net assets attributable to unitholders	975,767	219,052					1,073,460

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2018

			Pro forma adjustments						
	The Group for the six months ended 30 June 2018	The Project Company for the six months ended 30 June 2018							Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the six months 30 June 2018
	US'000	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*
	Note 6	*Note 7*	*Note 4*	*Note 5*	*Note 8*	*Note 9*	*Note 10*	*Note 11*	
Revenue	43,407	12,201						9	55,617
Property operating expense	(10,712)	(1,272)					(1,374)	(1)	(13,359)
Net property income	32,695	10,929							42,258
Fair value gain on investment properties	1,981	31,550							33,531
General and administrative expenses	(6,602)	(1,358)		(2,558)	(1,103)	(5,620)	1,179		(16,062)
Other losses, net	(1,781)	(3)							(1,784)
Operating profit	26,293	41,118							57,943
Finance income	303	14							317
Finance costs on interest-bearing borrowings	(20,026)	(1,960)	(1,533)						(23,519)
Profit before taxation and transactions with Unitholders	6,570	39,172							34,741
Income tax expense	(81)	(12,435)					48	(2)	(12,470)
Profit for the year, before transactions with Unitholders	6,489	26,737							22,271
Other comprehensive income for the period:									
Items that may be reclassified to profit or loss									
Exchange losses on translation of financial statements	(15,646)	(2,008)							(17,654)
Other comprehensive income for the year	(15,646)	(2,008)							(17,654)
Total comprehensive income for the year	(9,157)	24,729							4,617
Total distributable amount *(Note 14)*	20,082								25,555
Distribution per unit (HK$) *(Note 15)*	0.120								0.128

Notes:

1. The balances were extracted from the unaudited interim consolidated statement of financial position of Spring REIT as at 30 June 2018 as set out in the Spring REIT's published report of interim financial information for the six months ended 30 June 2018.

2. The balances are derived from the audited statement of financial position of the Project Company as at 30 June 2018 as set out in Appendix 2B to this circular.

3. The Acquisition

   (a) Determination of consideration

   Pursuant to the terms of the Share Purchase Deed, the Acquisition involves the acquisition of 100% equity interest in Blue Chrysalis Ltd which will, after the Reorganisation, indirectly hold 100% of 惠州市潤鑫商城發展有限公司 ("**潤鑫商城**", the "**Project Company**") for a consideration equal to Target Property Price being RMB1,653.5 million, minus the amounts outstanding under the Existing ICBC Facility and Onshore Loan as at Completion, subject to an adjustment to either: (a) add the amount of Adjusted NAV as at Completion (if it is a positive amount); or (b) subtract the absolute value of the amount of Adjusted NAV as at Completion (if it is a negative amount). For illustrative purpose as at 30 June 2018, the total amounts attributed to the Existing ICBC Facility and Onshore Loan and the Adjusted NAV of the Target Group amounting to negative RMB842.8 million (equivalent to US$127.3 million). The Adjusted NAV is all assets of the Target Group (other than the Target Property) minus all liabilities of the Target Group (other than the deferred tax liabilities and the amounts attributed to the Existing ICBC Facility and Onshore Loan) as at Completion. The Consideration will be satisfied in the following manners: (i) RMB110 million (equivalent to US$16.6 million) which shall be paid in cash, and (ii) by issuance of Units of Spring REIT to the Seller.

	RMB'000	*US$'000 equivalent*
Target Property Price	1,653,466	249,731
Less:		
Amounts outstanding under the Existing ICBC Facility and Onshore Loan	(777,500)	(117,429)
Adjusted NAV	(65,298)	(9,863)
Consideration	810,668	122,439
Satisfied by:		
Consideration satisfied in cash	110,000	16,614
Consideration satisfied by issuance of Units *(Note)*	700,668	105,825
	810,668	122,439

Note: For the purpose of the Unaudited Pro Forma consolidated statement of financial position of the Enlarged Group, an assumed Issue Price of HK$3.324 per unit is adopted for the New Units to be issued as the settlement of the Consideration, which is based on the average closing price of a Unit as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and excluding the Latest Practicable Date pursuant to the Share Purchase Deed. For the purpose of unaudited pro forma consolidated statement of financial position, the Latest Practicable Date is taken as 30 June 2018 for illustrative purpose.

(b) Reorganisation prior to the completion of the Acquisition

Prior to the completion of the Acquisition, the Seller underwent Reorganisation under which the Seller has disposed 潤鑫商城 to PRC Intermediary Company 2 at a consideration of RMB750 million. RMB435 million (equivalent to US$65.7 million) was settled through the intercompany balances due by the Seller and its related entities to 潤鑫商城. The Seller Lender and the PRC Intermediary Company 2 will enter into the Onshore Loan Agreement pursuant to which the Seller Lender as lender agrees to extend to the PRC Intermediary Company 2 as borrower a RMB315 million (equivalent to US$47.6 million) loan (the "**Onshore Loan**"), which is intended to be drawn down prior to the date of Completion to settle the remaining consideration to complete the Reorganisation. The Onshore Loan will mature in three years. Such amount would be recorded as loan from a related party payable to 惠州市華貿興業房地產開發有限公司.

Under the Onshore Loan Agreement, the PRC Intermediary Company 2 shall procure that an Offshore Amount of HK$373.3 million (equivalent to US$47.6 million or RMB315 million), which is the HKD equivalent of the principal amount of the Onshore Loan be paid to the Seller at Completion and returned concurrently with repayment of the Onshore Loan. As a result, no interest is payable nor receivable for the Onshore Loan and the Offshore Amount respectively. The Purchaser has agreed to pay the Seller the Offshore Amount at Completion pursuant to the Share Purchase Deed. Such amount would be recorded as other receivables from Huamao Focus Limited.

(c) Calculation of goodwill

Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group were accounted for in the consolidated statement of financial position of the Enlarged Group at fair value under the acquisition method in accordance with International Financial Reporting Standard 3 (Revised), "Business Combination" ("**IFRS 3**"). For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the Group has carried out an illustrative consideration allocation exercise in accordance with IFRS 3. The identifiable assets and liabilities of the Target Group are recorded in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at their fair values estimated by the Directors of the Manager with reference to the valuation performed by an independent professional qualified valuer which issued a valuation report dated 19 September 2018 (the "**Valuation Report**") on the Target Group for the purpose of purchase price allocation.

The goodwill arising from the acquisition of the Target Group is calculated as follows:

	Note	*RMB'000*	*US$'000 equivalent*
Consideration		810,668	122,439
Less:			
Fair value of net assets acquired		700,355	105,778
Fair value of net assets of the Target Group as at 30 June 2018		1,450,355	219,052
Less: Settlement during the Target Group Reorganisation	*(i)*	(435,000)	(65,698)
Onshore Loan	*(ii)*	(315,000)	(47,576)
Goodwill		110,313	16,661

Notes:

(i) The amount of RMB435 million (equivalent to US$65.7 million) represented the cash outflow of the Target Group during the Target Group Reorganisation.

(ii) The amount of RMB315 million (equivalent to US$47.6 million) represented the Onshore Loan assumed.

As a result, overall cash outflow of US$63.1 million comprises of (i) cash consideration of RMB110 million (equivalent to US$16.6 million; (ii) payment of Offshore Amount of HK$373.3 million (equivalent to US$47.6 million); and (iii) set off with net cash inflow of US$1.1 million from intercompany balances settlement arising from Target Group Reorganisation.

Since the fair values of the identifiable assets and liabilities of the Target Group at the Acquisition Completion Date may be substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets and goodwill may be different from the amounts presented above. The Directors of the Manager confirm that consistent policies and assumptions have been applied for the purpose of assessing impairment of goodwill under Hong Kong Accounting Standard 36 "Impairment of Assets", and the Directors of the Manager are not aware of any indications that an impairment of the Enlarged Group's goodwill is required after considering the nature, prospects, financial condition and business risks of the Enlarged Group.

Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of Spring REIT at fair value under the acquisition method of accounting in accordance with IFRS 3 (Revised), "Business Combinations".

4. The amount represents the finance cost of the additional bank borrowing of HK$567.5 million (equivalent to US$72.3 million), after accounting for the effect of upfront fee of the New Facility, to finance the payment of Offshore Amount, cash consideration of RMB110 million (equivalent to US$16.6 million) and Total Fees and Charges of the Acquisition which bear interest at a margin of 1.05% per annum over HIBOR. An additional finance cost of HK$12.0 million (equivalent to US$1.5 million) for the six months ended 30 June 2018 would be charged. The adjustment has a recurring nature.

5. Pursuant to the Trust Deed, the Manager of the Spring REIT is entitled to receive a one-time acquisition fee calculated at 1% of the acquisition price of the property. Basing on the Target Property Price of RMB1,653.5 million, an additional Manager's fee of RMB16.5 million (equivalent to US$2.5 million) would be charged.

Pursuant to the Trust Deed, the Trustee is entitled to charge additional fees for duties undertaken in connection with the Acquisition. The Trustee has agreed with the Manager that it will charge Spring REIT a one-time additional fee based on the time and costs incurred by it for duties undertaken by the Trustee in connection with the Acquisition, with such additional fee expected to be HK$110,000 (equivalent to US$0.01 million).

6. The amounts represent the financial results of Spring REIT for the six month ended 30 June 2018, which are extracted from the unaudited interim condensed consolidated statement of comprehensive income of Spring REIT for the six months ended 30 June 2018 as set out in the published report of interim financial information of Spring REIT.

7. The amounts are derived from the audited statement of comprehensive income of the Project Company for the six months ended 30 June 2018 included in the Accountant's Report as set out in Appendix 2B to this Circular.

8. Pursuant to the Trust Deed, the Manager of the Spring REIT is entitled to receive in aggregate of Manager's fee calculated at 3% per annum of the net property income of properties owned by Spring REIT and a base fee of 0.4% per annum on the carrying value of the Deposited Property. An additional Manager's fee of RMB1.8 million (equivalent to US$0.3 million) and RMB5.0 million (equivalent to US$0.8 million) for the six months ended 30 June 2018 would be charged respectively. The adjustment has a recurring nature.

   Also, pursuant to the Trust Deed, Spring REIT will pay the Trustee a fee of 0.0175% per annum of the carrying value of the Deposited Property which may be increased from time to time to a maximum of 0.06% per annum. An additional trustee fee of RMB0.2 million (equivalent to US$30,000) for the six months ended 30 June 2018 would be charged. The adjustment has a recurring nature.

9. The adjustment represents the estimated amounts regarding the legal and professional fees and other expenses incurred for the Acquisition of approximately US$5.6 million.

10. Pursuant to the Property Management Agreement, the property of the Target Group will be managed by Huizhou Huamao Operations Management Co., Ltd.* (惠州華貿商業管理有限公司) (the "**Property Manager**"). The Property Management Agreement is for a term of three years on cost reimbursement basis with a cap on general and administrative expense at 4% of the annual revenue of the Project Company, and can be extended for an additional three years with additional fee equivalent to 3% of the annual revenue of the Project Company per annum. As such, for pro forma purpose, such fee is accounted for on a straight-line basis using 1.5% of the annual revenue of the Project Company per annum.

    As a result of this arrangement, RMB7.5 million (equivalent to US$1.2 million) general and administrative expenses would be accounted for as property operating expenses with an additional RMB1.2 million (equivalent to US$0.2 million) representing the property management fee charging on 1.5% of the annual revenue of the Project Company. Adjustments also include related income tax saving of RMB0.3 million (equivalent to US$48,000) for the six months ended 30 June 2018. The adjustment has a recurring nature.

11. The adjustment represents the expected rental income of RMB54,000 (equivalent to US$9,000 and the related property operating expense of RMB7,000 (equivalent to US$1,000) in related to the Guohua Lease entered on or prior to Completion. Adjustments also include related income tax expense of RMB12,000 (equivalent to US$2,000) for the six months ended 30 June 2018. The adjustment has a recurring nature.

12. Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2018. Unless otherwise stated the adjustments above do not have a recurring effect.

13. For the purpose of the unaudited pro forma statement of comprehensive income and unaudited pro forma statement of financial position, the amounts stated in RMB are converted into US$ at a rate of RMB6.3680 to US$1 and RMB6.6210 to US$1, respectively. No representation is made that Reminbi amounts have been, could have been or may be converted to United States dollars, or vice versa, at that rate.

14. Total distributable amount includes both the total distributable income and additional amount to be distributed. In respect of the total distributable income of the Enlarged Group, it is determined in accordance with the Trust Deed and the interim report of the Group for the six month ended 30 June 2018, that is the consolidated profit after income tax before transactions with unitholders attributable to unitholders for the six month ended 30 June 2018, after adjusting fair value gains on investment properties, deferred taxation, unrealised foreign exchange loss, Manager's fee paid and payable in units in lieu of cash, fair value gain/loss on derivative financial instruments and other non-cash adjustments. On the basis that the Manager decided to adjust one-off and non-recurring expenses for distribution, Total fees and charges, excluding the upfront fee of the New Facility, incurred in connection with the Acquisition would be added back and distributed as an additional amount.

15. The distribution per unit of the Group for the six month ended 30 June 2018 is disclosed in the published interim results announcement of the Group for the six months ended 30 June 2018.

The calculation of distribution per unit of the Enlarged Group is arrived at on the basis of the total distributable amount after additional items of the Enlarged Group of US$25.6 million and on the basis that 1,265,181,000 Units were in issue as at 30 June 2018 and 239,478,000 new Units issued for the settlement of Consideration and 5,668,000 new Units issued pursuant to the Transaction for payment of Manager's fee for the Enlarged Group assuming the Acquisition has been completed on 1 January 2018.

Number of Units in issue as at 30 June 2018 ('000)		1,265,181
Add:		
– New Units issued for the settlement of Consideration ('000)	*(a)*	239,478
– New Units issued for the payment of Manager's fee for the Group ('000)	*(b)*	3,792
– New Units issued pursuant to the Transaction for payment of Base Fee of Manager's fee for the Target Group assuming the Acquisition has been completed on 1 January 2018 ('000)	*(c)*	1,876
Total number of Units entitled to the dividend payments ('000)		1,510,327

(a) For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, an assumed Issue Price of HK$3.329 per unit is adopted for the New Units to be issued as the settlement of the Consideration, which is based on the average closing price of a Unit as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and excluding the Latest Practicable Date pursuant to the Share Purchase Deed. For the purpose of Unaudited Pro Forma Total Distributable Amount and DPU, the Latest Practicable Date is taken as 1 January 2018 for illustrative purpose.

(b) The newly issued units were agreed to the Spring REIT's announcement dated 3 August 2018.

(c) For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, an assumed average issue prices of HK$3.267 per Unit is adopted for the New Units to be issued as payment of the Base Fee of the Manager's Fee for the Enlarged Group, which is based on the average of the issue prices stated in Spring REIT's announcement dated 27 April 2018 and 3 August 2018 for the payment of Base Fee in Units in lieu of cash.

* *For identification purposes only*

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this offering circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of the Manager of Spring Real Estate Investment Trust (As manager of Spring Real Estate Investment Trust)

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Spring Real Estate Investment Trust ("**Spring REIT**") and its controlled entities (collectively the "**Group**") by the directors of the Manager of Spring REIT, Spring Asset Management Limited (the "**Manager**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2018, unaudited pro forma consolidated statement of comprehensive income for the six months ended 30 June 2018 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages A3-1 to A3-9 of Spring REIT's circular dated 26 September 2018, in connection with the proposed acquisition of Blue Chrysalis Ltd and 惠州市潤鑫商城發展有限公司 (the "**Transaction**") by Spring REIT. The applicable criteria on the basis of which the directors of the Manager of Spring REIT have compiled the Unaudited Pro Forma Financial Information are described on pages A3-1 to A3-9.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Manager of Spring REIT to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2018 and its financial performance for the six months ended 30 June 2018 as if the Transaction had taken place at 30 June 2018 and 1 January 2018, respectively. As part of this process, information about the Group's financial position has been extracted by the directors of the Manager of Spring REIT from the financial information of the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2018, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Manager of Spring REIT are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing rules**"), as if paragraph 4.29 of the Listing rules were applicable to Spring REIT and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing rules, as if paragraph 4.29 of the Listing rules were applicable to Spring REIT, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing rules, as if paragraph 4.29 of the Listing rules were applicable to Spring REIT and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed Transaction at 30 June 2018 and 1 January 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Manager of Spring REIT on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing rules, as if paragraph 4.29 of the Listing rules were applicable to Spring REIT.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 September 2018

The following is the text of the valuation report received from Knight Frank Petty Limited, the Independent Property Valuer, prepared for the purpose of inclusion in this Circular, in connection with the valuation of the Property as at 30 June 2018.

Knight Frank 萊坊

Spring Asset Management Limited
(in its capacity as manager of Spring Real Estate Investment Trust) (the "**Manager**")
28/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

DB Trustees (Hong Kong) Limited
(in its capacity as trustee of Spring Real Estate Investment Trust) (the "**Trustee**")
52/F International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

19 September 2018

Dear Sirs

Valuation of Huamao Place, No. 9 First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, the People's Republic of China (The "Property")

In accordance with your instructions for us to value the captioned property interests (the "**Property**") to be purchased by Spring Real Estate Investment Trust ("**Spring REIT**"), as proposed by Spring Asset Management Limited in the People's Republic of China (the "**PRC**"), we confirm that we have carried out site inspections, made relevant enquiries and investigations, and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 June 2018 (the "**Date of Valuation**").

Basis of Valuation

Our valuation is our opinion of the market value of the Property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market value is also the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser. In the course of our valuation, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Property. Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Valuation Methodology

The Property is subject to various tenancies and as advised by the Manager, the Property is intended to be held for long-term investment purpose after acquisition. Therefore, in the course of our valuation, we have mainly adopted the Income Approach – term and reversion method ("**Income Approach**") by taken into account the existing tenancies and counter-checked with reference to the Market Approach.

Income Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The capitalization process is the conversion of net rental income on a fully let basis having regards to the current passing rental income from existing tenancies and potential future reversionary income for the remaining land use rights term at market level into an expression of market value. It is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

Market Approach is considered the most appropriate method of valuation subject to availability of comparable market information. In using this method, the valuer must compare the property under consideration with similar properties sold previously arriving at a value by adjusting the property value to reflect items such as location, date of transaction, maintenance, accessibility and a whole host of other considerations.

Title Documents and Encumbrances

We have been provided with copies of title documents of the Property. We have not searched the original documents to verify ownership. We have relied on the information given by the Manager and its PRC legal adviser, Zhong Lun Law Firm, regarding the title and other legal matters relating to the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Source of Information

We have relied to a considerable extent on the information given by the Manager and the legal opinion from the PRC legal adviser to the Manager. We have no reason to doubt the truth and accuracy of the information provided to us by the Manager and/or the PRC legal adviser to the Manager which is material to the valuation. We have accepted advice given by the Manager on such matters as planning approvals or statutory notices, identification of the Property, easements, tenure, ownership, completion dates of buildings, particulars of occupancy, tenancy details, floor and site areas and all other relevant matters. We have reviewed the standard template of tenancy agreement and conducted sampling reviews on entered tenancy agreements and joint operation agreements. We have also verified the tenancy details of sampled tenancy agreements. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We were also advised by the Manager that no material facts have been omitted from the information provided.

Inspection and Measurement

We have inspected the exterior, and where possible, the interior of the Property. The inspection was carried out by our Clement Ho in February 2018. During the course of our inspection, we did not note any serious defects and that the Property was maintained in a reasonable standard according to its age. Furthermore, according to the technical due diligence review report of the Property prepared by the building consultant, the Property was maintained in satisfactory condition in terms of its age, and generally met the current industry standards with no serious defects. In the course of our valuation, we have therefore taken into account the aforesaid opinion. We have not been able to carry out on-site measurement to verify the correctness of the site and floor areas of the Property and we have assumed that the areas shown on the copies of the document handed to us are correct. No tests were carried out on any of the services and utilities (water, electricity, gas, etc).

We have assumed that the Property will be occupied and used in full compliance with, and without contravention of any ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Remarks

In preparing our valuation report, we have complied with paragraph 6.8 of the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong, the International Valuation Standards issued by International Valuation Standards Council and "The HKIS Valuation Standards 2017" published by the Hong Kong Institute of Surveyors. We confirm that: (a) we are independent of Spring REIT, the Manager, the Trustee and each of the significant shareholders of Spring REIT within the meaning of paragraph 6.5 of the REIT Code; and (b) our valuation report is prepared on a fair and unbiased basis.

Currency

Unless otherwise stated, the currency adopted in this report is Renminbi.

Our executive summary and valuation report are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Clement W M Leung *MFin MCIREA MHKIS MRICS RPS (GP)*
RICS Registered Valuer
Executive Director, Head of China Valuation & Advisory

Enc

Note:

Clement W M Leung, MFin, MCIREA, MHKIS, MRICS, RPS (GP), has been a qualified valuer with Knight Frank Petty Limited since 1999 and has about 25 years' experience in the valuation of properties in Hong Kong, Macau and Asia Pacific Region and has 23 years' experience in valuation of properties in the People's Republic of China.

EXECUTIVE SUMMARY OF PROPERTY

Property	Huamao Place, No. 9 First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, the People's Republic of China
Description	Huamao Place is a 5-storey retail development erected over a 2-level basement accommodating various retail units and car parking spaces.
Site Area	41,540.60 sq m
Registered Owner	Huizhou Runxin Shopping Mall Development Co., Ltd. (惠州市潤鑫商城發展有限公司)
Gross Floor Area	144,925.07 sq m

Usage

Nominal Level	Uses
B2	Car park and retail units
B1	Retail units
L1 – L5	Retail units

State-owned Land Use Certificate	No. Hui Fu Guo Yong (2008) Di 1302010063 Hao (惠府國用(2008)第1302010063號)
Real Estate Title Ownership	No. Yue Fang De Quan Zheng Huizhou Zi Di 1100140394 Hao (粵房地權證惠州字第1100140394號)
Date of Valuation	30 June 2018
Valuation Methodology	Income Approach and Market Approach
Market Value in Existing State	RMB2,029,000,000

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2018
Huamao Place No. 9 First Wenchang Road Huicheng District Huizhou Guangdong Province the PRC	The Property comprises a shopping mall named Huamao Place erected on a parcel of land with a site area of approximately 41,540.60 sq m. The Property comprises a 5-storey retail development erected over a 2-level basement with a total gross floor area of approximately 144,925.07 sq m. As provided, the total gross floor area of the Property available for lease is approximately 105,465.32 sqm, accommodating various retail units, restaurants, and a cinema. The Property also comprises 677 car parking spaces on Basement Level 2 and 44 open car parking spaces on Level 1. *(Please see Note 3)* The Property was completed in and has been operating since 2011. The land use rights of the Property have been granted for a term expiring on 1 February 2048 for commercial use.	According to the tenancy details as at 30 June 2018, approximately 101,151.58 sq m, representing an occupancy rate of 95.9% of the Property was let under various tenancies mostly of less than three years with the latest expiry date being April 2031. The total monthly rent of the Property was approximately RMB12,597,577 (inclusive of operation management fees and value-added tax), exclusive of management fees and promotional fees. The average monthly income generated from the car parking spaces from July 2017 to June 2018 was approximately RMB126,354.	RMB2,029,000,000 (RENMINBI TWO BILLION AND TWENTY NINE MILLION ONLY) *(Please see Note 4)*

Notes:

1. Pursuant to State-owned Land Use Rights Certificate No. Hui Fu Guo Yong (2008) Di 1302010063 Hao issued by Huizhou Bureau of Land Resources and Housing Management dated 7 November 2008, the land use rights of a parcel of land with a site area of 41,540.60 sq m have been granted to Huizhou Runxin Shopping Mall Development Co., Ltd. (惠州市潤鑫商城發展有限公司) for a land use term expiring on 1 February 2048 for commercial use.

2. Pursuant to Real Estate Title Ownership Certificate No. Yue Fang De Quan Zheng Huizhou Zi Di 1100140394 Hao issued by Huizhou Bureau of Land Resources and Housing Management dated 29 August 2012, the title of the Property with a total gross floor area of 144,925.07 sq m is vested in Huizhou Runxin Shopping Mall Development Co., Ltd. (惠州市潤鑫商城發展有限公司) for a land use term expiry on 1 February 2048 for commercial use.

3. Portion of Basement Level 2 with a gross floor area of 10,876.22 sq m is designated for civil defense use, which is excluded in the total gross floor area of 144,925.07 sq m of the Property.

4. According to the information provided by the Manager, the renovation of a portion of Level 2 of the Property with a gross floor area of 4,620.66 sq m was completed on 31 May 2018. We have been advised that as at the date of valuation, there was a renovation cost of RMB1,235,200 outstanding, which has been taken into account in the course of our valuation.

5. Our analysis of the existing tenancy profile according to the tenancy information provided by the Client is set out below:

Occupancy Profile

Type	Approximate Gross Floor Area *(sq m)*	% of total
Leased	101,151.58	95.9
Vacant	4,313.74	4.1
Total:	105,465.32	100.0

Tenancy Expiry Profile

Year	Approximate Leased Gross Floor Area *(sq m)*	% of total	No. of Tenancies	% of total
2018 and before	17,469.59	17.3	152	39.5
2019	27,747.57	27.4	142	36.9
2020 and beyond	55,934.42	55.3	91	23.6
Total:	101,151.58	100.0	385	100.0

Tenancy Duration Profile

Year	Approximate Leased Gross Floor Area *(sq m)*	% of total	No. of Tenancies	% of total
Less than 3 years	43,513.90	43.0	312	81.0
3-6 years	16,078.33	15.9	44	11.4
6-9 years	6,193.60	6.1	9	2.4
More than 9 years	35,365.75	35.0	20	5.2
Total:	101,151.58	100.0	385	100.0

6. The estimated capitalization rates for net rental income and potential future reversionary income of the Property are 6.5% and 7.5% respectively.

7. As advised by the Manager, under the prevailing rule(s) and regulation(s) of tax law(s) in the PRC, potential tax liabilities which would arise if the Property as specified in this valuation report is to be sold include mainly,

   (i) Value Added Tax amounting to 11% of the selling price(s) (Value Added Tax excluded amount) with Value Added Tax input credit allow;

   (ii) Surtaxes at a combined rate of 12% based on the Value Added Tax payable;

   (iii) Land Appreciation Tax amounting to 30% to 60% of appreciated amount;

   (iv) Corporate Income Tax amounting to 25% of the capital gain(s) of the seller after deducting the potential tax fee (i.e. surtaxes of Value Added Tax, Stamp Duty and Land Appreciation Tax) in effecting a sales;

   (v) Stamp Duty amounting to 0.05% of transaction amount; and

   (vi) Withholding Tax at 10% on dividend distributed for dividend repatriated outside PRC; or at 5% on dividend distributed if Hong Kong and the PRC double tax arrangement applies.

   As advised by the Manager, there is no intention in selling the Property as the Property is to be held for long-term investment purpose after acquisition. The above tax liabilities will not be imposed if the Property is not sold, and we have not taken into account the above tax liabilities in the course of our valuation.

8. We have been provided with the Manager's PRC legal advisors' opinion, which contains, inter-alia, the followings:

   (i) Huizhou Runxin Shopping Mall Development Co., Ltd. has legally obtained the land use rights and building ownership of the property. Huizhou Runxin Shopping Mall Development Co., Ltd. is the sole owner of the property;

   (ii) Huizhou Runxin Shopping Mall Development Co., Ltd. is entitled to transfer, lease, mortgage or in other ways dispose of the property;

   (iii) the land use right and title ownership of the Property, as mentioned in notes 1 and 2, is subject to a mortgage in favour of Industrial and Commercial Bank of China for a loan amount of RMB750,000,000;

   (iv) apart from the said mortgage, the property is free from mortgages and encumbrances; and

   (v) Huizhou Runxin Shopping Mall Development Co., Ltd. has no building ownership for portion of the Property in Basement Level 2 with a total gross floor area of 10,876.22 sq m, which is designated for civil defense use. Huizhou Runxin Shopping Mall Development Co., Ltd. has the legal right to use and manage the above-mentioned area.

Market Overview of Huizhou

Huizhou is located in southeast Guangdong Province, China. It comprises a total land area of 11,346 sq km and has a permanent population of approximately 4.78 million as of 2017. The city's port is one of the busiest on Guangdong's eastern coast underpinned by its high-quality workforce, efficient public services and an increasingly convenient transport network. In 2017, the Gross Domestic Product ("**GDP**") of Huizhou was recorded at RMB383.0 billion, reflecting an increase of 12.3% y-o-y. Huizhou has a strong foundation of manufacturing, with electronics and petrochemical engineering being its pillar industry sectors. Its secondary industries account for the largest proportion of its GDP, while its tertiary industries are showing signs of significant growth.

Supply and Demand

The city is positioned as a tourist destination with an attractive environment and cultural charms. In 2017, it attracted over 47.1 million domestic and foreign tourists, an increase of 15.6% y-o-y. Income generated from tourism in 2017 has reached RMB36.4 billion and in return foreign currency income amounts to over US dollar 926 million in 2017, showing a rise of 5.8% comparing to previous year.

Mid to high-end retail developments are concentrated in Huicheng district, which consists of three distinctive retail precincts, namely Jiangbei, Henan'an and Dongping. The Property, Huamao Place, and Kaisa Plaza with a gross floor area of approximately 150,000 sq m and 120,000 sq m respectively, are the two existing mid to high-end shopping malls in Jiangbei. As of the end of 2017, Huizhou's mid to high-end retail stock have reached 781,400 sq m, with Jiangbei being the largest quantity suppler of mid-to-high-end retail stock at 39%, followed by Henan'an at 36%. Between 2013 and 2017, three mid to high-end retail projects entered the market, supplying a total gross floor area of approximately 245,700 sq m. The majority of this new supply at 61.5% came from Kaisa Plaza and Xinhua Cultural Plaza, located in the Jiangbei retail precinct. The city enjoyed an average occupancy rate between 93% to 94% over the past few years due to the limited new supply in the overall mid to high-end retail market.

In terms of future supply of mid to high-end retail developments, Rongcan Huizhou Centre, located in Jiangbei retail precint and with a total gross floor area of approximately 30,000 sq m, will be the only confirmed project ready for occupancy in later half of 2018. Wanda Plaza, a retail project launched by Wanda Group, is located in Jinshanhu district with a total gross floor area of approximately 300,000 sq m. Its construction is expected to commence in the second quarter of 2018.

Market Trend

Huizhou's consumer price index increased by 1.9% y-o-y, and its retail prices of consumer goods rose by 0.6% y-o-y. In terms of categories of goods in 2017, apparel increased by 4.6%, food and beverages rose by 4.5%, education & entertainment grew by 2.5%, and health care improved by 1.5%. Transportation & communication and other goods & services have also seen a slight growth while housing has dropped by 1.0%. In 2017, there were 71,685 newly-employed workers in the urban areas and the registered urban unemployment rate was 2.38%.

While there have been no comparable enbloc shopping mall transactions in Huizhou city in the past, the gross market yield has been projected to be in the range of 6-8% over the recent years based on market expectation and the market performance of mid to high-end retail properties in Huizhou.

As the retail market matures and competition increase, traditional pursuit of sheer physical occupancy and across-the-board trade mix will prove to be obsolete. Position differentiation and tenant profile will play major roles in sustaining a strong demand of existing retail projects. The introduction to e-commerce has affected the shopping habits of Huizhou's consumers. In order to offset this impact, shopping malls have considered offering experience-based elements to maintain pedestrian flow, including children's entertainment, sporting, family activities as well as personalized services.

The following is the reproduction of the text of a letter received from Cushman & Wakefield, the Market Consultant, for the purpose of inclusion in this Circular.

19 September 2018

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

DB Trustee (Hong Kong) Limited
52/F, International Commerce Centre
1 Austin Road West
Kowloon,
Hong Kong

Dear Sir,

As requested we have prepared a Huizhou mid to high-end retail market research to be included in the circular to Unitholders relating to the proposed acquisition by Spring Asset Management Limited of a retail property in Huizhou.

1.0 GREATER BAY AREA OVERVIEW

- **Greater Bay Area – a mega city cluster with key economic influence in the world**

The Greater Bay Area (GBA) is a recent undertaking of the PRC Central Government which aims to enhance the interconnectedness of PRC's special administrative regions – Hong Kong and Macau, with the 9 key cities in the Pearl River Delta (PRD), including Guangzhou, Shenzhen, Huizhou, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, and Zhaoqing. The city cluster in the GBA has a permanent population of 69.6 million, with a land area of 56,500 sq. km, and RMB10 trillion in Gross Domestic Product (GDP) as of the end of 2017.

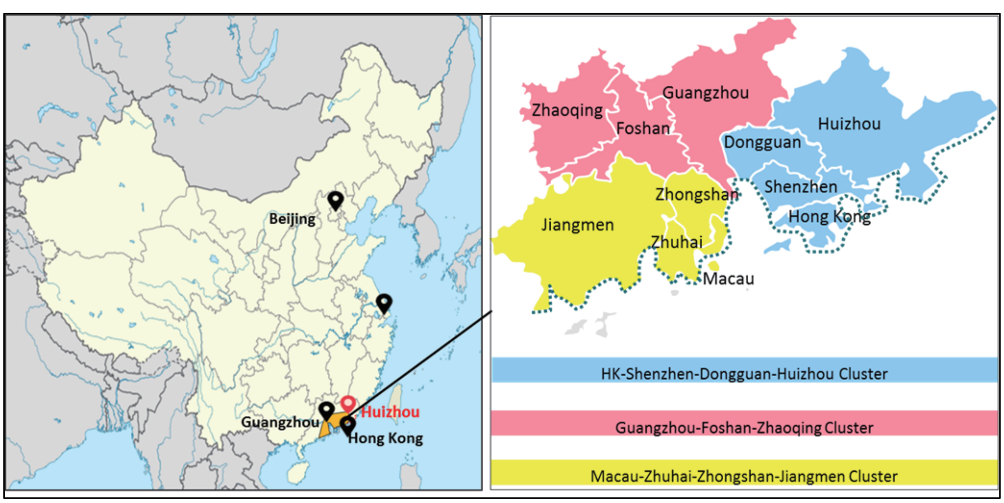
The concept behind the GBA is to establish a mega city cluster in PRC that would have an economic status and significance similar to that of other Bay Areas in the world, such as San Francisco Bay Area, Greater Tokyo Area, and the New York Metropolitan Tri-State Area. The GBA concept was first introduced in the "Action Plan on the PRC-proposed Belt and Road Initiative"《推動共建絲綢之路經濟帶和21世紀海上絲綢之路的願景與行動》, co-published by PRC's National Development and Reform Commission (NDRC), Ministry of Commerce, and Ministry of Foreign Affairs in 2015. Since then, the

GBA has been consistently referred to in political conferences both at the state and provincial levels. At the recently held 2018 National People's Congress, Premier Li Keqiang emphasised the distinctive roles that each city in the GBA would take on. According to the "Framework for Development and Reform Planning for Pearl River Delta Region 2008—2020", published by the NDRC in 2008, the notion of "one bay, 3 regions" was long established. "One bay" refers to the GBA, while 3 regions refer to respectively the Hong Kong-Shenzhen-Dongguan-Huizhou cluster, the Macau-Zhuhai-Zhongshan-Jiangmen cluster, and the Guangzhou-Foshan-Zhaoqing cluster.

- **Inland cities such as Huizhou will experience positive economic transformation ahead**

To be successful in its implementation, necessary major infrastructure investments have been planned or are underway to enable efficient physical movement of trade and talent among key cities in the GBA. The overall principle of the GBA is to further develop high value-added industries, such as finance and technology, that have already flourished in tier-1 cities in the GBA, such as Guangzhou and Shenzhen. Inland cities such as Huizhou, would experience positive transformation based on the closer ties and enhanced interconnectivity amongst key member cities in the GBA. Based on their unique characteristics, cities in the GBA are assigned different roles, with local governments allocating resources accordingly.

Figure 1.0.1 Location of Greater Bay Area in PRC and its Composition



Source: Cushman & Wakefield, June 2018

1.1 Economic Influence of the GBA within the PRC

In this section, Cushman will provide an overview of the development and outlook of the GBA's economy in order to give a better understanding of the investment environment in the region.

Table 1.1.1 Key Social and Economic Indicators for GBA

	2013	2014	2015	2016	2017	CAGR *(%)*
Nominal Gross Domestic Product (GDP) *(RMB trillion)*	7.33	7.9	8.45	9.24	10.24	8.7%
Per Capita GDP – PRD *(RMB)*	93,548	100,448	107,011	114,281	123,257	7.1%
Per Capita GDP – Hong Kong *(HKD)*	297,860	312,609	328,924	339,490	360,220	4.9%
Per Capita GDP – Macau *(MOP)*	692,458	710,895	564,635	560,913	622,803	–2.6%
Population *(million)*	65.0	65.53	66.71	67.11	69.57	1.7%
Disposable Income per capita – PRD *(RMB)*	33,090	37,064	40,285	43,967	44,143	7.5%
Disposable Income per capita – Hong Kong *(HKD)*	303,504	319,056	335,010	348,022	375,201	5.4%
Annual Retail Sales – PRD *(RMB billion)*	1,863.1	2,065.6	2,265.1	2,504.9	2,731.8	10.0%
Annual Retail Sales – Hong Kong *(HKD billion)*	494.5	493.2	475.2	436.6	446.1	–2.5%
Annual Retail Sales – Macau *(MOP billion)*	66.8	68.0	61.5	57.5	61.3	–2.1%
Tourist Arrivals *(million)*	263.56	295.77	309.04	323.71	448.26	14.2%

Source: Statistics Bureau of respective PRC cities in PRD, Census and Statistics Department of Hong Kong, Statistics and Census Bureau of Macau

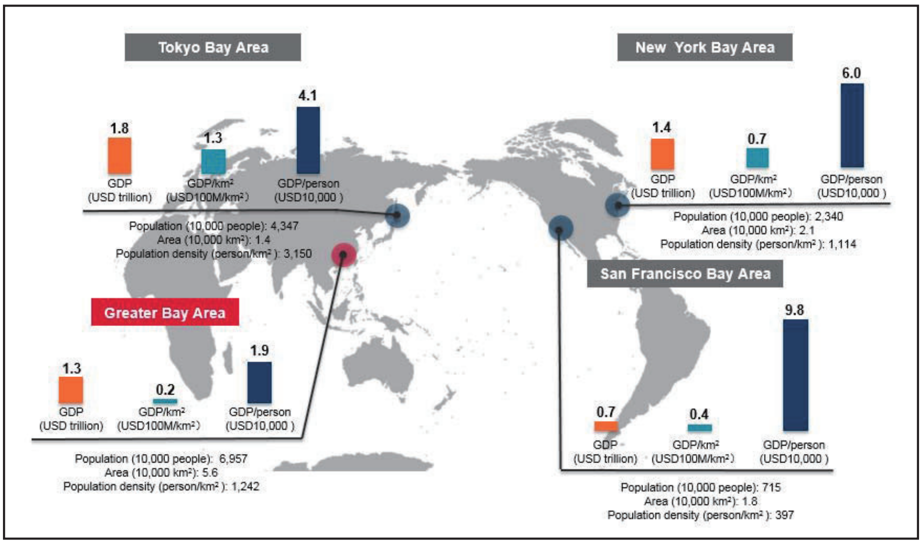
- **The GBA holds substantial potential with forecasts suggesting the GDP of the region will triple by 2030, securing its economic status in the world**

As of 2017, the nominal GDP of the GBA had reached over RMB10 trillion, an equivalent of USD1.59 trillion, accounting for 12.4% of the PRC's GDP, despite accounting for less than 5% of the PRC's population and less than 1% of its total land area. Over the past 5 years, from 2013 to 2017, the nominal GDP compound annual growth rate in the GBA is 8.7%, driven by rapid development in the high-technology and advanced manufacturing sectors.

The GBA holds substantial potential. The Centre for International Economic Exchanges, a Beijing-based think tank, estimates by 2030, GBA will produce a total of USD 4.6 trillion in GDP, nearly tripling 2017's GDP value, transforming the area into one of the leading city clusters of its kind in the world. Such estimates are reinforced by ongoing and planned transportation and infrastructure expansion schemes, based on clearly defined positioning of each member city within the GBA. It is expected that all GBA cities will move up the value chain, and their economic potential will be further released.

The area's pace of growth reflects the promising prospects of this future world-class city cluster. Already ranked third in terms of GDP (Figure 2.1.3 refers), the GBA clearly has the potential to overtake Tokyo Bay Area in the medium to long term future.

Figure 1.1.2 Profile Comparison of GBA with other Bay Areas in the World as of 2017



Source: Cushman & Wakefield, June 2018

1.2 Role and Positioning of GBA

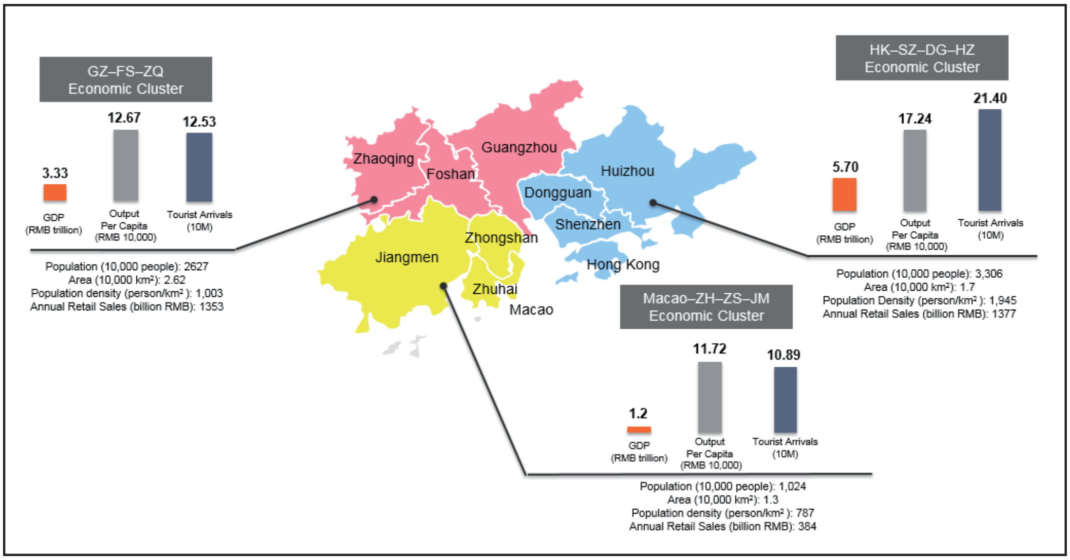
- **Industry transformation to create synergies and stimulate development**

Being positioned as a global innovation hub, the PRC Government aims to stimulate high value-added activities in services and manufacturing, particularly those related to the technology sector in the GBA.

Within the GBA, it is expected that the three biggest cities, namely Hong Kong, Guangzhou and Shenzhen, will play a key role in the success of the GBA. Hong Kong, the most internationalised city and the main financial hub in the GBA, will continue to utilise its expertise in financial and professional services especially in the area of attracting international capital. Meanwhile, Shenzhen, a southern metropolis, is likely to remain as the technology leader in the region whilst Guangzhou is expected to continue its role as a technology manufacturing hub.

The GBA could be generally divided into 3 major city clusters, namely the Guangzhou-Foshan-Zhaoqing cluster, the Hong Kong-Shenzhen-Dongguan-Huizhou cluster, and the Macao-Zhuhai-Zhongshan-Jiangmen cluster. Each cluster will have their own role and function, together to create synergies and stimulate development in the entire GBA.

Figure 1.2.1 Economic Performance Comparison for Key Clusters in Greater Bay Area



Source: Cushman & Wakefield, June 2018

1.2.1 Hong Kong-Shenzhen-Dongguan-Huizhou (HK-SZ-DG-HZ) Economic Cluster

Topping the other two clusters in GDP, GDP output per capita and tourist arrivals, HK-SZ-DG-HZ cluster also has the highest population – tripling that of Macao-Zhuhai-Zhongshan-Jiangmen. High demand for land, coupled with the highest annual retail sales in the GBA as a result of a robust tourism industry reflect bright prospects in the economic cluster's real estate market.

The future development of HK-SZ-DG-HZ cluster relies on the further integration of Shenzhen-Hong Kong, with them together becoming the GBA's leading innovation center. The technology, finance, logistics, and real estate industries in Shenzhen and Hong Kong provide a solid foundation from which the entire HK-SZ-DG-HZ cluster's promising economic fundamentals stem. It is expected that Dongguan and Huizhou would leverage on the respective strengths of Hong Kong and Shenzhen, and with the closer integration and cooperation within the HK-SZ-DG-HZ cluster, these two cities will see a step up in Research & Development (R&D) as well as production in the technology field.

Table 1.2.2 Future Roles of the HK-SZ-DG-HZ Economic Cluster

Hong Kong	International financial centre, international trade port and logistics centre. Existing higher education system and scientific research resources to play a supportive R&D role.
Shenzhen	A dual function of being the innovation centre for technology industries as well as a financial centre.
Dongguan	Formerly known as the world's factory, Dongguan's manufacturing background is set to benefit from the expanding railway network and act as the industrial backbone of the GBA along with Huizhou.

Huizhou	Huizhou is identified in the city's 13th Five Year Plan as a suitable candidate for accommodating Shenzhen's overflow of both industrial resources as well as population in the foreseeable future.

Source: Cushman & Wakefield, June 2018

- **Room for future growth in Huizhou with further integration with Hong Kong and Shenzhen**

Adjacent to Shenzhen, Huizhou has a land area of 11,300 sq. km, accounting for one fifth of the entire PRD, only 9% of which has been developed, indicating its underlying growth potential to accommodate development spill over from Shenzhen, given the amount of land reserve available.

Hong Kong is the biggest source of FDI in Huizhou, as of 2017, Hong Kong remained to be Huizhou's biggest export market, while foreign direct investment contracts reached USD1.68 billion from countries including the U.S, Germany, Korea, Singapore and Japan.

In addition to its existing key industries, which include petrochemicals, electronic communications, and manufacturing, Huizhou's local administration has also announced its future emphasis on developing the tourism industry, which will drive the retail and hotel markets of the city.

1.2.2 Guangzhou-Foshan-Zhaoqing (GZ-FS-ZQ) Economic Cluster

Led by Guangzhou city – the capital of Guangdong province, the GZ-FS-ZQ economic cluster has the biggest land area and second largest population. Its economic performance is ranked second across all indicators including GDP per capita, disposable income per capital, and tourist arrivals. As the political centre of the GBA, most value-added industries and business activities are concentrated in Guangzhou. Foshan and Zhaoqing largely take on supporting roles in developing secondary and primary industries, as well as tourism.

Table 1.2.3 Future Roles of the GZ-FS-ZQ Economic Cluster

Guangzhou	Political & cultural centre of the Greater Bay Area; High-end service industries; Advanced manufacturing; Aviation hub; Trade hub; R&D.
Foshan	Traditional manufacturing; Private economy; Equipment manufacturing.
Zhaoqing	Manufacturing to be upgraded; Expanding industries with relatively low value added i.e. resorts & tourism, agriculture.

Source: Cushman & Wakefield, June 2018

1.2.3 Macau-Zhuhai-Zhongshan-Jiangmin (Macao-ZH-ZM-JM) Economic Cluster

Cities in the GBA's western corridor such as Zhuhai has been gaining development momentum in recent years, which will foster growth in other less developed cities in the west such as Zhongshan and Jiangmen. While Zhongshan and Jiangmen take on manufacturing industries and secondary roles in the fields of finance and technology to support the new economy in tier-1 cities, Zhuhai is a key player in the Macau-ZH-ZM-JM cluster in developing a new economy model of its own, with a focus on e-commerce combined with logistics. Macau's unique positioning is underlined by its gaming and tourism industry. Its tourist arrivals in 2017 (32.6 million) accounted for 30% of the entire Macau-ZH-ZM-JM economic cluster tourist arrivals (108.9 million).

Table 1.2.4 Future Roles of the Macao-ZH-ZM-JM Economic Cluster

Macau	Core city on the GBA's west bank. Gaming and tourism as primary industry; an exchange platform with Portuguese speaking countries.
Zhuhai	New & high technology and tourism. To also take on an increasingly large emphasis on logistics in conjunction with e-commerce.
Zhongshan	Advanced manufacturing base; shift of traditional manufacturing to high & new technology.
Jiangmen	Equipment manufacturing; overseas Chinese cultural tourism.

Source: Cushman & Wakefield, June 2018

1.3 Major Policies in GBA

In the PRC's 2018 Annual Government Work Report, the planning of the GBA is prioritised as a regional strategy, signifying the Communist Party of China's (CCP) attention to its development. Below summarises the relevant policies promoting the development of GBA in the coming years.

1.3.1 National Policies

- *13th Five Year Plan*

Bilateral development schemes between the two special administrative regions (Hong Kong/Macau) and the rest of PRC play a vital role in reinforcing the PRC's emphasis on the promoting of outbound investment in the context of the Belt and Road Initiative. The GBA initiative will act as a catalyst in merging the PRC's coastal cities, in order to allow a global platform for trade, finance, and technological innovation. The physical aspects of the GBA development are equally as significant. Flow of people and trade will become more efficient and travel time within GBA will be greatly reduced when infrastructure schemes (illustrated in Section 2.4) are fully rolled out.

- *13th National People's Congress in Guangdong Province*

The 25th of January 2018 marked the opening of the 13th National People's Congress in Guangdong Province. Ma Xingrui, the Governor of Guangdong, announced a total of 18 measures to be set in motion by the state to shorten travel time between the administrative regions (Hong Kong/Macau) and the rest of PRC. Such measures include the "co-location" joint checkpoint scheme the Hong Kong SAR Government has been attempting to push forward in order to complement the soon-to-open high speed rail connecting Guangzhou, Shenzhen, and Hong Kong.

Ultimately, the Regional Government of Guangdong aims to achieve a 1-hour travel/living circle between all major GBA cities. These major transportation infrastructure works and policies, if and when implemented, shall make possible the relocation of people from tier 1 cities to tier 2 cities, thereby alleviating the increasing housing demand in cities like Hong Kong and Shenzhen.

Mr. Ma also concluded the provincial government's active involvement in the Belt and Road Initiative over the past five years, including the new rail routes between PRC and Europe and between PRC and Central Asia. Guangdong's export to countries connected to these new rail routes saw an average growth of 8% per annum from 2013–2017.

1.3.2 Free Trade Zones in GBA

As of June 2017, a total of 28 key Free Trade Zones (FTZs) have been set up within the GBA to accommodate future economic growth. Eight of these FTZs are located in the Shenzhen, Dongguan and Huizhou cities, as set out below.

Tale 1.3.2.1 FTZs in Shenzhen-Dongguan-Huizhou

GBA City	Level	Name	Size *(sq. km)*	Positioning	Specialization
Shenzhen	National	Qian Hai Free Trade Zone	28.2	A key central business district in the GBA	A combination of professional services, information technology and logistics
Shenzhen	National	Futian Free Trade Zone	1.35	An area for high-tech and modern logistics business, supported by communal features	High-tech, logistics, import-export
Shenzhen	National	Shatoujiao Free Trade Zone	0.2	One of the first, although smallest in size, free trade zones	Jewellery; electronics; smart toys production

GBA City	Level	Name	Size (sq. km)	Positioning	Specialization
Shenzhen	National	Shenzhen Export processing zone	3	Tax-free logistics zone	Processing and logistics; exhibition; maintenance; distribution
Shenzhen	National	Yantian Free Trade Zone	2.17	Modern logistics hub	Tax-free storage; processing and value-adding; distribution and global purchasing; maintenance and tests
Dongguan	National	Songshan Lake Hi-Tech Industry Development Zone	75	A showcase of Dongguan's scientific research	High-tech; education; biotechnology; new energy and materials; financial services
Huizhou	National	Huizhou Daya Bay Economic & Technological Development Zone	293	A national petro-chemistry base	Petro-chemistry; information technology; equipment manufacturing i.e. automobile; high-tech and innovation industries
Huizhou	Provincial	Pan-Daya Bay New Zone	2,168	A bay side economic zone with an aim to utilize water-resources	Petro-chemistry; information technology; new energy; LED; Tourism; high-end manufacturing; agriculture

1.4 Major Infrastructure Development in the GBA

- **Building connectivity through improved transport links**

The success of the GBA depends heavily on the going development of transport infrastructures which allow integration and cooperation among the GBA cities. Below summarises the key infrastructure developments underway and planned.

1.4.1 Expressway Network

The operating mileage of expressway networks in the GBA will increase 57% from 5,600km in 2016 to 8,800 in 2020. Major projects include Hong Kong-Zhuhai-Macau Bridge (HZMB), Humen Erqiao, Shenzhen-Zhongshan Bridge, as well as the G0422 Wuhan-Shenzhen Expressway and S14 Shantou-Shenshan expressway.

- Hong Kong-Zhuhai-Macau Bridge (HZMB)

HZMB is a 42 km long, HKD120 billion project linking Hong Kong with 2 western cities in GBA, namely Macau and Zhuhai. The construction of HZMB has been completed and is awaiting the completion of Hong Kong's Boundary Crossing Facilities. Its operation will greatly reduce the driving time to 45 minutes from 4 hours between Hong Kong International Airport and Zhuhai. Trade volume between Hong Kong and other western inland cities such as Zhongshan and Jiangmen is expected to rise. Meanwhile, better accessibility and higher convenience between these cities will facilitate increased passenger traffic, from which the tourism industry will benefit.

- Humen Erqiao (虎門二橋)

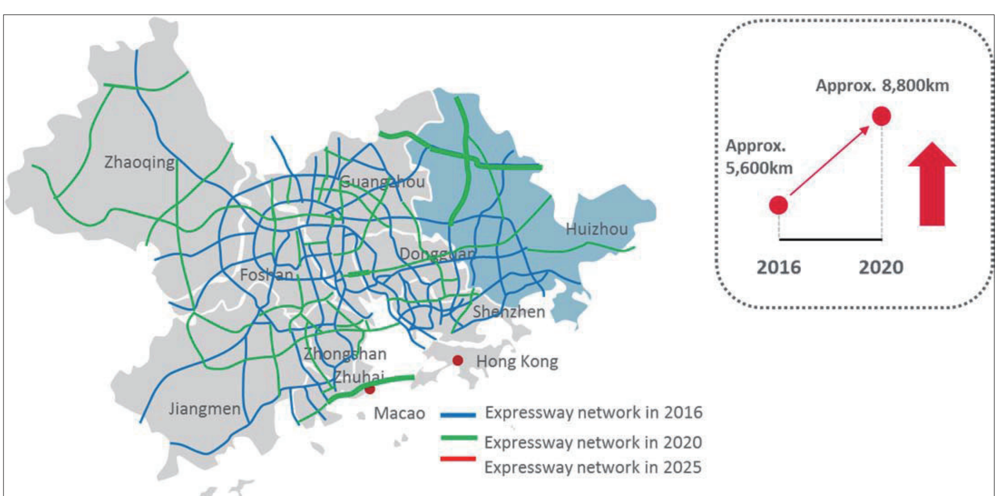
A bridge that is set to be in operation by mid-2019, connecting Dongguan to Nansha District, Guangzhou. Once in operation, driving from Dongguan, a traditional manufacturing hub to Nansha, a regional port, will only take approximately 10 minutes.

- Shenzhen-Zhongshan Bridge

The 24-km long bridge and tunnel will reduce travel time between Shenzhen and Zhongshan to 30 minutes from 3 hours.

By 2020, Huizhou will be integrated into the 860-km long Shantou-Zhanjiang expressway network which penetrates across western and eastern Guangdong province. The undertaking seeks to connect the coast of Guangdong to its inland via Huizhou. In addition to the existing expressway network that connects Huizhou to major cities like Guangzhou and Shenzhen, the continuously expanding expressway network will improve access from even non-GBA cities in Guangdong to Huizhou in under 2 hours.

Figure 1.4.1 Expressway Networks in the GBA by 2025



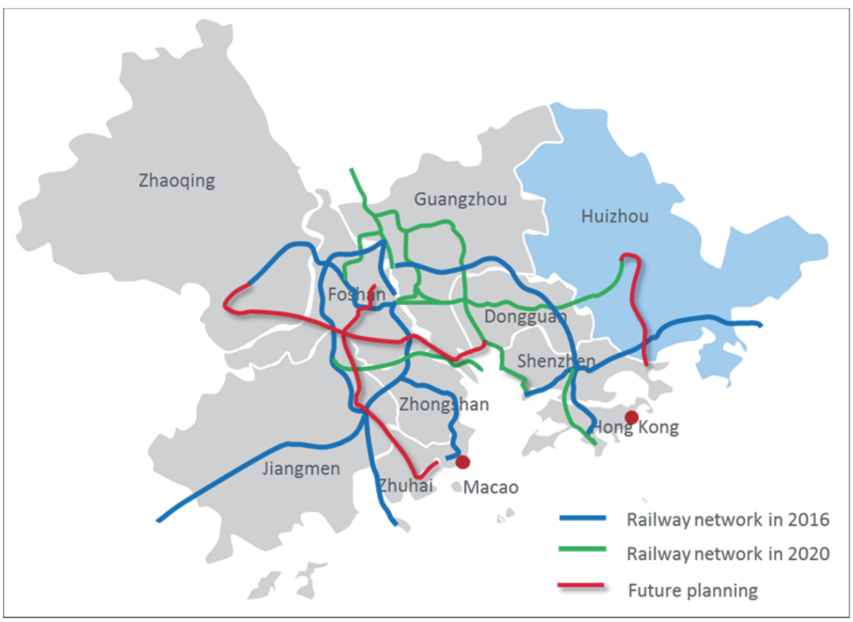
Source: "13th Five-Year" Planning for the Development of Integrated Transport Systems in the Guangdong Province, Cushman & Wakefield

1.4.2 Rail Transportation

According to Cushman's research, there will be an approximately 37% increase in intercity railway operating mileage in the GBA from 3,200 km in 2016 to 4,400 km in 2020. One of the key rail sections in the GBA is the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong section) which is a 26-km rail link integrating Hong Kong into the PRC's 16,000 km long national railway network. Ultimately, travelling between Hong Kong and Guangzhou via high speed rail will be under 50 minutes from approximately 80 minutes, reflecting promising future business prospects as well as the mobility of workforce.

By 2020, Huicheng, the core urban district of Huizhou will be integrated into the intercity railway network in GBA to cities including Dongguan and Guangzhou.

Figure 1.4.2 Major Intercity Railway Networks in GBA by 2020

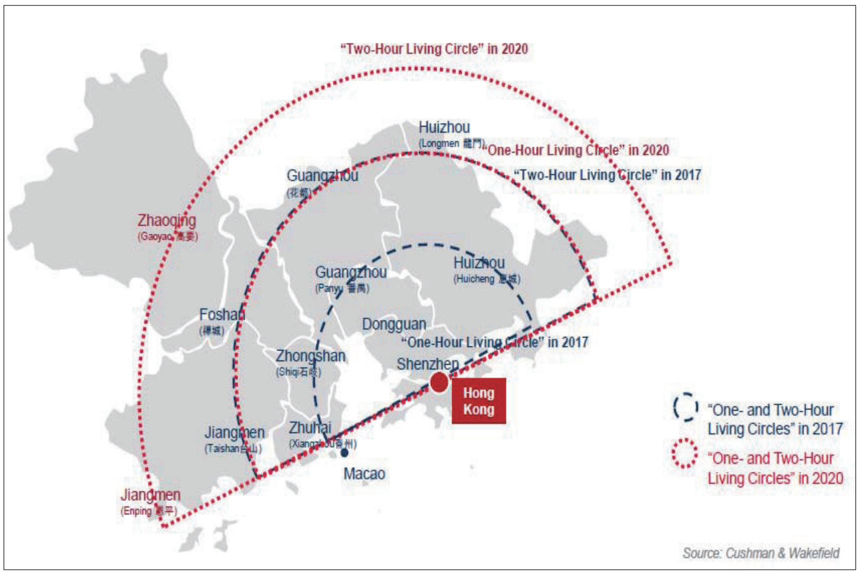


Source: "13th Five-Year" Planning for the Development of Integrated Transport Systems in the Guangdong Province, Cushman & Wakefield

1.4.3 Reduced living circle in GBA

Based on the above infrastructure developments discussed, a one and two hour living radius from Hong Kong covering the entire area of Huizhou will become possible by 2020.

Figure 1.4.3 Hong Kong's "One- & Two-Hour Living Circles" within the GBA in 2017 and 2020



2.0 HUIZHOU CITY OVERVIEW

2.1 City Characteristics and Development

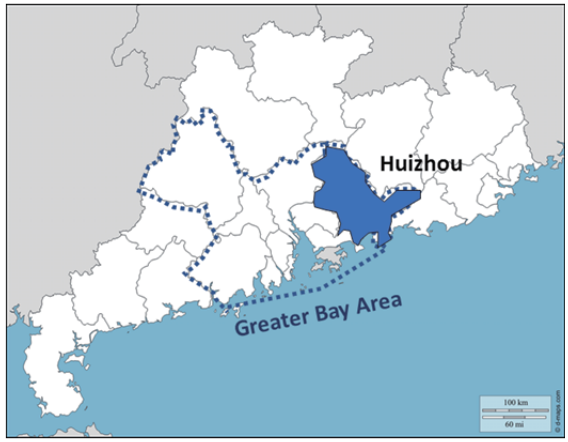
- **A rising city in eastern GBA**

Huizhou has a total land area of 11,346 sq. km and a permanent population of 4.78 million as of 2017. The city's export-oriented economy is underpinned by its high-quality workforce, efficient public services and an increasingly convenient transport network.

- **Geographical advantages of Huizhou**

With a 281.4 km long coastline in the south, Huizhou borders Guangzhou, Shenzhen and Dongguan in the west, Shaoguan in the north, and Heyuan and Shanwei in the east. Huizhou acts as the junction connecting eastern and northern sections of Guangdong Province. The HK-SZ-DG-HZ economic cluster is a defined component of the GBA, offering Huizhou unprecedented opportunities to attract investment and industrial overspill from tier one cities like Shenzhen within the GBA.

Figure 2.1.1 Location of Huizhou Municipality in Greater Bay Area and Guangdong Province



Source: Cushman & Wakefield, June 2018

2.2 Economic and Demographic Profile of Huizhou City

Table 2.2.1 Key Social and Economic Indicators of Huizhou City

	2013	2014	2015	2016	2017	CAGR (%)
Nominal Gross Domestic Product (GDP) *(Billion RMB)*	270.5	300.0	314.0	341.2	383.0	9.1%
Real GDP Growth *(%)*	13.8	10.0	9.0	8.2	7.6	N/A
Per Capita GDP *(RMB)*	57,716	63,657	66,231	71,605	80,200	8.6%
Population *(million)*	4.7	4.727	4.756	4.775	4.777	0.4%
Disposable Income of Urban Residents per capita *(RMB)*	24,293	27,300	30,057	33,213	36,608	10.8%
Annual Retail Sales *(Billion RMB)*	85.8	96.9	107.1	122.8	136.3	12.3%
Tourist Arrival *(million)*	35.5	39.7	40.8	47.1	53.9	11.0%

Source: Huizhou Statistical Yearbook 2017, Huizhou Statistics Information Network

Huizhou has enjoyed steady economic growth over the past 5 years. The city has a strong foundation of manufacturing, with electronics and petrochemical engineering being its pillar industrial sectors, and secondary industry accounting for 54.8% of Huizhou's total GDP in 2017, followed by the tertiary sector (40.7%), and the primary sector (4.5%). Major industrial enterprises located in Huizhou include TCL Corporation (headquartered in Huizhou), Huizhou Foryou General Electronics, LG Electronics, and Siemens.

Retail prospects in Huizhou are robust and have been underpinned by the steady and continuous growth of both disposable income of urban residents per capita and tourist arrival. Since 2013, the city has recorded a 9.7% compound annual retail sales growth, more than 5 percent higher than that of Shenzhen.

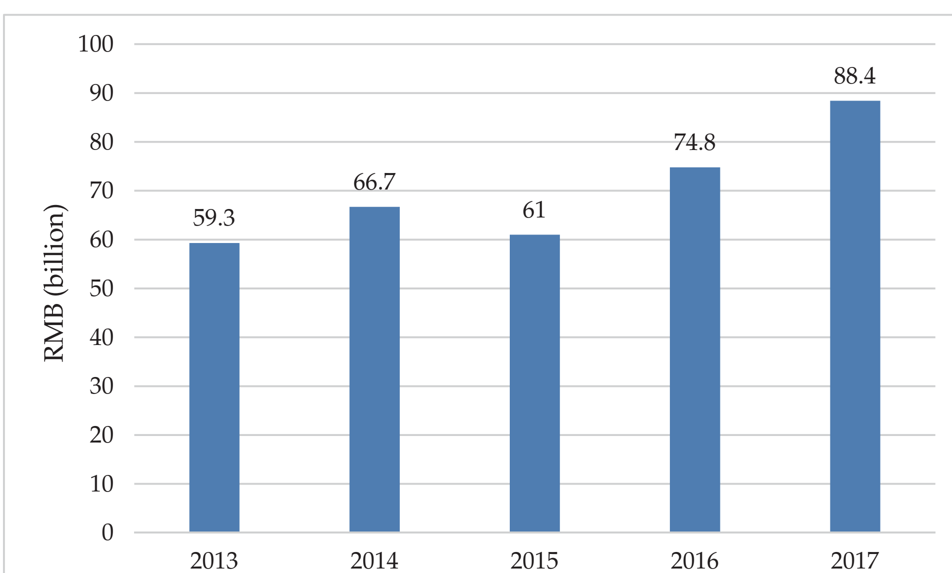
- **Huizhou to absorb economic and real estate expansion from other key cities in the GBA**

A growing high-value added secondary sector as well as tertiary sector will attract higher income groups to the city which will drive new real estate developments and generate additional retail demand. As shown in section 2, the economic cluster of which Huizhou is a part has the highest population density in the GBA. The year 2020 will be a milestone in the development history of GBA's transportation network. Connectivity between Huizhou and other parts of the GBA will be significantly enhanced, as new railways and expressways begin to operate. Huizhou's retail market is likely to benefit from a new wave of migration when inhabitants of Shenzhen and Hong Kong are further attracted by the much cheaper housing prices in Huizhou.

2.3 Real Estate Market in Huizhou

Investment into real estate in Huizhou has picked up at a faster rate since 2015, after the announcement of the GBA scheme.

Figure 2.1.3 Huizhou Investment in Real Estate (2013–2017)



Source: Huizhou Statistics Information Network, June 2018

2.4 Major Policies in Huizhou City

- ***13th Five-year Plan of National Economic and Social Development of Huizhou Municipality***

As announced by Huizhou Municipal Government in May 2016, the major goals in the city's 13th Five-year Plan on economic and social development include the following:

- Annual economic growth rate of 9.5% between 2016 and 2020, with annual GDP to exceed RMB500 billion by 2020;
- Annual GDP per capita growth rate of 8.5% between 2016 and 2020, and GDP per capita to exceed RMB100,000 by 2020. Shenzhen's GDP per capita as of the end of 2017, according to Shenzhen Bureau of Statistics, is RMB183,100;
- Contribution of tertiary sector to total GDP to exceed 50% by 2020, with further growth in the advanced manufacturing and high-tech sectors;
- Enhanced infrastructural and institutional integration with Shenzhen; and
- To take on the spill over of jobs in the financial sector from Shenzhen and Hong Kong, including financial outsourcing, fintech and training, with the output of financial sector to exceed RMB20 billion by 2020.

- ***The 13th Five-year Plan of Trade Development and Economic Cooperation of Huizhou Municipality***

As announced by Bureau of Commerce of Huizhou Municipality in May 2016, the major goals in the city's 13th Five-year Plan on trade development and economic cooperation include the following:

- Annual retail sales to exceed RMB180 billion by 2020, with an annual growth rate of 11% between 2016 and 2020;
- Annual FDI (actual utilised) growth rate of 3% between 2016 and 2020; and
- Over 7 investment projects by Fortune 500 companies or major multinational corporations by 2020.

The above policies will bring about positive demographic and economic changes to Huizhou, by attracting skilled and professional workers from other GBA cities and creating additional demand for residential and retail developments.

2.5 City Planning, Development Plan and Positioning

According to the city's latest master plan – Master Plan of Huizhou Municipality (2006–2020) (hereafter the "**Master Plan**"), Huizhou's administration aims to position Huizhou as a strong industrial city achieving economic, social and ecological sustainability; and a tourist destination with an attractive environment and cultural charms. In the context of the GBA scheme, Huizhou is to become a logistics hub linking coastal and inland areas of Guangdong Province as well as a centre of petrochemical industry and light industries.

- **The Spatial Strategy of the Master Plan**

Huizhou has a hierarchical urban settlement network consisting of primary and secondary urban centres and numerous major settlements (townships). According to the Master Plan, the positioning of the three primary urban centres are as follows:

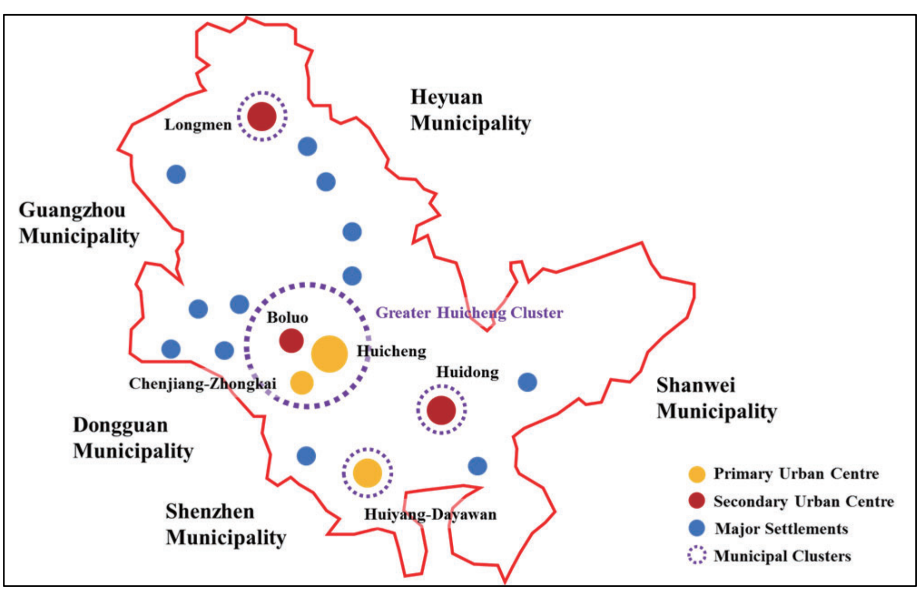
Huicheng: a regional centre in GBA, the political, economic and cultural centre of Huizhou Municipality, a notable historical city and centre of tourism in Guangdong Province, a base of the electronics industry and an export center of national importance.

Chenjiang-Zhongkai: a high-tech industrial development zone specialising in electronics, electrical engineering and biomedicine, providing an important land reserve area for long-term urban development.

Huiyang-Dayawan: a regional subcentre in Huizhou, the economic, cultural and trade centre of Huiyang district, a seaport and petrochemical base of national importance.

The "Greater Huicheng Cluster" will include the primary urban centres of Huicheng and Chenjiang-Zhongkai, and the secondary urban centre of Boluo, envisioning future spatial agglomeration of this cluster.

Fig. 2.5.1 Urban Settlement Network of Huizhou Municipality Municipal clusters



Source: Bureau of Housing, Urban and Rural Planning and Construction of Huizhou Municipality (June 2012)

Fig. 2.5.2 Population Distribution of Huizhou's Urban Centres

Status	**Name**	**Population**	**% of Huizhou's Population**
Primary Urban Centres	Huicheng	1.2 million	25.1%
	Huiyang-Dayawan	811,900	16.9%
	Chenjiang-Zhongkai	452,000	9.4%
Secondary Urban Centres*	Boluo	583,000	12.2%
(Counties affiliated to	Huidong	577,900	12.1%
Huizhou Municipality)	Longmen	140,500	2.9%

Source: Local government websites of individual district or county-level township (2017)

Huicheng, the primary urban centre in the city, where the subject property is located, consists of 25.1% (1.2 million) of the municipality's total population, has the highest population among all primary and secondary urban centres in the city, followed by Huiyang-Dayawan (16.9%, 811,900) and Boluo (12.2%, 583,000). Given the high concentration of the city's population in Huicheng, the urban centre provides excellent catchment coverage and business opportunities for large-scale and representative retail projects, such as the subject property.

- **Huicheng is the centre of key economic and real estate activities in Huizhou**

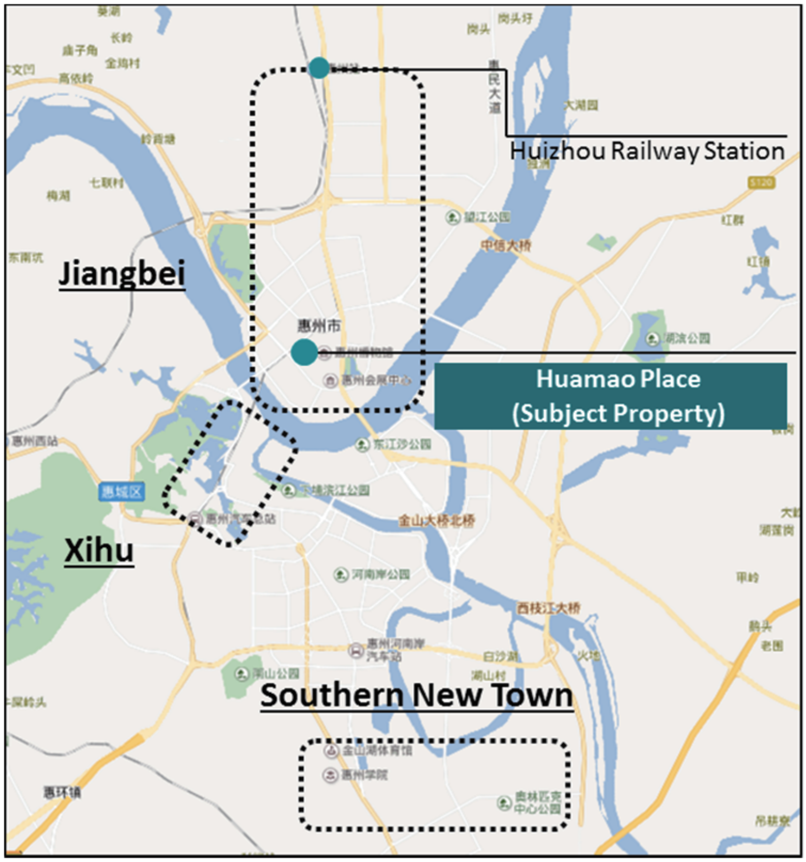
While confirming the primary status of Huicheng in the urban settlement network of the municipality, the Master Plan also offers guidance on the development of certain key urban areas of Huicheng, as follows:

Jiangbei: the municipal centre of administration, MICE (meeting, incentives, conference and exhibition) and culture. In the southern part of Huicheng, new MICE and cultural infrastructure will be developed around the present municipal government complex and Sport Centre (which are located immediately north of the subject property), while logistics and business services will further develop around Huizhou Railway Station in northern Huicheng.

Xihu: the historic core of the city and a municipal centre of tourism, with historical conservation and urban regeneration as key development tasks.

Southern New Town: the emerging centre of higher education and high-tech industries and a critical area of ecological preservation.

Fig. 2.5.3 Key Urban Areas of Huicheng



Source: Cushman & Wakefield (March 2018), based on Bureau of Housing, Urban and Rural Planning and Construction of Huizhou Municipality (June 2012)

2.6 Major Infrastructure Developments

Huizhou's real estate market will greatly benefit from sustained investment and improvement in infrastructure. The expanding transport network within the GBA will connect Huizhou to its neighbouring cities, including Shenzhen, Dongguan and Guangzhou, significantly reducing temporal distance between Huizhou and the rest of the GBA.

Transportation infrastructure will increase accessibility within Huicheng, increasing land and real estate value in key locations such as the CBD in Jiangbei.

2.6.1 Metro System

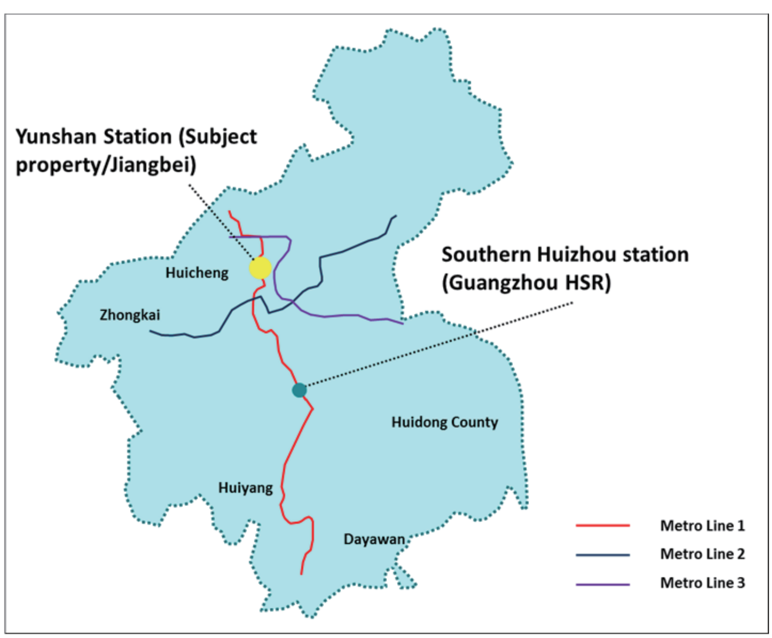
According to the Urban Rail Network Plan of Huizhou Municipality《惠州市城市軌道交通規劃》, known metro plans include:

- The near-term metro network plan: a 134.7-km network planned to be completed by 2025, including Lines 1 and 2 and the Huizhou sections of Shenzhen Metro Lines 14 and 16.
- The long-term metro network plan: a 171.7-km network planned to be completed by 2035.
- The visionary metro network plan: the metro network in Huizhou is planned to reach 319.58 km, with interchanges with metro systems of Guangzhou, Dongguan and Shenzhen.

Such metro network plans are subject to formal approval by the National Development and Reform Commission prior to construction.

The subject property would be served by Yushan Station of Line 1, which is planned to interchange with the Dongguan-Huizhou Intercity Railway. Yushan Station of Dongguan-Huizhou Intercity Railway is currently in use, which is around 10-minute walking distance from the subject property, in the north east. Construction of Huizhou Metro Line 1 is expected to begin within 2018, according to Huizhou Municipal Government.

Figure 2.6.1 Proposed Huizhou Metro network by 2035



Source: Bureau of Housing, Urban and Rural Planning and Construction of Huizhou Municipality, Cushman & Wakefield (June 2018)

Table 2.6.2 Future Metro Coverage in Huizhou

Huizhou Metro	Length	Districts covered
Line 1	70 km	Northern (HSR station)-Southern Huizhou (Huiyang-Dayawan)
Line 2	47.7 km	Western Huicheng-Eastern Huicheng
Line 3	37 km	Jiangbei-Huizhou Airport Sections of Shenzhen Metro lines in Huizhou
Line 14	11 km	Shenzhen Futian Exhibition Centre to Huizhou
Line 16	6 km	Shenzhen to Huizhou
Total	171.7 km	–

Source: Urban intercity rail network planning in Huizhou (惠州市城市軌道交通綫網規劃)

2.6.2 Intercity Railway

- **Three major intercity railway lines within PRD and Guangdong Province**

Huizhou will become more directly connected with other key cities in the GBA through upcoming intercity railway connections, namely Guangzhou-Huizhou, Dongguan-Huizhou and Shenzhen-Huizhou lines.

The Dongguan-Huizhou Intercity Railway was opened in December 2017, and reduces the travel time between the city centres of Huizhou and Dongguan to 1.5 hours. General accessibility to the subject property has been enhanced by Yunshan Station of the Dongguan-Huizhou Intercity Railway, which is planned to interchange with Huizhou Metro Line 1. The subject property is also 6km south of Huizhou North Station of Ganzhou-Shenzhen Highspeed Railway, which is scheduled to open in 2020 and will link to Shenzhen North Station.

Figure 2.6.3 Intercity railway connections of Huizhou and neighbouring municipalities

Source: Bureau of Housing, Urban and Rural Planning and Construction of Huizhou Municipality, Cushman & Wakefield (January 2018)

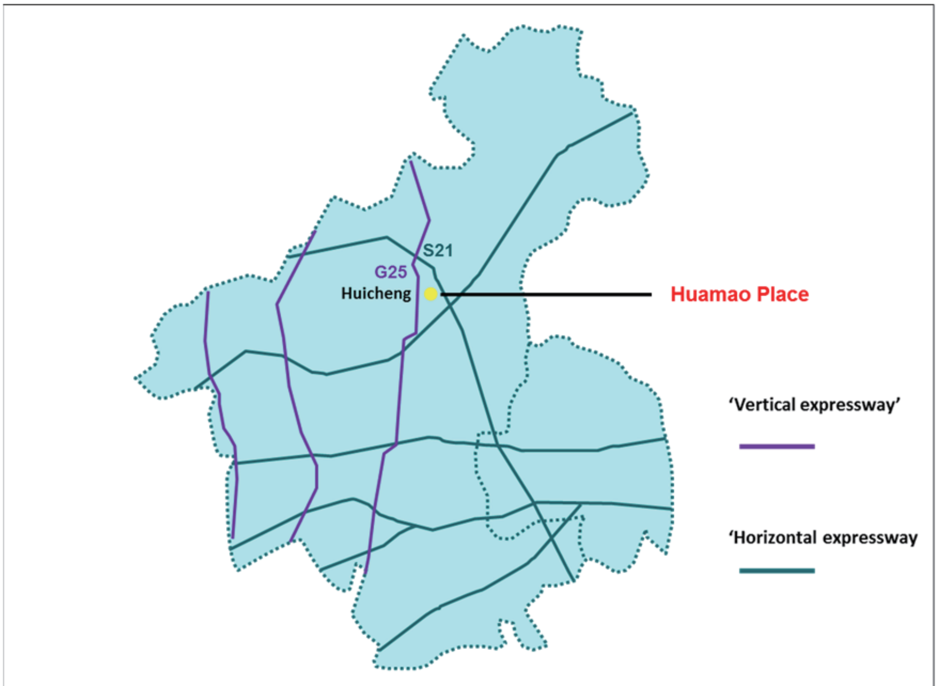
2.6.3 Expressway Network

- **557.12 km of new expressway to be completed by 2020**

Expressway network in the GBA is continually expanding as a result of the provincial government's endeavour in strengthening the infrastructural foundation of this national level undertaking. By 2020, Huizhou will be part of an expressway network that, in addition to its existing connection to tier 1 cities like Guangzhou and Shenzhen, stretches from Guangdong's central inland Qingyuan to its eastern coast Shantou.

The two closest expressways to the subject property in use are G25 and S21, enhancing the accessibility of the CBD with the relatively remote areas of the municipality (e.g. Huiyang and Huidong) as well as neighbouring municipalities. The subject property has benefited from this enhanced accessibility as residents from outside Huicheng, including those from adjoining municipalities, could visit the subject property on a regular basis and in a convenient manner.

Figure 2.6.4 Huizhou's expressway network by 2020



Source: Bureau of Transport of Huizhou Municipality, Cushman & Wakefield (January 2018)

3.0 HUIZHOU MID TO HIGH-END RETAIL MARKET

3.1 Market Overview

Mid- to high-end retail developments are concentrated in Huicheng district, the main urban area of Huizhou. Huizhou's mid- to high-end retail market emerged in the early 2000s and is still at a developing stage. There is only one mid- to high-end shopping mall in Huizhou City that is located outside Huicheng, namely Wanda Plaza in Dayawan. Being located in Dayawan, its location is remote from Huicheng district. Therefore, this report will adopt Huicheng district's mid- to high-end retail market as being representative to the retail segment of Huizhou city.

There are currently three major retail precincts in Huicheng. Huizhou's closer integration with Shenzhen, Dongguan and Hong Kong as a result of the GBA scheme will help expand its retail market's customer base, driving future growth.

3.2 Development History of Huizhou's Mid- to High-end Retail Market

2000–2005: Market emergence

- Private investors first entered Huizhou's retail market in 2000, ending the monopoly of state-owned-enterprises. A representative retail project in this development period is Liri Mall (a department store) in Xihu district, Huicheng, opened in 2001.

2006–2014: Diversification of Retail Locations

- Huicheng district's role as Huizhou's business and retail centre was acknowledged in the Urban Retail Network Plan of Huizhou Municipality, released in 2005.

- Three distinctive retail precincts, namely Jiangbei, Henan'an, and Dongping within Huicheng district began to take shape, with the rise of notable mid- to high-end retail projects.

- Majority of existing mid- to high-end retail projects were opened in this period, such as the subject property, Kaisa Plaza and Ganghui Mall.

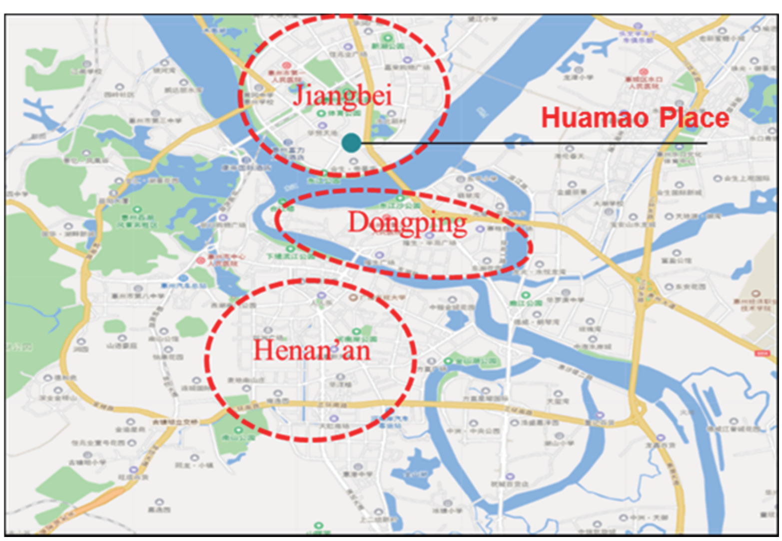
2015–present: Period of adjustment

- Intensified competition among mid- to high-end end retail projects due to limited entry of new retail brands to the market.

- The rise in new mid- to high-end retail projects led to closure of several low to mid-end shopping centres in 2014 and 2015, indicating shoppers in Huizhou became more sophisticated in terms of shopping mode and quality.

- It is expected that more high-end and large scale (above 100,000 sq. m. in GFA) destination shopping malls will enter Huizhou's mid- to high-end retail market, upgrading the overall retail environment in the city, and facilitating the diversification of brand offerings in the market.

Figure 3.2.1 Location Distribution of Major Retail Districts in Huicheng



Source: Cushman & Wakefield, June 2018

3.3 Characteristics of Major Retail Areas in Huicheng

- **Jiangbei**

Jiangbei, located to the north of Huicheng district, is a developed area in Huizhou, and is the central business district (CBD), administrative centre, and city-level retail area. Jiangbei has a population of 54,000 residents, which accounts for 8.6% of Huicheng's entire urban population as of 2016. The subject property, Huamao Place (approx. GFA 150,000 sq. m.), Kaisa Plaza (GFA 120,000 sq. m.) and Xinhua Plaza (GFA 31,188 sq. m.), opened in 2011, 2013 and 2017 respectively, are the three existing mid to high-end shopping malls in Jiangbei. Notable anchor tenants of these malls include: H&M, Cinemas IMAX, Le Super (supermarket), OSGH Cinemas, Sundan (household appliance retailer), Suning (household appliance retailer) and Zara.

The subject property is a popular destination shopping centre due to its quality of development and availability of international brands, such as Massimo Dutti, the luxury brand of Zara. The catchment coverage of Huamao Place extends beyond Huizhou to the neighbouring non-GBA municipalities.

- **Henan'an**

A traditional residential district, Henan'an covers a population of 100,000 residents within a 1 km radius, and is home to a relatively high concentration of retail facilities, offering diverse retail options, such as shopping mall, department stores and retail street. This retail precinct is considered to have a city-level influence, due to Henan'an's large local customer base, the diversity of shopping choices and presence of top-tier retail brands, such as Lukfook Jewellery and Chow Tai Fook Jewellery etc.

As at end of June 2018, there was only one mid to high-end retail project in Henan'an, namely Ganghui Mall, opened in 2008, with a relatively large GFA of 280,000 sq. m., with anchor tenants including Good Feeling Fitness Club, Menggongchang Cafe, Walmart and Wanda Cinema. The shopping mall's primary catchment areas covers Maidi Road, Maidi East Road and Yanda Avenue, which are all major commercial streets in the city.

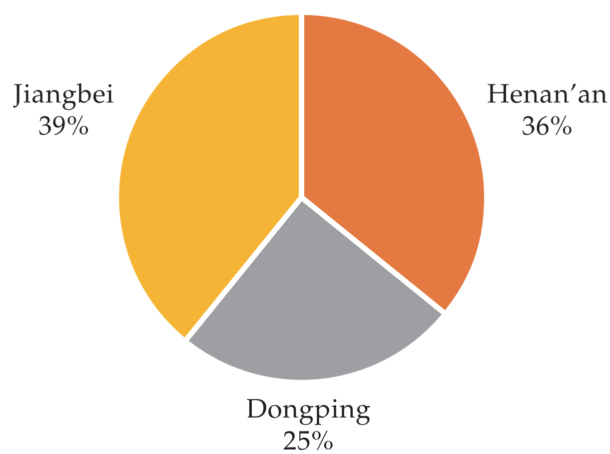
- **Dongping**

Another traditional residential district in the city's urban area, Dongping has over 2 million sq. m. of housing stock and nearly 300,000 local residents, offering a substantial catchment/base. Notable mid- to high-end retail projects include: Aeon Shopping Centre (GFA 105,000 sq. m., opened in 2008) and Longsun Square (GFA 94,500 sq. m., opened in 2016) with anchor tenants including China Film Cinema, Globalfocus Supermarket, and Uniqlo.

3.4 Huizhou's Mid to High-End Retail Stock

As mentioned in earlier sections, the city's retail market is still at a developing stage. Mid to high-end retail stock reached 780,688 sq. m. at end of June 2018, with Jiangbei supplying the largest quantity of mid-to-high-end retail stock (39%), followed by Henan'an (36%).

Figure 3.4.1 Stock Distribution of Mid-to-high-end Retail Development in Huizhou



Source: Cushman & Wakefield, June 2018

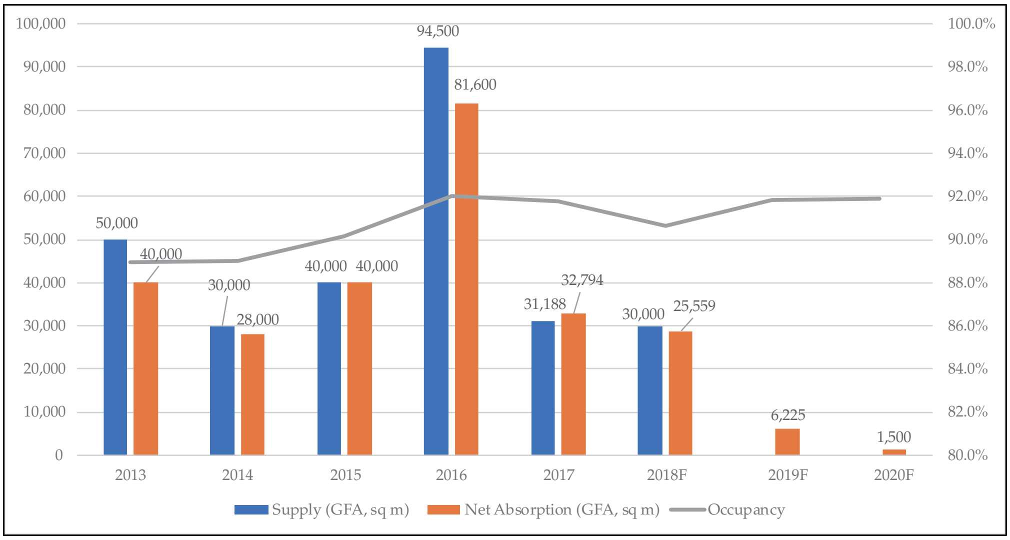
3.5 Huizhou's Mid- to High-End Retail Supply, Demand and Occupancy

- **Huizhou's retail developments enjoy a relatively high occupancy rate**

Three mid- to high-end retail projects entered the market between 2013 and 2017 (Kaisa Plaza in 2013; Longsun Mall in 2016 and Xinhua Plaza in 2017), supplying a total GFA of 245,688 sq. m., with the majority of this new supply (61.5%) coming from Jiangbei retail precinct (Kaisa Plaza and Xinhua Cultural Plaza).

With limited new supply in the overall mid- to high-end retail market, the city enjoys an average occupancy rate between 89%–92% over the past few years, registering 91.8% at the end of June 2018.

Figure 3.5.1 Supply, Absorption and Occupancy Rate of mid- to high-end retail in Huizhou, 2013–2020



N.B. Kaisa Plaza entered the market in three phases, from 2013 to 2015.
Source: Cushman & Wakefield June 2018

- **Limited upcoming supply in mid- to high-end retail developments in Huizhou**

In terms of future supply of mid- to high-end retail developments, Rongcan Huizhou Centre will be the only confirmed project ready for occupancy in later half of 2018, with a total GFA of approx. 30,000 sq. m. and located in Jiangbei retail precinct. There are also plans to expand the eastern section of the Ganghui Mall, with an additional GFA of 140,000 but no time table is available yet for this expansion. It is expected that this extension will enter the market beyond 2020.

In addition to the above, Wanda Group, a leading real estate developer in China, will launch its first retail project in Huicheng with construction targeted to commence in April 2018. Wanda Plaza will be located in Jinshanhu district, a new residential area located to the south of the city centre, adjacent to Henan'an retail precinct.

Figure 3.5.3 Future mid- to high-end Retail Supply by Retail Area by 2020

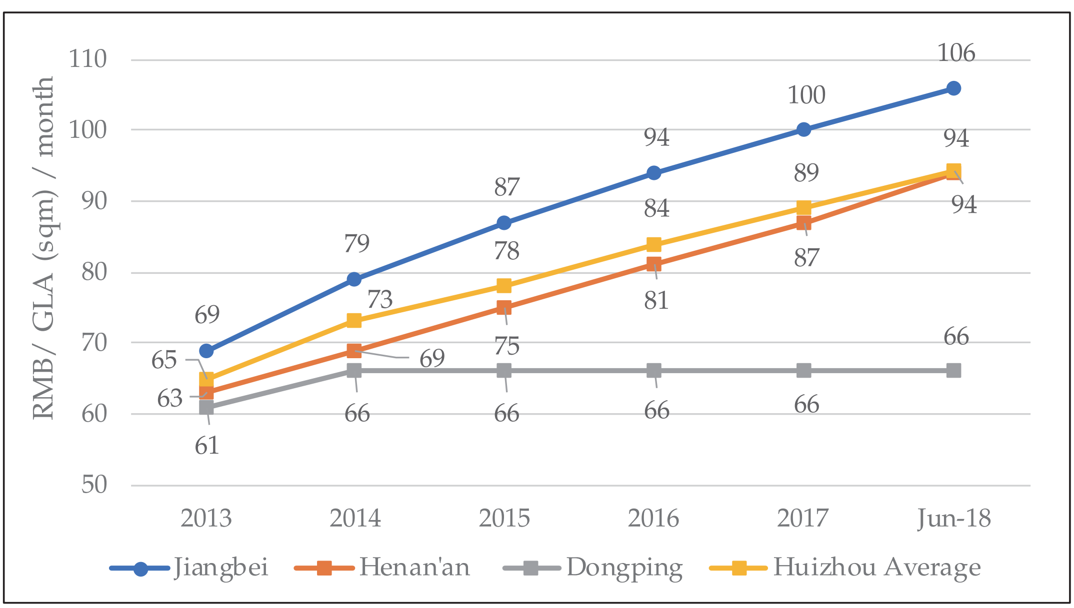
Location	Project Name	GFA *(sq. m.)*	Status
Jiangbei district	Rongcan Huizhou Centre	30,000	Expected to open within 2018
Henan'an district	Ganghui Mall (Eastern Area)	140,000	Under planning
Jinshanhu district	Wanda Plaza	300,000	Construction to begin in April 2018

Source: Cushman & Wakefield, June 2018

3.6 Huizhou's Mid- to High-End Retail Rental Analysis

Average mid to high-end retail rent in Huizhou reached RMB94.4/sq. m. (GLA)/month by end of June 2018, with a CAGR of 8.1% from 2013 to 2017. Jiangbei, the precinct in which the subject property is located, enjoys the highest average rent out of the three major retail district, with rent reaching RMB106/sq. m. (GLA)/month by end of June 2018.

Figure 3.6.1 Huizhou's mid- to high-end retail rent, 2013–June 2018



Source: Cushman & Wakefield, June 2018

- **Rental level is anticipated to remain a positive growth trend**

It is anticipated that average rent of mid to high-end retail projects in Huizhou will maintain a positive growth trend, above 6% per annum in the coming few years on the back of limited supply and positive economic outlook of Huizhou driven by the GBA initiative.

Retail rental forecast in 2018, 2019, 2020, and 2021 is anticipated to reach RMB94.3/sq. m. (GLA)/month, RMB100.0/sq. m. (GLA)/month, RMB106.2/sq. m. (GLA)/month, and RMB113.1 (GLA)/month respectively.

Figure 3.6.3 Huizhou's mid- to high-end retail rent forecast

	2018F	**2019F**	**2020F**	**2021F**
Rent *(RMB/sq. m. (GLA)/month)*	94.3	100.0	106.2	113.1
Annual Growth Rate *(%)*	6%	6.25%	6.5%	6.5%

Source: Cushman & Wakefield, June 2018

3.7 Market Yield of Huizhou's Mid- to High-End Retail Properties

There have been no comparable enbloc shopping mall transactions in Huizhou city in the past. Based on market expectation and the market performance of mid to high-end retail properties in Huizhou, the gross market yield has remained in the range of 6-8% over the past few years.

3.8 Huizhou's Mid- to High-End Retail Market Outlook

Shopping mall is becoming the popular choice in terms of shopping format in tier 2 and tier 3 cities, providing diverse choices and convenience in shopping, dining and leisure under one roof.

Disposable income of urban residents per capita in Huizhou has grown at a CAGR of 11% between 2013 and 2017, and driven by this rise in disposable income, consumption pattern and demand have also gradually changed. Shopping malls with large areas in fashion and jewellery trade types can no longer satisfy the retail demand of Huizhou residents, who are also looking for a healthier lifestyle and more diversified experience. Experience-based sector, i.e. dining, leisure and entertainment and children's activities, has increasingly become the essential tenant type that can help boost the popularity of the shopping mall.

Consumption decisions are also increasingly influenced by the experience in a shopping mall, rather than merely the products offered, thus an appropriate tenant mix which creates a welcoming environment is essential if a shopping mall operator wishes to enhance its competitiveness in the market.

Accordingly, trade mix of mid to high-end retail developments in Huizhou is becoming more diversified. The proportion of food and beverage (F&B) within the shopping mall environment, in particular, is gradually rising. In addition, to meet the increasing demand for experience-based services and to offset the impact of e-commerce on shopping habits, shopping malls in Huizhou will look into offering experience-based elements to sustain footfall, including children's entertainment, sporting, family activities as well as personalised services. Local mall operators are also demonstrating keen interest in international fashion retailers as well as trendy online brands, which will bring more diversity in retail brands, leading to a better overall retail environment.

Regular review and renewal of tenant mix is a key strategy to maintain competitiveness in the retail market. The subject property, for example, regularly modifies its trade mix. In 2017, the subject property introduced several tenants offering children-related services, most notable Yuyuto, an indoor Teddy Bear Theme Park, together with several trendy dining brands. In the first two quarters of 2018, the subject property has brought in over 30 new brands, including apparel, catering, children's wear and entertainment, while tenants with the 20% lowest sales per unit area have been replaced. A series of trendy retail and fast fashion tenants have entered the renovated space on L2, most notably OCE, a Nordic style retailer and counterpart of Muji. Some popular chain restaurants available in Shenzhen and Guangzhou, such as Tai'er Sauerkarut Fish (太二酸菜魚) and Chunmeili Brine Goose (春梅裏鹵鵝), have been introduced in the subject property in the first half of 2018. The changes in tenant profile demonstrate the subject property's effort to both meet customers' increasing preference for experience-based services, as well as to upgrade fashion and retail brands in the local market.

As the market matures, the differentiation in positioning and tenant profile will be some of the keys to sustain attractiveness of existing retail projects. Traditional pursuit of sheer physical occupancy and across-the-board trade mix proves to be obsolete in the increasingly competitive local retail market.

4.0 Mid- to High-End Retail Market in Jiangbei Submarket

This section will provide a district level analysis of the mid- to high-end retail market in the Jiangbei submarket, where the subject property is located, including commentary on mid- to high-end retail in this submarket.

4.1 Market Overview

As mentioned earlier in section 4, approximately 39% of existing mid- to high-end retail stock in Huizhou, including the subject property, is located in the Jiangbei retail precinct, supplying a total GFA of approximately 301,188 sq. m. The subject property has the largest scale in terms of GFA in this submarket, at 150,000 sq. m., followed by Kaisa Plaza at 120,000 sq. m. and Xinhua Cultural Plaza at 31,188 sq. m.

As Huizhou's CBD, Jiangbei is the heart of the city, where high-end residential developments, Grade-A office buildings, the local government as well as a variety of public facilities are located. A substantial population of residents and office workers underpin the affluence of Jiangbei's retail market.

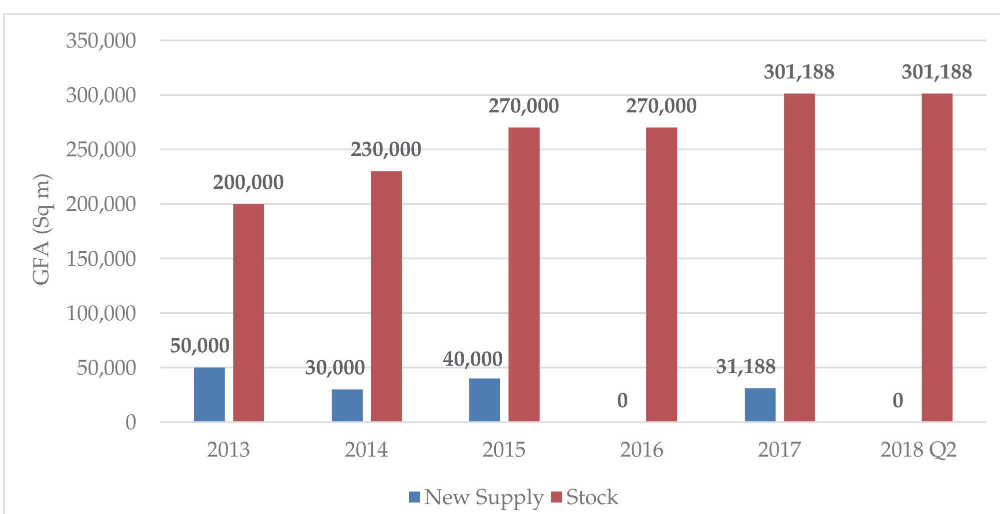
In addition to the existing high-spending local customer group, a secondary catchment may well emerge as a result of future completion of infrastructural developments. According to Huizhou City Master Plan 2016-2035《惠州市城市總體規劃(2016–2035)》and Urban Rail Network Plan of Huizhou Municipality《惠州市城市軌道交通綫網規劃》, Yunshan station is planned to be the interchange station between Huizhou's metro line 1 and the city's intercity rail to Dongguan. This station is located in Jiangbei, integrating the district into the 1–2 hour travel cycle in the GBA. Customers from other cities will be able to access Jiangbei more easily as travel time shortens.

4.2 Mid- to High-end Retail Supply, Demand and Occupancy

As a pioneer in the mid- to high-end retail market, Huamao Place opened in 2011 and has remained a city-level shopping destination and an established brand name in Huizhou.

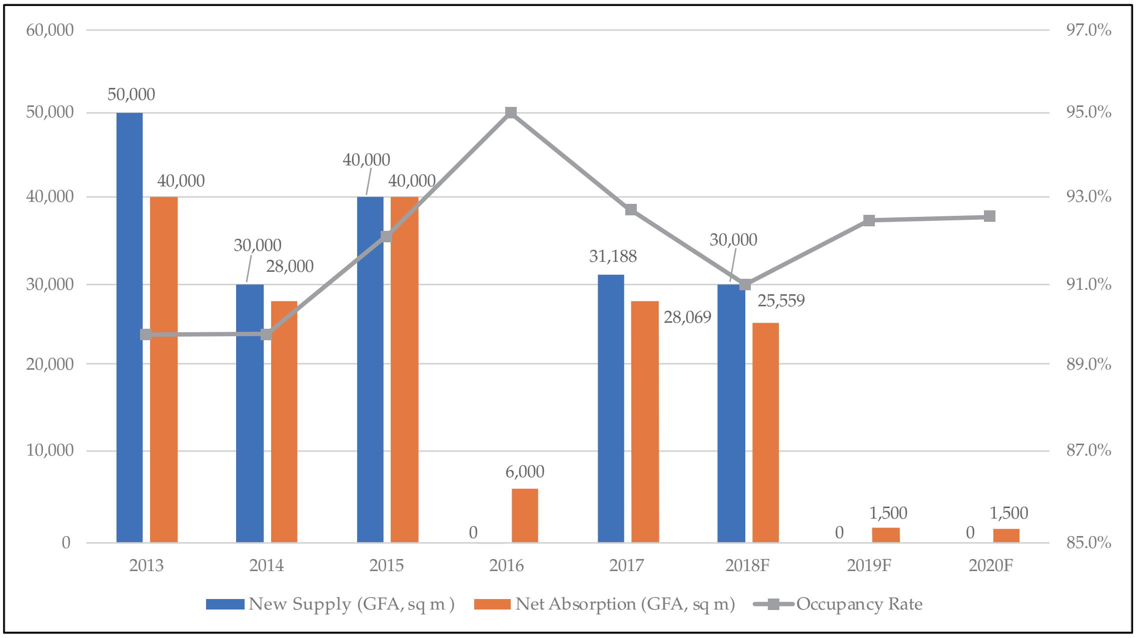
2 mid- to high-end shopping malls entered Jiangbei retail precinct since 2013, including Kaisa Plaza (which entered in 3 separates phases from 2013 to 2015) and Xinhua Cultural Plaza in 2017.

Figure 4.2.1 Mid- to high-end Retail Supply in Jiangbei Submarket



Source: Cushman & Wakefield, June 2018

Figure 4.2.2 Mid- to high-end Retail Supply, Absorption and Occupancy, Jiangbei Submarket



Source: Cushman & Wakefield, June 2018

Occupancy has remained high with a general upward trend in recent years. Huamao Place and Kaisa Plaza both achieved an above the submarket's average occupancy rate of 92.80% in 2017.

Rongcan Huizhou Centre will open in 2018 and it is anticipated that Jiangbei's average occupancy rate will remain at around 91.13% in 2018, taking into consideration the time required for a new development to mature. Without any other new developments beyond 2018, occupancy rate of Jiangbei submarket shall resume an upward trend from 2019.

Given the scale, quality and reputation of Huamao Place, it will remain a leading retail destination in the mid- to high-end retail market of Jiangbei submarket.

Table 4.2.3 Future Mid- to high-end Retail Supply in Jiangbei Submarket

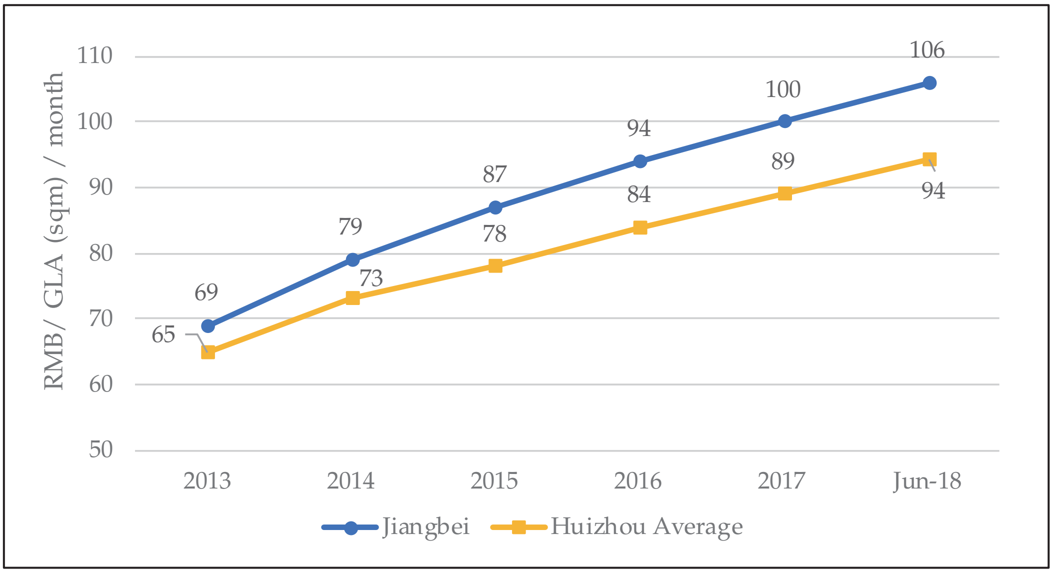
Project	**Precinct**	**Market Entry**	**GFA** *(sq. m.)*
Rongcan Huizhou Centre	Jiangbei	2018	30,000

Source: Cushman & Wakefield, June 2018

4.3 Mid- to high-end Rental Analysis in Jiangbei Submarket

Mid- to high-end retail rental in this Jiangbei has been increasing since 2013, reaching its new 5-year high at RMB106/sq. m. (GLA)/month by June 2018.

Figure 4.3.1 Average Mid- to high-end Retail Rental, Jiangbei Submarket



Source: Cushman & Wakefield, June 2018

Figure 4.3.2 Rental Forecast of Mid- to high-end Retail in Jiangbei Submarket

	2018F	2019F	2020F	2021F
Rent *(RMB/sq. m. (GLA)/month)*	108.0	116.6	125.1	134.5
Annual Growth Rate *(%)*	8%	7.3%	7.5%	7.5%

Source: Cushman & Wakefield, June 2018

Rental growth is projected to be in line with the overall Huizhou retail market, and Jiangbei's level of rent will continue to be the highest of all submarkets (precincts). Having considered all key factors, including future supply, future market trends, domestic and global economic movements, etc., it is anticipated that rents in Jiangbei submarket will continue to grow, reaching RMB108.0/sq. m. (GLA)/month, RMB116.6/sq. m. (GLA)/month, RMB125.1/sq. m. (GLA)/month and RMB134.5/sq. m. (GLA)/month in 2018, 2019, 2020 and 2021 respectively.

5.0 SUBJECT PROPERTY AND SITE SUMMARY

5.1 Subject Property Overview

The subject property – Huamao Place is the retail component of Huizhou Central Place, a 13.5 hectare mixed-use site comprises three Grade-A office buildings; three residential buildings; a serviced apartment; and a shopping mall. The mixed-use development is located to the north of the river that demarcates the northern and southern sections of the city, in the heart of Huizhou's central business district – Jiangbei area.

The competitiveness of Huamao Place as a high-end shopping centre is underpinned by its prime geographical location. In particular, the subject property is surrounded by a variety of public facilities including the city's stadium, exhibition centre, and two museums. Altogether, these landmark buildings form the southern periphery of Jiangbei, the political and business hub of the city in which the municipal government complex is centred.

The primary catchment area of the subject property covers the entire Jiangbei area, the city's administrative and business core, with a population approaching 400,000. Nevertheless, the secondary catchment area of the subject property is not limited to only Huicheng (total population of 1.2 million), but a far wider area extending beyond Huizhou. This is driven by a limited provision of high quality shopping mall outside Huicheng. The membership profile of the subject property (as discussed by the management team in the interview) indicate that there are regular customers from neighbouring municipalities such as Shanwei, where the local retail market is far less developed compared to Huizhou.

The shopping centre is driver-friendly, providing over 900 parking lots, 700 of which underground, and 200 at grade, shared with the office uses above. General accessibility to the subject property, however, is somewhat currently limited.

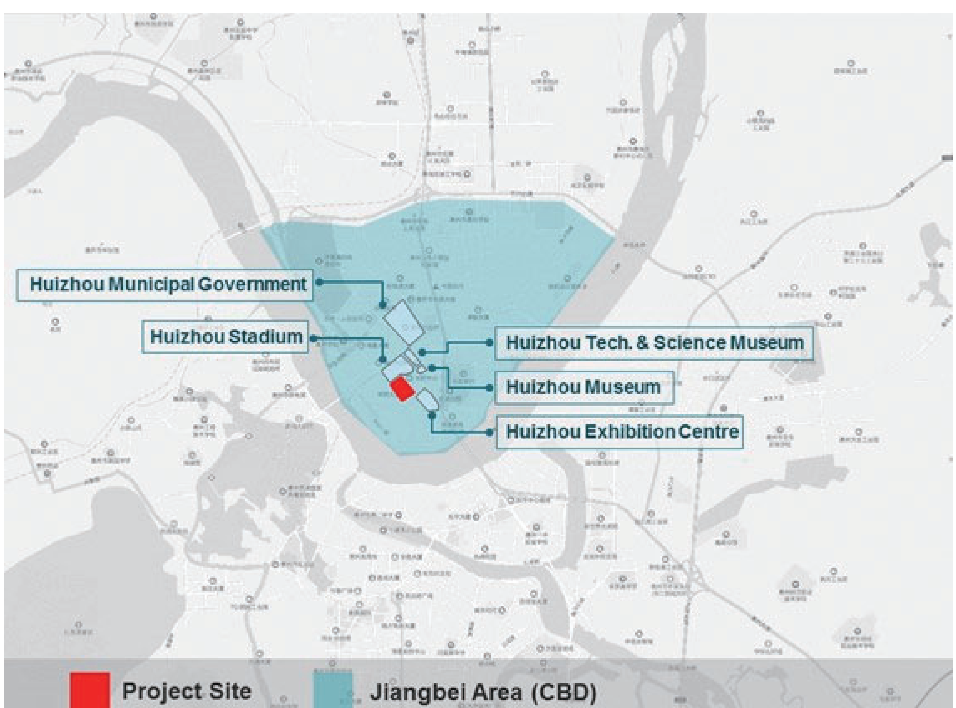
Apart from accessibility within Huizhou, the entire Dongguan-Huizhou Intercity Railway line was opened in December 2017, which greatly reduces the travel time between the city centres of Huizhou and Dongguan to 1.5 hours. The CBD will be directly served by both the planned metro and intercity railway infrastructures, greatly improving the subject property's accessibility not only within Huizhou, but with the rest of Greater Bay Area. Yunshan Station of the Intercity Railway is located within 10 minutes walking distance (approximately 900m) from the subject property, and will become the interchange station with the proposed Huizhou Metro Line 1, which is planned to be completed in 2025.

With a total GFA of 144,925 sq.m., the subject property is currently also the second largest shopping mall in Huizhou in terms of gross floor area. The mall has 5 levels, excluding underground parking lots level), each with a specific theme and trade mix. Level 1 targets high-spending customers with a large cluster of jewellery retailers and the mall's exclusive western apparel brand tenants including the likes of Hugo Boss, Guess, Armani Exchange, and GIVENCHY. L2 to L4 are home to mid-end domestic and international brands covering from men/women's fashion to children's wear, electronics, household products as well as an indoor playground, with some space on L2 renovated and reopened in June 2018. L5 finds a cinema operated by Golden Harvest. Casual dining restaurants with average spending of RMB100–200/head are largely concentrated on levels L4 and L5. Elements of F&B are found throughout all floors in the form of cafes, juice bars, and lower-end fast-casual restaurants. Cafes are primarily found in the outdoor area of B1 and L1; fast-casual restaurants in the indoor area of B1. The general trade mix of the shopping mall as in June 2018 is: 35% apparel, 31% catering, 15% children-related services, 8% entertainment and 11% others.

Positioning itself as a high-end retail destination, the subject property aims to satisfy the relatively more sophisticated consumer needs for internationally renowned high fashion products. Huamao Place is currently a regional industry leader in introducing international apparel retailers with exclusive high fashion tenants. The subject property in general is spacious with a modern decorative style. Its general F&B tenants and non-exclusive retailer tenants, however, are not similar to other malls of comparable scale in Huizhou.

As the most prominent high-end shopping destination in Huizhou, according to Huamao Place's management team, the subject property has achieved an average daily customer flow of 38,000 on weekdays and 45,000 on weekends as in June 2018, and the annual customer flow reached 12 million in 2017. The accumulative number of members has reached 145,000 since opening, which include members from adjacent municipalities in eastern Guangdong Province.

Figure 5.1 Location Plan of the Subject Property



Source: Cushman & Wakefield, June 2018

5.2 SWOT Analysis of Subject Property

- **Strengths**

Huamao Place has established itself as a local retail destination, for those living and working in the immediate vicinity as well as from the rest of the city, known for its modern interior design with a handful of international high fashion brand names being exclusively their tenants in the city. Its leading apparel tenant portfolio alone distinguishes the subject property from all other mid- to high-end shopping malls in the city. As a tier 2 city in the PRC, most shopping malls in Huizhou share a strikingly repetitive trade mix, layout, as well as tenant portfolio to cater for mass market discretionary spending. The defined positioning of Huamao Place as a high-end retail destination has earned the asset a distinctive reputation. Hence a leverage over its competitors, given the existing gap for luxurious retail space in the Huizhou market. Moreover, the subject property's membership scheme is a well-established engagement program which encourages customer spending and repeat visitation. Its membership programme includes discount offers, gift rewards, redeemed parking fees, and in-mall credits, etc.

Moreover, Huamao Place enjoys a prime location. Overall, Jiangbei is the CBD in Huizhou, wherein public facilities, high-rise office buildings, and the municipal government headquarters are located. The subject property is well positioned to target potential customer groups including white-collar workers in Jiangbei and users/visitors of the surrounding public faculties as well as catering for the retail needs of office workers and residents of Huizhou Central Place, which is a mix-use development itself. Positioned more closely as a retail destination rather than a mass-consumption-oriented community shopping centre, Huamao Place has 907 parking lots in total, a sufficient supply for the higher-spending customers who are likely to travel by car.

- **Weaknesses**

Given Huizhou's high-end retail market is yet to mature, apart from the exclusive portfolio of western high fashion retailers that contributes to the mall's overall branding, the majority of trade-mix is largely identical to that of Huamao Place's rivalling shopping malls. Competition with other rivalling shopping malls in the non-discretionary segments of the mall, such as F&B is still strong.

Although the mall is approximately 10 minutes away from the government building, travelling by foot is not optimal, accessibility to the mall is limited by the lack of pedestrian connectivity, e.g. footbridge/sky corridor or underground tunnel passage, within the district.

- **Opportunities**

In the foreseeable future, GBA cities will become more seamlessly interconnected as HSR network expands, providing a solution to the rising housing costs in Shenzhen. With housing expenses in Shenzhen steadily exceeding the affordability of many white collars, their relocation to Huizhou will become possible once travel time between the two cities is reduced to around 30 minutes. The subject property is currently the only retail destination which can be expected to suit the taste of this newly emerged middle-class in Huizhou.

In addition to the changes to local demographics through the movement of people, spending patterns of the existing population will also undergo a structural transformation in the near future as Huizhou's economy benefits from the development of the GBA.

The problem of repetitive tenants and trade mix can be solved over time, as new brands and operators shall be introduced to the market gradually along with Huizhou's demographic changes. Already highly reputable with a leading tenant portfolio, further upgrades of anchor tenants such as fast fashion brands similar to Uniqlo, should be achievable for the subject property in the future, according to new needs in the retail market.

- **Threats**

Given the highly identical real estate development model widely adopted by developers in Huizhou, mix-used complexes similar to Huizhou Central Place are widespread throughout Jiangbei. The strengths of the subject project, tenant portfolio and decoration included, can easily be emulated by competitors. For instance, a new mix-used development neighbouring the subject property will open this year. This development – Rongcan Huizhou Centre is highly similar to Huamao Place, in terms of its positioning as well as the quality of the residential and office components. Nevertheless, the retail component of the new mixed use development will only be one-fifth of the size of the subject property and would not trigger a material adverse impact on the market performance subject property. Rather, it would strengthen the area as a retail destination hub, attracting more patronage to the area.

On the other hand, methods such as tenant portfolio transformation and building refurbishment are effective gap-closers which rival mid- to high-end malls could employ to reinvent themselves. An example of comparable scale is an asset of Kaisa Group in Jiangbei – Kaisa Plaza. Sitting north of the subject property, this mid- to high-end mall of 120,000 sq. m. in GFA enjoys the infrastructure of the CBD as well as the residential and office components which are part of its mix-used development similar to Huizhou Central Place.

5.3 Market Outlook of Subject Property

The regular review of tenant profile and upgrading of the mall's facilities have maintained the subject property's leading position and excellent reputation in Huizhou, as reflected in its average rent rates, which is the highest in Huizhou. Considering the historic rental growth trends, future supply in Jiangbei submarket and the tenant upgrade plans provided by the current management team, it is expected that rental growth of the subject property could achieve a range of 8%–9% annually from 2018 to 2021, exceeding the average annual rental growth rate in Jiangbei submarket in the same period of time (Fig. 4.3.2 refers).

In terms of occupancy, it is noted that the average occupancy rate of the subject property has always remained above 92% since 2012. The management team's plan to provide extended retail experience to customer by attracting various new tenants in the trades of apparel, bookstore, cosmetics, jewellery and luxury watch etc. will help maintain the long-term competitiveness of the subject property. In addition, Huizhou's retail market is at a rapid developing stage, with more new brands expected to enter the market, who will look for destination malls such as the subject property. Therefore, it is expected that the subject property's tenant portfolio will continue to be renewed on a regular basis, with the average occupancy rate staying around 96%–97% from 2018 to 2020.

6.0 COMPETITOR ANALYSIS

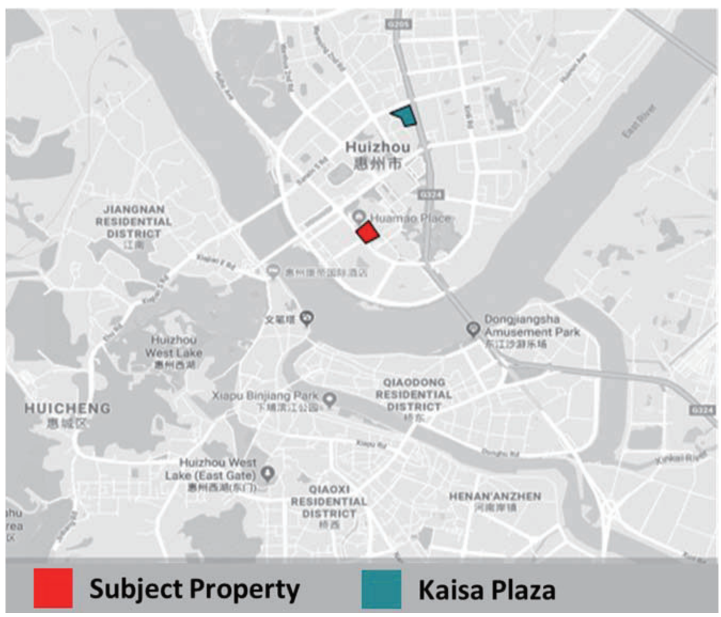
Out of the existing mid- to high-end shopping malls in Huizhou, it is considered that Kaisa Plaza and Ganghui Mall are the key competitors to the subject property, based on the scale of the mall and their reputation as a shopping destination in Huizhou. Despite also located in Jiangbei, Xinhua Plaza – a development newly opened in 2017, is a destination-mall focusing solely on cultural products, such as a 24/7 book store and stationery boutique. With an inherently different target customer group, Xinhua Plaza is therefore not considered a key competitor.

This section provides a review of the key competitors in the market, summarised by a competitive analysis of the subject property against these competitors.

6.1 Overview of Competitive Projects

6.1.1 Kaisa Plaza

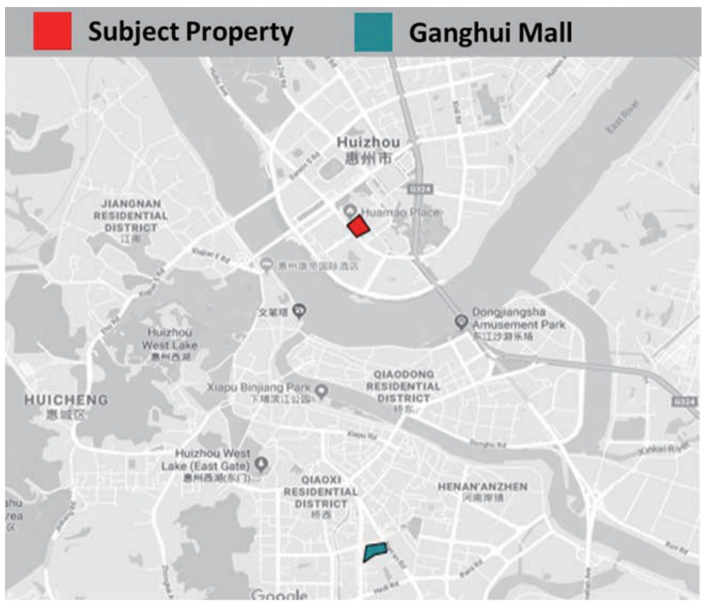
- Developer: Kaisa Group
- Opening year: Dec 2013
- GFA: 120,000 sq. m.
- Positioning: mid- to high-end (mid-end leaning)



Kaisa Plaza is located in Jiangbei, north of the subject property and the municipal government. Similarly supported by a Grade-A office building of its own and sandwiched between a series of residential blocks, including those above itself, Kaisa Plaza is home to mostly domestic brands. Although the shopping centre's layout is largely similar to Huamao Place, mirroring features include low- to mid-end F&B throughout the mall; a cinema on the top floor; low- to mid-end apparel, household products, and accessories retailers throughout the mid-levels; its overall international brand offering and design quality are not as high-end as the subject property. H&M is a notable anchor tenant on the ground floor, completing the mall's trade mix as the component of western fast fashion brand. Its rival – Zara plays a similar role at Huamao Place.

6.1.2 Ganghui Mall

- Developer: Huizhou Yingfu Property (惠州市盈富置業有限公司)
- Opening year: Jan 2007
- GFA: 280,000 sq. m. (completed in 2 phases)
- Positioning: mid- to high-end (mid-end leaning)



An established retail destination in the city, Ganghui mall is the largest local shopping centre south of the river with plans to further expand its 400,000-sq. m. retail space by adding a South wing and East wing. The gigantic mall fills its retail space with tenants commonly found in other shopping malls including western sports equipment retailers such as Fila, Nike, and Adidas, and a variety of domestic brands covering areas from apparel to electronics to household goods. The generally mid-end retailers, combined with a low- to mid-end restaurants and delis sustain a stable level of patronage from around the city. As part of yet another mixed-use development, on top of the mall is a series of residential buildings. In conjunction with the population of the overall traditional neighbourhood wherein Ganghui Mall is located, a substantial group of local customers for whom the mall provides retail services with is already in place. All things considered, Ganghui Mall is generally a highly popular shopping mall for Huizhou's mid-spending consumers, and also a consumption-oriented in an already populous neighbourhood of Henan'an. However, its mid-end leaning positioning contrasts strongly with the subject property, which is more of a destination retail center.

6.1 Competitive Strengths of Huamao Place against Competitive Projects

Below sets out the key factors substantiating the subject property's leading positioning in Huizhou's retail market:

- The subject property is one of the three mid- to high-end shopping malls in Huizhou that were fully opened before 2014; with over 4 years in operation in the market; and with a stabilised rent.

Mid- to high-end Shopping Mall	Year of Completion	GFA
		(sq. m.)
Ganghui Mall	2008	280,000
Aeon Shopping Mall	2008	105,000
Huamao Place	2011	144,925

- By end of June 2018, there is only one mid- to high-end shopping mall in Huizhou with rental higher than the city's average (RMB94.4/sq. m. (GLA)/month), namely Huamao Place (RMB115/sq. m. (GLA)/month), which also enjoys the highest rent in the City.

- The subject property is the second largest mid- to high-end shopping mall in Huizhou in terms of gross floor area. However, it is home to the greatest number of international retail brands and has competitive advantage over Ganghui Mall in having a relatively high quality of design and layout.

- In terms of GFA, Kaisa Plaza (120,000 sq. m.) is the only mid- to high-end shopping mall in Jiangbei comparably to the subject property (150,000 sq. m.). However, it is still at a stage of maturing and its overall international brand offering and design quality are not as high-end as the subject property. Since its opening in 2013, the average rent of Kaisa Plaza has been below both the city's and Jiangbei's average. In contrast, using the same standards, the average rent of subject property has been above average since 2013.

Appendix 1

Glossary

This glossary of technical terms contains terms used in the Market Research Report. As such, these terms and their meanings may not always correspond to the standard industry meaning or usage of these terms.

Average Rent

The average rent of the mid- to high-end shopping malls per gross lettable area (GLA) in square meters and per month, measured in RMB/sq. m/month, including VAT but excluding other fees such as management fee; promotion fee.

Fixed Asset Investment (FAI)

The volume of activities in construction and purchases of fixed assets in a country or city and related fees, expressed in monetary terms during the reference period. Total investment in fixed assets includes, by type of ownership, the investment by State-owned units, collective-owned units, joint ownership units, share-holding units, private units, individuals as well as investments by entrepreneurs from Hong Kong, Macao and Taiwan, foreign investors and others.

Foreign Direct Investment (FDI)

Foreign direct investment is the investment of foreign assets into a country or city distinct from the investor's country of origin.

Gross Domestic Product (GDP)

A basic measure of a country's overall economic output, i.e. the total market value of all final goods and services produced in a country at market prices in a given year.

Gross Floor Area (GFA)

The area contained within the external walls of the building measured at each floor level.

Gross Lettable Area (GLA)

The floor space contained within a tenancy at each floor level.

Hua Mao Place

Referred to as "subject property" in this report.

Mid- to high-end Retail

Single ownership shopping centres (excluding standalone department stores) with GFA above 20,000 sq. m., which are located in established retail precincts and with presence of international retail brands.

Net Absorption

The change in the total of occupied floorspace over a specified period of time, either positive or negative.

Net Supply

Total marketed floor space which is ready for occupation in a given year. Ready for occupation means practical completion, where either the building has been issued with an occupancy permit, where required, or where only fit-out is lacking.

Occupancy

Floorspace that is occupied – i.e. not available for rent or sales in the market.

Per capita GDP

An approximation of the value of goods and services produced per person in the country.

Stock

Total floor space, i.e. both occupied and vacant for a particular property sector.

Limitation of this report

This report contains forward-looking statements, bearing the views, expectations, projections or predictions of Cushman & Wakefield Limited (the "**Consultant**") for the future. The Consultant hereby emphasizes that all projections and statements, except statements relating to historical facts, shall be considered as indicative assessments of the possibilities, rather than fully determined assessments. The process of projections involves assumptions on a large number of variables, which can easily be subject to changing circumstances. The Consultant would like to ask you to note that any changes in the variables may have a significant impact on the results of the projections.

Therefore, the Consultant cannot guarantee that the projections contained in this report will be fulfilled, or that projections and forward-looking statements will be proved to be correct. Thus, you should not rely too much on those statements. The Consultant has no obligation to publicly update or revise any forward-looking statements contained in this report as a result of any new data, future events or otherwise, except as required by law. All forward-looking statements contained in this report are subject to this warning statement.

This report is prepared by the Consultant for reference only. Although the Consultant has written the report in a reasonable and prudent manner, the facts described in the report may change, and such data does not constitute a contract or part thereof. Interested parties shall not rely on any statements concerning the facts and shall verify the accuracy in other ways. This report does not express or imply any declarations, warranty or covenants, or guarantee accuracy, reasonability or integrity of the data.

While preparing the report, the Consultant relied on data and statistical models from a third party to draw a forward-looking statement. Please be well noted that we would like to make it clear that the documents and data from third parties have not been independently verified. This report is only relevant to the matters that referred in the report. For any matters not mentioned in this report, there are not any suggestions or inferences.

Yours sincerely,
Cushman & Wakefield Limited

An investment in real estate involves risks. Unitholders should consider carefully, together with all other information contained in this Circular, the risk factors described below before deciding to vote on the EGM Resolutions.

1. The Target Property is located in Huizhou, Guangdong Province. The Manager does not have prior experience in owning, operating and managing shopping malls in Huizhou, Guangdong Province or at all

Spring REIT's current portfolio includes all office floors of Office Tower 1 and Office Tower 2 of China Central Place which are located in Beijing, PRC and 84 commercial properties in the United Kingdom which are currently operating as car servicing centres. The acquisition of the Target Property represents Spring REIT's first acquisition of a shopping mall and also in Guangdong Province. Although the Manager has experience in managing office properties in Beijing, it has no operating history or experience in managing a shopping mall or any other properties in Huizhou or Guangdong Province. The Manager's experience in managing Spring REIT's properties in Beijing and the United Kingdom may not be applicable in other regions. Given the differences in the economic conditions, local property market conditions and property values and rental rates between Huizhou and Beijing, as well as the differences with operating shopping malls, there is no assurance that the Manager will be successful in managing the Target Property.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities and as such, different laws, rules, regulations and policies apply in different provinces, and they may have different and varying applications and interpretations in different parts of the PRC. Accordingly, although the Manager might be familiar with the laws, rules, regulations and policies applicable in Beijing, this may not be applicable in Huizhou.

Any failure by the Manager to understand and adapt to the property market in Huizhou may have a material adverse effect on Spring REIT's business, financial condition and results of operations.

2. A downturn in the business of retail Occupants of the Target Property could reduce its property value and operating income, thereby having a material adverse effect on Spring REIT's operating results, financial condition and future levels of distribution

The operating income of the Target Property may be adversely affected by the insolvency or downturn in the business of retail Occupants in Huizhou, where the Target Property is located. The property values and rental rates in Huizhou have been affected by, among other factors, supply and demand dynamics, economic conditions, interest rates, inflation and political developments in the PRC. The value of the Target Property may be adversely affected by these and a number of local property market conditions, such as oversupply, the performance of other competing commercial properties or reduced demand for commercial space. In particular, there are a few other shopping malls in Huizhou that may compete directly or indirectly with the Target Property in attracting occupants and result in downward pressure on rental rates.

If there is a downturn in the business of retail Occupants, the operating income of the Target Property may be reduced significantly. In the event of defaults by Occupants whose rents make up the operating income of the Target Property, Spring REIT is likely to experience delays and costs in enforcing its rights as landlord, as well as finding sufficient numbers of replacement occupants. In addition, the value of the Target Property could be adversely affected by the loss of an anchor Occupant in the event that such anchor Occupant files for bankruptcy or insolvency or experiences a downturn in its business, including the decision by any such Occupant not to renew their Leases or Joint Operation Agreements. Space that has been vacated by an anchor Occupant can reduce the demand for and value of other spaces within the Target Property because of the loss of the departed anchor Occupant's customer drawing power. Any of such events could materially and adversely affect Spring REIT's operating results, financial condition and future levels of distribution.

3. Spring REIT may be unable to renew Leases or Joint Operation Agreements, lease vacant space or re-lease space in the Target Property as these agreements expire

As at 31 July 2018, approximately 26.8%, 11.5% and 6.2% of all the Leases and Joint Operation Agreements (calculated in terms of gross rented area) of the Target Property were scheduled to expire during each of the three years ending 31 December 2019, 2020 and 2021, respectively. The Manager cannot assure that such Leases or Joint Operation Agreements will be renewed or that new Leases or Joint Operation Agreements will be entered into for the vacant spaces on acceptable terms upon or promptly after the expiry of the current Leases and Joint Operation Agreements. Occupants of the Target Property may also decide not to renew their Leases or Joint Operation Agreements or to terminate their Leases or Joint Operation Agreements early, and Spring REIT may not be able to re-lease the space. If the rent for the Target Property decreases or Spring REIT is unable to enter into new Leases or Joint Operation Agreements in respect of a significant portion of the Target Property's gross rentable area, Spring REIT's financial condition, results of operations, cash flow, trading price of the Units, and its ability to satisfy its debt service obligations could be materially adversely affected.

4. The due diligence survey on the Target Property may not have identified all material defects, breaches of laws and regulations and other deficiencies

Prior to the entering into of the Share Purchase Deed, the Manager had conducted, or had instructed its advisers to conduct, physical and technical inspection and investigation of the Target Property. Nevertheless, there can be no assurance that such reviews, surveys or inspections (or the relevant review, survey or inspection reports on which Spring REIT or the Manager have relied upon to proceed to completion of the Share Purchase Deed) would have revealed all defects or deficiencies affecting the Target Property.

In particular, there can be no assurance as to the absence of: (1) latent or undiscovered defects or deficiencies; or (2) inaccuracies or deficiencies in such reviews, surveys or inspection reports, any of which could have a material adverse impact on Spring REIT's business, financial condition and results of operations.

If the Target Property has design, construction or other latent property or equipment defects, these may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or the incurring of other obligations to third parties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Spring REIT's earnings and cash flows.

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

Under the Share Purchase Deed, the Seller is subject to certain obligations in favour of the Purchaser which will continue after Completion, including, among others, the following continuing obligations: (1) to pay amounts that may be due to the Purchaser pursuant to the adjustment mechanisms stated in the Share Purchase Deed; (2) to compensate the Purchaser in the event of any breach of the warranties made by the Seller under the Share Purchase Deed; and (3) to indemnify the Purchaser for certain losses. However, failure by the Seller to fulfil any of its continuing obligations may have a material adverse effect on Spring REIT's operations.

In addition, the Tax Holdback Amount and the W&I Insurance may not be sufficient to cover their respective obligations from the Seller. The Seller's liability under the Share Purchase Deed is also subject to various limitations including the minimum per claim threshold, aggregate amount recoverable threshold, maximum aggregate liability and limitation period. For further details regarding these limitations, please refer to section 2.4.7 headed "Warranties, Indemnities and W&I Insurance" in this Circular.

6. The Seller may not hold sufficient assets after the Lock-up Period, which may affect the Purchaser's ability to bring claims against the Seller under the Share Purchase Deed

The Share Purchase Deed and W&I Insurance contain certain limitations of the amounts which can be claimed against the Seller and the W&I Insurers, respectively, and accordingly, the Purchaser may not be able to fully recover all claims against the Seller under the Share Purchase Deed. Furthermore, the Lock-up Period is for a period of nine months, which is shorter than the Share Purchase Deed limitation period of two years (for all claims made other than those claims relating to tax warranties) and seven years (for all claims relating to tax warranties). There can be no guarantee that the Seller will hold sufficient assets (such as the Consideration Units) after the Lock-up Period, which in turn may also affect the Purchaser's ability to bring claims against the Seller under the Share Purchase Deed.

7. The issue of the Consideration Units will dilute the ownership interests of the existing Unitholders and could adversely affect the market price of the Units

The issue of the Consideration Units will dilute the ownership interests of the existing Unitholders.

The Illustrative Consideration Units represent approximately 18.8% of the total number of Units as at the Latest Practicable Date and 15.8% of the total number of Units upon issuance of the Illustrative Consideration Units. As a result of the issuance of the Consideration Units, the unitholdings of Public Unitholders will dilute from 53.9% as at Latest Practicable Date to 45.4% upon issuance of the Illustrative Consideration Units. For details on impact of the Acquisition on the unitholdings in Spring REIT, please refer to section 7.5 headed "Impact of the Acquisition on the unitholdings in Spring REIT" in this Circular. Any sales in the public market of the Consideration Units could adversely affect the prevailing market price for the Units.

Unitholders should also be aware the pro forma NAV per Unit attributable to Unitholders will decrease from HKD6.05 as at 30 June 2018 before the Acquisition to HKD5.56 after the Acquisition, due to the Issue Price HK$3.324 being lower than the NAV per unit before the Acquisition.

8. Spring REIT may be adversely affected by the illiquidity of property investments

Property investments are relatively illiquid, particularly investments in high value properties such as those in which Spring REIT has already invested or intends to invest, including the Target Property. Such illiquidity may affect Spring REIT's ability to vary its investment portfolio or liquidate part of the Target Property in response to changes in economic, property market or other conditions. For example, Spring REIT may be unable to liquidate its assets on short notice or may be forced to agree to a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. In addition, Spring REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real property due to the illiquid nature of real property assets. These factors could have an adverse effect on Spring REIT's business, financial condition or results of operations, with a consequential adverse effect on Spring REIT's ability to make expected distributions to Unitholders.

9. The Project Company may face difficulties when it seeks to extend the term of land use rights upon expiry of the term of such land use rights

The land and real estate laws of the PRC, including laws relating to land use right and building ownership regulations and laws applicable to landlords and tenants, are still under development and reform. In recent years, the National People's Congress, the State Council, the Ministry of Land and Resources, the Ministry of Housing and Urban-Rural Development and other relevant authorities have promulgated a number of laws and regulations and departmental rules relating to legal problems in respect of land and real estate. In addition, the local people's congresses and local governmental authorities in many provinces and cities have also promulgated various local regulations or local rules. There may be uncertainties in the interpretation and application of these laws, administrative regulations, departmental rules, local regulations and local rules, and we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to Spring REIT. In addition, any litigation in PRC may be protracted and result in substantial costs and diversion of Spring REIT's resources and management attention.

The term of land use rights for the Target Property will expire on 1 February 2048. It is expected that the Project Company will, at least one year prior to this date, submit an application for extension of the land use rights. Under the current applicable PRC laws and regulations, the application for extension of non-residential land use rights shall be approved except for public interest considerations concerning the land. Where the application for extension of land use rights is granted, a new land grant contract must be executed and a premium must be paid by the Project Company in respect of the relevant land use rights and additional conditions may also be imposed. The current PRC laws and regulations do not specify the terms and conditions of such new land grant contract or the amount of such premium. In certain circumstances, the PRC government may, where it considers it to be in the public interest, terminate land use rights and expropriate the land before the expiration of the term. In addition, the PRC government has the right to terminate long-term land use rights and withdraw early the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. In the event that Spring REIT's application in the name of the Project Company for extension of the land use right for the Target Property is granted, but the terms and conditions of the new land grant contracts are likely to be less favourable than the existing land grant contracts, or there may be a significant increase in the premium payable by the Project Company, the business operations of the Project Company, in turn Spring REIT's business, financial condition, results of operations, cash flow and cash available for distributions to Unitholders, may be materially and adversely affected.

In the event that the application for extension of land use rights for the Target Property is not approved, the land use rights, together with the buildings and auxiliaries thereon, must be returned to the PRC government for no consideration when the land use rights expire and Spring REIT would lose the entire value of the Target Property. In that case, the business operations of the Project Company, in turn Spring REIT's business, financial condition, results of operations, cash flow and cash available for distributions to Unitholders, may be materially and adversely affected.

10. The Target Property may be compulsorily acquired or expropriated by the PRC government

The PRC government has the power to compulsorily acquire any land in the PRC to meet the demand of public interest pursuant to the provisions of applicable legislation. In the event of any compulsory acquisition of property in the PRC, the amount of compensation to be awarded is based on the open market value of a property, the cost for relocation and resettlement and the losses arising from interruption of business and production caused by the compulsory acquisition and is assessed on the basis prescribed in the relevant law. If the Target Property is compulsorily acquired by the PRC government, the level of compensation paid indirectly to Spring REIT pursuant to this basis of calculation may be less than Consideration and/or the fair value of Spring REIT's interest in the Target Property as shown in Spring REIT's financial statements.

11. Depreciation of the RMB could adversely affect the amount of distributions to Unitholders and gearing ratio of Spring REIT

Spring REIT receives majority of its revenue in RMB, which will have to be translated to HKD for payment as distributions to the Unitholders. Furthermore, a substantial portion of Spring REIT's borrowings are denominated in USD while a significant portion of its assets is in China. Any decrease in value of the RMB may adversely affect accounting profit for Spring REIT and could adversely affect the amount of distributions paid in HKD and Spring REIT's gearing ratio.

12. Increase in market interest rates may negatively affect Spring REIT's portfolio valuation, net asset value per unit and its ability to pay interest on its bank borrowings

Increase in market interest rates may potentially result in a lower valuation of the Target Property and Spring REIT's existing investment properties, therefore negatively affecting Spring REIT's net asset value per unit attributable to unitholders.

Increase in market interest rates will increase the finance cost of the New Facility, the Existing ICBC Facility and Spring REIT's existing bank borrowings which charge floating interest rate. Increased finance costs would negatively impact Spring REIT's reported profit, distributable income and DPU.

As at the Latest Practicable Date, all bank borrowings of Spring REIT bear interest at margins over either 3-month USD LIBOR or 3-month GBP LIBOR. The Existing ICBC Facility, that will be assumed by Spring REIT upon Completion, bears interest at the PBOC base lending rate. The New Facility will bear interest at a margin over 3-month HKD HIBOR.

Knight Frank 萊坊

The Directors
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
28/F, Man Yee Building
68 Des Voeux Road, Central, Hong Kong

DB Trustees (Hong Kong) Limited
(as trustee of Spring Real Estate Investment Trust)
52/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

22 August 2018

Dear Sirs

Valuation of Office Towers 1 & 2 and a total of approximately 600 Underground Car Parking Spaces of China Central Place located at Nos 79 & 81 Jianguo Road, Chaoyang District, Beijing, The People's Republic of China (the "Property")

In accordance with your instructions for us to value the captioned property interest held by RCA01 ("**RCA01**") and exhibited to us by Spring Asset Management Limited (the "**Manager**") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 June 2018 for your accounting and financing purpose.

Basis of Valuation

Our valuation is our opinion of the market value of the Property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market value is also the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser. Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Valuation Methodology

In our course of valuation, we have adopted Income Approach and cross-checked by Market Approach.

Income Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor. The adopted office market rent and the adopted office capitalization rate in the Income Approach is RMB457 per square meter per month, inclusive of value-added tax (or RMB412 per square meter per month, exclusive of value-added tax) and 5.8% respectively. The capitalization rate applied to the rental income generated for the remaining land use rights term of the property expiring on 28 October 2053.

Market Approach is the most common valuation approach for valuing property by reference to comparable market transactions or listings of similar property. The rationale of this approach is to directly relate the market comparable transactions with the property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the property and the comparable transactions. As there were limited en-bloc/bulk transactions available in the market, we have also made reference to strata-titled properties in the vicinity. Such market evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Approach.

Title Documents and Encumbrances

We have randomly selected sample of title documents relating to the Property and have been provided with the copies of extracts of the sample title documents. However, we have not examined the original documents to ascertain any amendments which may not appear on the copies handed to us. We have relied on the information given by the Manager regarding the titles and other legal matters relating to the Property.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given by the Manager and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, tenancies, completion dates of the buildings, identification of the Property, particulars of occupancy, site areas and floor areas. Dimensions, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Manager which is material to the valuation. We were also advised by the Manager that no material facts have been omitted from the information provided.

Inspection and Measurement

We have inspected the exterior, and where possible, the interior of the Property and the inspection was conducted by Ocean Ruan, our Senior Manager, in January 2018. However, no structural survey has been made and we are therefore unable to report that the Property is free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services. For the purpose of this valuation, we have assumed that the Property has been maintained in satisfactory condition. Moreover, we have not been able to carry out on-site measurements to verify the site areas and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Identity of Property to be valued

We exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Rules and Regulations

We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of any rules and regulations, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report are based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Currency

Unless otherwise stated, all money amounts stated are in Renminbi.

Remarks

Our valuation complies with Chapter 6.8 of the Code of Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission (the "**SFC**"), the Practice Note on Overseas Investment by SFC – Authorized Real Estate Investment Trusts (forming part of the REIT Code) and the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors and the RICS Valuation – Global Standards 2017 published by The Royal Institution of Chartered Surveyors.

We hereby confirm that we have neither present nor prospective interests in Spring REIT, the property and/or the Manager. Pursuant to Paragraph 6.5 of the REIT Code, we confirm that we are independent to Spring REIT, the Manager, DB Trustees (Hong Kong) Limited and each of the significant holders of Spring REIT.

Our executive summary and valuation report are attached.

Yours faithfully

Vincent K F Pang
MHKIS MRICS
RICS Registered Valuer
Director, China Valuation and Advisory
For and on behalf of
Knight Frank Petty Limited

Clement W M Leung
MFin MCIREA MHKIS MRICS RPS (GP)
RICS Registered Valuer
Executive Director, Head of China Valuation and Advisory
For and on behalf of
Knight Frank Petty Limited

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EXECUTIVE SUMMARY

Property	Office Towers 1 & 2 and a total of approximately 600 Underground Car Parking Spaces of China Central Place located at Nos 79 & 81 Jianguo Road, Chaoyang District, Beijing, The PRC
Description	China Central Place is a mixed use commercial complex comprising a shopping mall, 3 blocks of office towers, 2 blocks of 5-star hotel, various residential buildings, car parking spaces and other ancillary facilities. The Property comprises the 25-storey Office Tower 1 (Level 4 to Level 28), the 29-storey Office Tower 2 (Level 4 to Level 32) and a total of about 600 underground car parking spaces of China Central Place. The Property is also provided with two signage located at the east side and the west side of the roof of Office Tower 1.
Site Area	13,692.99 sq m *(Note 1)*
Registered Owner	RCA01 (第一瑞中資產管理有限公司)
Gross Floor Area	According to the information provided by the Manager, the details of approximate gross floor area of the Property are listed as follows:

Portion	**Approximately Gross Floor Area** *(sq m)*
Office Tower 1	56,068.32
Office Tower 2	64,176.87
Car Park	25,127.35
Total:	**145,372.54**

State-owned Land Use Certificate	Jing Chao Guo Yong (2010 Chu) Di 00118 Hao (京朝國用（2010出）第00118號)
Real Estate Ownership Certificate	X Jing Fang Quan Zheng Chao She Wai Zi Di 521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593 Hao (X京房權證朝涉外字第521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593號)
Date of Valuation	30 June 2018
Valuation Methodology	Income Approach and Market Approach (for counter checking)
Market Value in Existing State	RMB9,031,000,000

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2018
Office Towers 1 & 2 and a total of approximately 600 Car Parking Spaces of China Central Place Nos 79 & 81 Jianguo Road Chaoyang District Beijing The PRC	China Central Place is a mixed use commercial complex comprising a shopping mall, 3 blocks of office towers, 2 blocks of 5-star hotel, various residential towers, car parking spaces and other ancillary facilities. It is completed in 2006. The Property comprises the 25-storey Office Tower 1 (Level 4 to Level 28), the 29-storey Office Tower 2 (Level 4 to Level 32) and a total of about 600 underground car parking spaces of China Central Place with a total gross floor area of approximately 145,372.54 sq m. The underground car parking spaces are on the basement of China Central Place. The Property is also provided with two signage located at the east side and the west side of the roof of Office Tower 1. Level 16 of Office Tower 1 and Level 20 of Office Tower 2 are used as refuge floor. The approximate gross floor area of the Property is listed as follows: **Portion** — **Approximately Gross Floor Area** *(sq m)* Office Tower 1 — 56,068.32 Office Tower 2 — 64,176.87 Car Park — 25,127.35 **Total:** — **145,372.54**	Portion of the office area of the Property with a total gross floor area of approximately 116,314.05 sq m has been leased under various tenancies with the last term expiring in June 2022, yielding a total monthly rental of approximately RMB43,600,000, exclusive of management fee and value-added tax. The remaining portion of the Office Towers 1 and 2 is currently vacant. The average monthly income generated from the car parking spaces from January 2018 to May 2018 was approximately RMB285,000. The Property is held under land use rights term expiring on 28 October 2053 for office and car park uses. The two signage have been leased under a tenancy expiring in April 2021, yielding a total monthly rental of approximately RMB375,000, exclusive of value-added tax.	RMB9,031,000,000 (RENMINBI NINE BILLION AND THIRTY ONE MILLION ONLY)

Notes:

1. Pursuant to State-owned Land Use Rights Certificate No. Jing Chao Guo Yong (2010 Chu) Di 00118 Hao (國有土地使用證京朝國用(2010出)第00118號) dated 21 May 2010, the land use rights of the Property with a site area of 13,692.99 sq m have been granted to RCA01 for a land use term expiring on 28 October 2053 for office and car park uses.

2. Pursuant to 56 Real Estate Ownership Certificates Nos. X Jing Fang Quan Zheng Chao She Wai Zi Di 521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593 Hao (X京房權證朝涉外字第521508, 521532 – 521537, 521539 – 521542, 521544 – 521545, 521547, 521549 – 521566, 521568 – 521571, 521573 – 521582 and 521584 – 521593號), the building ownership of the Property with a total gross floor area of 145,372.54 sq m is vested in RCA01.

3. The Property is subject to a mortgage.

4. In accordance with standard terms and conditions of the tenancy agreements, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the Property.

5. Our analysis of the existing tenancy profile according to the tenancy information provided by the Manager is set out below:

Occupancy Profile

Type	**Approximate Gross Floor Area** *(sq m)*	**% of total**
Leased	116,314.05	96.7
Vacant	3,931.14	3.3
Total:	120,245.19	100.0

Tenancy Expiry Profile

Year	**Approximate Leased Gross Floor Area** *(sq m)*	**% of total**	**No. of Tenancies**	**% of total**
2019 and before	43,092.46	37.0	80	41.7
2020	24,963.45	21.5	53	27.6
2021 and beyond	48,258.14	41.5	59	30.7
Total:	116,314.05	100.0	192	100.0

6. We have prepared our valuation based on the following assumptions:

   (i) the property has a proper legal title;

   (ii) all land premium and costs of resettlement and public utilities services have been fully settled;

   (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and

   (iv) the property can be freely disposed of to local or overseas purchasers.

MARKET OVERVIEW

Beijing, as the capital of PRC, is one of the most developed cities in China. In 1H of 2018, the GDP of Beijing was recorded RMB1.41trillion, representing an increase of 6.8 percent. The fixed asset investment reduced at 14.4 percent y-o-y, reaching RMB305.5 billion by the end of 1H of 2018. In 1H 2018, the total accumulated retail sales of consumer goods of Beijing was RMB5.40 billion. At the end of 2017, the total population of Beijing is approximately 21.7 million.

Beijing Office Market

Supply and Demand

In 1H 2018, United Shanxi Merchants Tower and AZIA Center in Lize as well as AVIC Capital Plaza in Wangjing were completed, bringing about 270,000 sqm of space to the market. There will be excessive supply in Beijing's Grade-A office market, with around one million sqm of space being scheduled for completion over 2018, half of which will be located in the core business areas of Beijing.

The average sales price of Grade-A office properties increased by 1.2% Q-o-Q. An en-bloc office transactions were concluded in Q1: Nanhai Corporation acquired 92.36% of shares of Digital Manor from Sino-i Technology Limited for HKD521 million. Digital Manor is located in Beijing Economic and Technological Development Zone, with a total GFA of about 88,000 sqm. Primary strata-titled office sales have remained steady so far.

Market Trend

Demand should continue to increase on the back of further development of the financial and IT industries in the capital city. However, with the mounting pressure being loaded up to the shoulder of landlords of new projects, rent is forecast to hover at the current level.

In the quarter, despite a large amount of new supply, the overall vacancy rate in Beijing's Grade-A office market dropped by 0.6 percentage point Q-o-Q to 5.3% as a result of large take-up in some submarkets. The average rent grew 2.5% Q-o-Q to RMB380 per sqm per month. Wangjing continued to outperform with a plunge in vacancy rate to 13.1%, due to continued expansion demand from the high-tech and Internet industries. The average rent increased by 2.8% Q-o-Q to RMB306 per sqm per month. Financial Street remained the most expensive submarket in Q1, where rents increased by 1.2% Q-o-Q to RMB654 per sqm per month. It was followed by the CBD where rents increased to RMB397 per sqm per month. In the East Second Ring Road and Asian-Olympic Area submarkets, rents remained stable at RMB343 and RMB357 per sqm per month respectively, while the average rent in Zhongguancun increased 3.2% to RMB381 per sqm per month. The vacancy rates in all submarkets decreased marginally except for East Second Ring Road which saw a slight increase of 0.9 percentage point to 4.0%

In view of abundant new supply, the CBD and Lize submarkets will witness growing concerns on absorption rates and rental performances. Considering the significant amount of new supply within the year, the average vacancy rate is forecasted to spike and occupiers shall gain more bargaining power in rental negotiation.

Knight Frank 萊坊

The Directors
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
28/F, Man Yee Building
68 Des Voeux Road, Central, Hong Kong

DB Trustees (Hong Kong) Limited
(as trustee of Spring Real Estate Investment Trust)
52/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

19 September 2018

Dear Sirs

Valuation of 84 properties located in the United Kingdom (the "Properties")

In accordance with your instructions for us to value the property interests (the "**Properties**") held by Hawkeye Properties 501 and exhibited to us by Spring Asset Management Limited (the "**Manager**") in the United Kingdom (the "**UK**"), we confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 June 2018 (the "**Date of Valuation**").

Basis of Valuation

Our valuation is our opinion of the market value of each of the properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Valuation Methodology

In the course of valuation, we have adopted Income Approach and cross-checked by Market Approach.

Income Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or net cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor. The market rents and the capitalization rates adopted in the valuation of the Properties are listed in the valuation report.

Market Approach is the most common valuation approach for valuing properties by reference to comparable market transactions or listings of similar property. The rationale of this approach is to directly relate the market comparable transactions with the properties to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the properties and the comparable transactions. As there were limited en-bloc/bulk transactions available in the market, we have also made reference to strata-titled properties in the vicinity. Such market evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Approach.

Title Documents and Encumbrances

We have not been provided with any Land Registry entries/Title documents/Report of Title of the Properties. We have relied on the information given by the Manager and its legal advisers, Baker McKenzie and Brodies, regarding the title and other legal matters relating to the Properties. We understand that 61 of the Properties are held freehold (known as 'heritable interest' in Scotland), with the remaining 23 held under long leasehold. In the absence of any indication to the contrary, we have provided our assessments on the assumption that the freeholds/heritable interests are held by the existing owner based upon good and marketable Title and that there are no covenants or restrictions that have the potential to impact upon the value of the Properties. With respect to the long leasehold assets, we have not been provided with copy leases but have provided our assessments based on summary information (including rents, rent review pattern and unexpired lease term). We have again assumed that there are no onerous lease covenants that have the potential to impact upon value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Source of Information

We have randomly selected and been provided with a sample tenancy agreement and we have assumed that each tenancy agreement of the Properties is drawn on the same terms, save for demise and rent.

We have relied to a considerable extent on the information given by the Manager and the reports on the title to the Properties from the legal advisers of the Manager. We have no reason to doubt the truth and accuracy of the information provided to us by the Manager and/or the legal advisers of the Manager which is material to the valuation. We have accepted advice given by the Manager on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion dates of buildings, particulars of occupancy, tenancy details, floor areas and all other relevant matters. Unless otherwise stated, dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the floor areas of the Properties and we have assumed that the floor areas shown on the documents handed to us are correct. We were also advised by the Manager that no material facts have been omitted from the information provided.

The Properties are identified on the Ordnance Survey plans and the site areas are taken from Promap and are set out in the Property Schedule attached to the valuation report. We have been provided with floor areas, understood to be on a Gross Internal Area (GIA) basis, from measured surveys undertaken by Plowman Craven.

Inspection and Measurement

We have inspected the exterior, and where possible, the interior of the Properties in June and July, 2018 by Richard Syers (MRICS), Alastair Coates (MRICS), Tom Poynton (MRICS), Tom Rigg (MRICS), Scott Hogan (MRICS), Iain McGhee (MRICS), Matthew Aitchson (MRICS), Louisa Brown (MRICS), Adam Chapman, Allison Shepherd, Alex Hackay, John Rae, Kieran Wraight and Emma MacDougall. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are not free of rot, infestation or any other structural defects. Our valuation is based on the assumption that these aspects are satisfactory. Unless otherwise stated, we have not been able to carry out on-site measurement to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of the document handed to us are correct. No tests were carried out on any of the services.

Remarks

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the property.

This report is confidential to the client for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the client in respect of the purpose, but the client shall not disclose the report to any other person.

Neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that the valuation reports are for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

In preparing our valuation report, we have complied with the Chapter 6.8 of the Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong, the International Valuation Standards issued by International Valuation Standards Council and RICS Professional Standards UK January 2014 (revised April 2015). We confirm that we are independent of the Manager, the trustee and any of the significant shareholders of the scheme within the meaning of Chapter 6.5 of the REIT Code.

As advised by the Manager, the owner of the Properties is required to pay UK income tax on its net rental income at the rate of 20% and is required to account for UK VAT on rent received in respect of the Properties in relation to which an option to tax has been exercised. Apart from the taxes mentioned, there is no other significant overseas taxes may be charged in respect of the Properties.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Currency

Unless otherwise stated, the currency adopted in this report is in British Pounds.

Our executive summary and valuation report are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Clement W M Leung *MFin MCIREA MHKIS MRICS RPS (GP)*
RICS Registered Valuer
Executive Director, Head of China Valuation and Advisory

Note: Clement W M Leung, MFin, MCIREA, MHKIS, MRICS, RPS (GP), has been a qualified valuer with Knight Frank Petty Limited since 1999 and has experience in valuation of properties in the UK since 2012.

EXECUTIVE SUMMARY

Property	The subject portfolio comprises 84 properties leased to Kwik-Fit (GB) Limited. The Properties are situated across the UK, within England, Scotland and Wales.
Site Areas	The Properties are identified on the Ordnance Survey plans and the site areas are taken from Promap and are set out in the Property Schedule.
Floor Areas	We have been provided with floor areas, understood to be on a Gross Internal Area (GIA) basis, from measured surveys undertaken by Plowman Craven. Individual floor areas are detailed within the Property Schedule.
Date of Valuation	30 June 2018
Valuation Methodology	Income Capitalization Approach
Market Value in Existing State	£75,525,000

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2018
84 properties located in the United Kingdom	The Properties comprises 84 properties leased to Kwik-Fit (GB) Limited ("**Kwik-Fit**"). The 84 properties are situated across the UK, within England, Scotland and Wales with detailed addresses listed in the Property Schedule attached herewith. The Properties has a total gross internal area (GIA) of approximately 504,008 sq ft and a total site area of approximately 108,200 sq m. Details of the Properties are listed in the Property Schedule attached herewith. We understand that 61 of the Properties are held freehold (known as 'heritable interest' in Scotland), with the remaining 23 held, partly or wholly, under long leasehold.	We have established that most of the Properties are trading as Kwik-Fit servicing centres; the remainder are trading under different brands either due to subsidiary trading names or following partial or complete underletting. ***Please refer to the Property Schedule attached for details.***	£75,525,000 (SEVENTY-FIVE MILLION FIVE HUNDRED AND TWENTY-FIVE THOUSAND BRITISH POUNDS) ***Please refer to the Property Schedule attached for details***

Notes:

1. According to the information provided by the Manager, the 84 properties are leased to Kwik-Fit (GB) Limited. Except the property in Islington, all the other properties are leased for terms expiring on 19 March 2032. For the property in Islington, the lease expires on 26 September 2024. The current aggregate annual rent of the 84 properties is £4,406,971.

2. The rents of the leases are to be reviewed on an upwards-only basis every 5 years to the "Market Rent" which is defined within the lease subject to typical assumptions and disregards. The review clause makes provision for referral to an independent surveyor, acting as an Expert, in the event of dispute.

3. The tenant covenants to keep the premises in good and substantial repair and condition. The tenant is entitled to sublet the whole or part only of the properties with the prior written consent of the landlord.

4. Our analysis of the existing tenancy profile according to the tenancy information provided by the Manager is set out below:

Occupancy Profile

Type	Approximate Gross Internal Area *(sq ft)*	% of total
Leased	505,381	100.0
Vacant	0	0
Total:	505,381	100.0

Tenancy Expiry Profile

Year	Approximate Leased Gross Internal Area *(sq ft)*	% of total	No. of Tenancies	% of total
2024	4,327	0.9	1	1.2
2032	501,054	99.1	83	98.8
Total:	505,381	100.0	84	100.0

Tenancy Duration Profile

Year	Approximate Leased Gross Floor Area *(sq ft)*	% of total	No. of Tenancies	% of total
Less than 18 years	4,327	0.9	1	1.2
About 25 years	501,054	99.1	83	98.8
Total:	505,381	100.0	84	100.0

Market Overview

UK Economic Overview

	Date	Growth Quarterly Change *(%)*	Annual Change *(%)*
GDP	Q4 2017	0.4	1.4
Services Sector Output	Q4 2017	0.4	1.1
Manufacturing Output	Q4 2017	1.3	2.9
Retail Sales Volumes	Feb-2018	–0.4	1.5

	Date	Level/Rates Current Rate	Last Month	Last Year
CPI Inflation %	Feb 2018	2.7	3.1	2.3
Unemployment Rate %	Dec 2017	4.3	4.4	4.7
10 Year Gilt Yields %	Feb 2018	1.51	1.32	1.07
GBP/EUR	Feb 2018	1.13	1.13	1.17
GBP/USD	Feb 2018	1.38	1.35	1.24

Source: Macrobond/ONS/Bank of England

The latest estimate for the UK's GDP growth for Q4 2017 was recorded at 0.4%, unchanged from February's previous estimate. The annual change came in at 1.4%. The Bank of England forecasted GDP growth to be 1.7% for 2018, 1.8% for 2019 and then 1.7% in 2020 in their latest inflation report (February 2018).

Services increased at a rate of 0.4% compared to three months ago, the fastest pace since Q4 2016. The boost to the economy came from a range of services including recruitment agencies, letting agents and office management. Services is the largest contributor to GDP.

In Q4 2017, manufacturing saw a quarterly growth of 1.3%, up from 1.1%in Q3. The 12-month increase was 2.9%.

Retail sales volumes fell by 0.4% in February when compared to volumes three months prior. It was the first quarterly fall in sales in 10 months, mainly due to strong declines across all mains sectors in December. Retail sales grew by 1.5% when compared to volumes in last year.

CPI inflation fell to 2.7% in February from 3.0% in January, the lowest in seven months. We predict CPI inflation will fall to 2.6% by the end of 2018 and 2.1% by the end of 2019.

The unemployment rate for the UK fell back to 4.3% in December, from 4.4% in November. The unemployment rate was previously at a 42-year low of 4.3% for the last five consecutive months to October 2017.

At the end of February, 10 year gilts rose by 2bps to 1.51% whilst the IPD equivalent yield fell by 1bps, causing the arbitrage to decrease from 4.44% to 4.41%.

The positive recent news of falling inflation, wage growth and the announcement that the UK and the EU had agreed a draft Brexit transition deal has strengthened the value of the pound against the dollar and euro.

Retail Warehouse

Retail Warehouses' total return was largely driven by income return. The monthly total return was reported at 0.6% in February, an improvement from 0.4% in January. Retail Warehouses was the strongest of the Retail subsectors, with a 12-month return of 8.5%. London was the winner amongst the locations with a total return of 12.7%. This was followed by Retail Warehouses in the Rest of South, with a return of 8.1%

Capital values increased by 0.1% on a month-on-month basis in February, an improvement from January's marginal fall in values. The South East and London were the only locations to see growth in February (0.4% and 0.1% respectively), whilst the rest of the locations saw capital values remain stationary to values in the previous month. Retail Warehouses reported the strongest capital growth amongst the Retail subsectors, with a 12-month capital growth of 2.2%.

The growth in rental values in London and South East (both at 0.2%) was offset by the fall in Midlands & Wales and North & Scotland (both at -0.1%), causing the overall rental value movement to be flat in February. Rental values have increased by 0.8% in the last 12 months, with the strongest growth seen in the South East (2.8%).

The monthly income return has remained stable at 0.5% since February 2010. Income return was 6.2% over the last 12 months. London recorded the lowest income return at 5.4% and the North & Scotland saw the highest, at 6.6%. The equivalent yield stood at 6.1% for the fourth consecutive month where the highest yield was seen in North and Scotland (6.7%) and the lowest in London (5.2%).

Equivalent yields were recorded at 6.0% for the third consecutive month, with the lowest yield reported in London (5.1%).

According to Property Data, investment volumes for Retail Warehouses in 2018 so far have more than halved when compared to volumes at the same point last year (2018: £201m, 2017: £502m). Half of total investment was from Private Property Investment Market Overview for February 2018 Page 8 Prepared on behalf of Knight Frank on 09 April 2018 Companies, followed by UK institutions with 33% of investment. In 2018 so far, there has been no investment from overseas investors.

Industrial

Industrials remained the leading sector of the traditional sectors, with a 12-month total return of 21.5%. The sector's monthly total increased from 1.1% in January to 1.2% in February, driven by South East Industrials. Unlike the Office and Retail sector which are reliant on income return, the Industrial sector's returns were driven by capital growth.

Industrial capital values increased by 0.7% in February for a second consecutive month. On an annual basis, capital growth was reported at 15.3%, in which growth was stronger in the South East in comparison to the Rest of UK (19.4% vs 9.2%). On a more granular level, London Industrials achieved the strongest growth (20.4%), followed closely by Eastern Industrials with 20.1%.

Income return was reported at 0.4% for the eighth consecutive month. The 12-month income return stood at 5.5%, in which the strongest income return was in Rest of UK Industrials (6.4%). Compared to the sectors, Industrials' income return is higher than Offices (4.8%), lower than Retail (6.0%) and in line with Hotels.

On a monthly basis, Industrial rental values increased by 0.2% in February, slower than January's rate of 0.3%. However, Industrials delivered the strongest rental growth of the sectors. On an annual basis, Industrial rental values increased by 4.8%, driven by assets by Inner South East & Eastern Industrials (8.7%).

In February, equivalent yield shifted inwards by 2bps to 5.7%. This comes after two consecutive months where equivalent yield stood at 5.8%.

According to Property Data, investment volumes totaled £1,610 million in 2018 so far, 4% more than volumes in the same period last year (£1,549 million). 25% of investment was from Private Property Companies, followed by Quoted Property Companies and UK institutions with 23%, followed by Overseas Investors with 21%.

Property Description

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2018 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
1	ALLOA, Clackmannan Road									
		FK10 1RR	8,879	Freehold	1,200	56,573	20 03 2007	19 03 2032	6.10%	927,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with painted render with cladding to external elevations under a double pitched roof. The accommodation includes a reception, workshop with six service bays, MOT office, tyre store (within a separate bay adjacent to the workshop), stores, staffroom, wash room and customer and staff WC's. Externally a concrete surfaced car park fronts the property and has capacity for approximately seven vehicles.								
2	ALTRINCHAM, 1-3 Church Street									
		WA14 4DB	8,529	Freehold	1,500	80,635	20 03 2007	19 03 2032	5.60%	1,440,000
	Brief description:	The property comprises a detached brick built unit of steel-portal framed construction. Ground floor accommodation includes a welcoming reception area, a 3-bay workshop, staffroom and toilets. Externally there are 14 car parking spaces. The site enjoys good prominence.								
3	AYR, 38 Fort Street									
		KA7 1DE	10,369	Freehold	900	36,517	20 03 2007	19 03 2032	6.10%	599,000
	Brief description:	The property comprises a terraced single storey steel framed commercial unit of varying construction techniques under a double pitched roof. The layout of the building is T-shaped to fit into the surrounding built environment. The premises trade as Tyre City. The accommodation includes a number of interconnecting units which provide parking accommodation (9 parking spaces), reception, workshop with six service bays, tyre store (within the workshop), office, store, staffroom and staff WC's.								

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
4	AYR, 22/26 Maybole Road									
		KA7 2PZ	3,970	Freehold	1,600	43,705	20 03 2007	19 03 2032	5.6%	780,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal frame construction with brick and block infill walls with profile cladding above under a double pitched roof. The accommodation includes a reception, workshop with three bays (five service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a relatively large tarmacadam surfaced car park is to the front and south of the property with capacity for approximately 20 vehicles. A telecoms mast is situated to the southern edge of the site.								
5	BISHOP AUCKLAND, Cockton Hill Road									
		DL14 6JN	4,962	Leasehold	800	25,881	27 07 2007	19 03 2032	–	Nil
	Brief description:	The property comprises a compact and well-presented modern detached two-storey steel portal frame unit, with brick and block elevations beneath a dual pitched tiled roof. The accommodation is mostly to ground floor level and includes a small reception, a five-bay workshop, tyre store, with further tyre storage, staffroom and staff WCs to the first floor. Externally there is a small car park with capacity for approximately ten vehicles.								
6	BLYTH, Cowpen Road									
		NE24 5TT	5,707	Freehold	2,100	59,756	20 03 2007	19 03 2032	5.70%	1,048,000
	Brief description:	The property comprises a modern detached steel portal frame unit with part brick and block and part profiled panelled elevations beneath a pitched profiled metal panelled roof. The accommodation is situated at ground floor level and includes a six bay workshop, tyre store, paint store, staffroom and customer/staff WCs. All areas are in relatively good cosmetic condition. Externally there is a generous car park with capacity for approximately 18 vehicles.								

Ref	Address	Postcode	GIA *(sq ft)*	Tenure	Site Area *(sq ft)*	2017 Rent *(£)*	Lease Start	Lease End	Capitalisation Rate	Market Value *(£)*
7	BRIDGWATER, 48-54 St John's Street									
		TA6 5HY	8,603	Freehold	1,200	63,886	20 03 2007	19 03 2032	5.85%	1,092,000
	Brief description:	This is a detached and refurbished property, comprising ground and first floor elements. The construction comprises traditional brick and steel portal frame, beneath a pitched roof structure. Ground floor includes 8 workshop bays, tyre stores, customer and staff WCs and a staffroom. There is a further tyre store at first floor level. Externally there is a car park with capacity for 10 vehicles.								
8	BRIDLINGTON, 32-36 St Johns Street									
		YO16 7JS	15,514	Freehold	2,700	115,927	20 03 2007	19 03 2032	6.00%	1,932,000
	Brief description:	The property comprises two adjoining single storey units, both of brick and block construction with multi-pitch steel-framed, corrugated sheet roofing with intermittent translucent panels. The Kwik Fit accommodation is situated at ground floor level and includes reception area, a six bay workshop, tyre store, staffroom and customer/staff WCs. The rear unit is formerly occupied as a gym and is currently vacant.								
9	BURNLEY, Caldervale Road									
		BB12 0EJ	3,489	Leasehold	1,200	32,460	20 03 2007	19 03 2032	6.00%	541,000
	Brief description:	The unit comprises a detached brick built unit of steel-portal framed construction beneath a pitched roof. Ground floor accommodation includes a welcoming reception area, 6-bay workshop, staffroom and toilets. Externally there is a good amount of parking provision with approximately 23 spaces. The site enjoys very good prominence.								
10	CARMARTHEN, Pensarn Road									
		SA31 2BS	4,895	Freehold	1,000	52,413	20 03 2007	19 03 2032	6.10%	859,000
	Brief description:	The property comprises a detached purpose built unit of steel portal frame construction, with a distinctive arched roof. The accommodation is entirely at ground floor level, comprising a reception area, 5 bay workshop, tyre stores, staffroom and staff/customer WCs. Externally there is a spacious car park with capacity for approximately 12 vehicles.								
11	CASTLEFORD, 92 Bridge Street									
		WF10 4LA	3,595	Freehold	600	25,040	20 03 2007	19 03 2032	5.70%	439,000
	Brief description:	The property comprises a single storey unit of block construction under a part pitched and part flat roof. The accommodation is situated at ground floor level and includes two workshops with a total of five bays, tyre store, staffroom and customer/staff WCs. Externally there is a small car park with capacity for five cars and two marked disabled spaces.								
12	CHAPEL ALLERTON, 232 Harrogate Road									
		LS7 4QD	12,358	Freehold	1,900	102,016	20 03 2007	19 03 2032	5.35%	1,907,000
	Brief description:	The property comprises two adjoining units of similar brick and block construction beneath largely pitched steel framed profiled metal panelled roof, with part flat roof to the smaller unit. The accommodation is situated at ground floor level and includes seven bays, inspection pit, tyre storage, staffroom and customer/staff WCs. Externally there are two parking areas with capacity for approximately 12 vehicles.								
13	CHELMSFORD, 103 New London Road									
		CM2 0PP	24,218	Freehold	2,400	197,077	20 03 2007	19 03 2032	5.10%	3,864,000
	Brief description:	The property comprises an extended, refurbished and very impressive Kwik-Fit Plus facility. The unit is formed of a double width commercial building, having been extended to the north to provide a high quality operation and one of the best examples in the Kwik-Fit UK network. There are 13 service bays in addition to internal parking bays as well as a small external car park.								
14	CLEVEDON, 119-120 Kenn Road									
		BS21 6JE	2,562	Freehold	1,200	30,104	20 03 2007	19 03 2032	6.10%	494,000
	Brief description:	The property comprises a detached two storey unit of traditional brick construction, trading as Kwik-Fit. Ground floor accommodation includes a reception area along with 3 bay workshop, tyre stores, staff/customer WCs and staffroom. Ancillary offices and stores are situated on the first floor, although we were unable to inspect this area. The external area is spacious with car parking for approximately 17 vehicles.								

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
15	COATBRIDGE, 320 Main Street									
		ML5 3RX	4,085	Freehold	1,300	36,733	20 03 2007	19 03 2032	5.60%	656,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with infill blockwork walls under a pitched and hipped tiled roof. The accommodation includes a reception, workshop with three bays (five service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronting the property has capacity for approximately 15 vehicles.								
16	CONGLETON, 46A West Road									
		CW12 4EU	4,275	Freehold	700	34,270	20 03 2007	19 03 2032	5.60%	612,000
	Brief description:	The unit comprises a brick built unit of concrete-framed construction beneath a pitched roof. Ground floor accommodation includes a dated reception area, workshop, staffroom and toilets. Externally there is limited parking provision. The site enjoys very good prominence.								
17	CROYDON, 3 Mitcham Road									
		CR0 3RU	4,393	Freehold	1,300	81,656	20 03 2007	19 03 2032	4.60%	1,775,000
	Brief description:	The property comprises a detached purpose built Kwik Fit of steel portal frame construction with brick elevations and a pitched roof. Internally in addition to the five bay workshop (including MOT) there is a reception area, tyre store and ancillary accommodation. Externally, there are 12 parking spaces arranged at the front of the property with the nine spaces along the side.								
18	DONCASTER, Wheatley Hall Road									
		DN2 4LP	2,988	Leasehold	900	26,878	27 07 2007	19 03 2032	6.85%	283,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick and block infill walls under a corrugated flat roof. The accommodation includes a reception, workshop with six bays (six service bays), office, tyre store (within the workshop), staffroom and customer and staff WC's. Externally a predominantly tarmacadam surfaced car park fronts and is to the west of the property and has capacity for approximately 15 vehicles.								
19	DUMFRIES, 40 Laurieknowe Road									
		DG2 7DA	2,168	Freehold	400	16,799	20 03 2007	19 03 2032	6.35%	265,000
	Brief description:	The property comprises a semi-detached single storey steel framed commercial unit with brick/block/natural stone infill walls under a double pitched roof. The accommodation includes a reception (within single storey side offshoot), workshop with three service bays, tyre stores (within the workshop and mezzanine level), store, staffroom and customer WC. Externally a small concrete surfaced car park fronts the property with capacity for approximately five vehicles.								
20	EDINBURGH, 69b Saughton Road North									
		EH12 7JB	3,410	Freehold	1,100	40,050	20 03 2007	19 03 2032	5.50%	728,000
	Brief description:	The property is single storey with brick elevations beneath a pitched roof encompassing a large roof light. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there is average parking provision with approximately 13 spaces.								
21	EDINBURGH, 19 Corstorphine Road									
		EH12 6DD	7,590	Freehold	900	81,149	20 03 2007	19 03 2032	5.35%	1,517,000
	Brief description:	The property is part single storey and part two storey with brick elevations beneath a flat roof. The accommodation is well presented and includes reception area, 7-bay workshop, staffroom and toilets. At first floor is office accommodation and a boardroom. Externally there is average parking provision with approximately 10 spaces.								
22	EDINBURGH, 81/91 Dundee Street									
		EH11 1AW	4,466	Leasehold	1,600	51,762	20 03 2007	19 03 2032	5.85%	869,000
	Brief description:	The property is predominantly single storey (small office at first floor) and of steel frame construction beneath a pitched roof. The accommodation includes office, workshops, staffroom and toilets.								

Ref	Address	Postcode	GIA *(sq ft)*	Tenure	Site Area *(sq ft)*	2017 Rent *(£)*	Lease Start	Lease End	Capitalisation Rate	Market Value *(£)*
23	EDINBURGH, 107/109 Dundee Street	EH11 1AW	9,628	Leasehold	800	111,638	6 06 2007	19 03 2032	5.70%	1,769,000
	Brief description:	The property comprises an impressive facility. It is single storey and the accommodation includes office, two workshops, staffroom and toilets. There is good externally parking provision.								
24	ELLESMERE PORT, 116 Whitby Road	CH65 0AB	4,490	Freehold	900	38,974	20 03 2007	19 03 2032	5.50%	709,000
	Brief description:	The property comprises a detached, single storey unit of brick and steel frame construction under a pitched roof. Externally, there are 10 parking spaces, and internally the accommodation comprises a five bay workshop (including MOT), reception incorporating WC and staff facilities.								
25	ELTHAM, 727 Sidcup Road	SE9 3SA	4,723	Leasehold	600	41,807	20 03 2007	19 03 2032	6.85%	508,000
	Brief description:	The property comprises a concrete framed building with brick elevations and a pitched roof arranged over ground and basement levels. At ground floor level is a customer reception and five bay workshop. The basement is a tyre and parts storage area. Externally, there are six parking spaces arranged to the front of the building. At the rear of the property (accessed via a fire escape from the basement or externally over land occupied by Ford) is a small fenced area which is not being utilised and has been used for the storage of old cars and equipment.								
26	FORFAR, Queenswell Road	DD8 3JA	2,875	Freehold	1,090	26,878	20 03 2007	19 03 2032	5.85%	459,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick and block infill walls with cladding under a double pitched roof. The accommodation includes a reception, workshop with four bays (five service bays), MOT office, tyre store (within the workshop), store, staffroom and customer WC's. Externally a tarmacadam surfaced car park fronts and is to the east of the property and has capacity for approximately 20 vehicles.								
27	GLASGOW, 381 Pollokshaws Road	G41 1QZ	4,999	Freehold	2,100	50,428	20 03 2007	19 03 2032	5.35%	943,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick infill walls with cladding above under a slightly pitched roof. The accommodation includes a reception, workshop with five bays (eight service bays), tyre store (within the workshop), workshop office, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park has capacity for approximately 12 vehicles. The property appears to have been recently refurbished to a Kwik Fit Premier standard.								
28	GLENROTHES, Fullerton Road	KY7 5QR	4,500	Freehold	200	52,167	20 03 2007	19 03 2032	5.60%	932,000
	Brief description:	The property is single storey with brick elevations beneath a pitched roof. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there is a large parking area with approximately 17 car parking spaces.								
29	GOOLE, 142 Boothferry Road	DN14 6AG	4,082	Freehold	1,200	38,033	20 03 2007	19 03 2032	5.85%	650,000
	Brief description:	The property comprises a detached single storey steel portal framed commercial unit with brick infill walls under a double pitched roof. The accommodation includes a reception, workshop with three bays (four service bays), tyre store (within the workshop), staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts and is to the south of the property and has capacity for approximately 15 vehicles.								
30	GREAT YARMOUTH, 90 North Quay	NR30 1JT	5,314	Freehold	700	58,464	20 03 2007	19 03 2032	6.35%	921,000
	Brief description:	The property comprises a detached mainly single storey unit with a small first floor which has brick and glazed elevations. Internally, there is a reception area, four bay workshop and tyre store. The first floor comprises a timber floor tyre storage area.								

Ref	Address	Postcode	GIA *(sq ft)*	Tenure	Site Area *(sq ft)*	2017 Rent *(£)*	Lease Start	Lease End	Capitalisation Rate	Market Value *(£)*
31	HELENSBURGH, 3 Charlotte Street	G84 7PH	2,950	Freehold	300	34,807	20 03 2007	19 03 2032	6.60%	527,000
	Brief description:	The property comprises a semi-detached single storey steel framed commercial unit with part painted/part unpainted rendered elevations under a double pitched roof. The accommodation includes a reception, workshop with two bays one of which was not in use (four service bays), staffroom and customer WC's. Tyre stores are provided within the workshop and on a mezzanine level. No parking is demised to the property albeit on-street parking is available in the vicinity.								
32	HORNCHURCH, Ardleigh Green Road	RM11 2ST	3,641	Freehold	800	46,371	20 03 2007	19 03 2032	4.85%	956,000
	Brief description:	The property comprises a detached single storey unit of brick and steel portal frame construction together with a multi-pitched roof structure. The accommodation is situated entirely at ground floor level and includes a 4 bay workshop, reception, tyre stores, staffroom and customer/staff WCs. There is a small car park with room for 7 vehicles.								
33	HUDDERSFIELD, Lockwood Road	HD1 3QU	5,206	Freehold	600	34,942	20 03 2007	20 03 2032	5.70%	613,000
	Brief description:	The property comprises a detached part two storey part single storey steel framed commercial unit with brick and block infill walls under a flat roof. The accommodation includes a reception, workshop with six bays (six service bays), MOT office, staffroom and customer and staff WC's to ground floor level. A tyre store is to the first floor. Externally a tarmacadam surfaced car park is to the rear (east) of the property and has capacity for approximately five vehicles.								
34	HYDE, 26-28 Manchester Road	SK14 2BD	5,134	Freehold	700	39,995	20 03 2007	19 03 2032	5.85%	684,000
	Brief description:	The unit comprises a two storey end terrace brick built unit with flat roof. Ground floor accommodation includes a dated reception area, 6-bay workshop, staffroom and toilets. At first floor is a tyre store.								
35	ISLINGTON, 379 Camden Road	N7 0SH	4,327	Leasehold	800	69,884	20 03 2007	26 09 2024	–	314,000
	Brief description:	The property comprises a five bay workshop which is set back from the road, the elevations are brick and the roof is supported by a steel truss. There is a reception area and staff welfare accommodation. The car park has a capacity of nine vehicles.								
36	KEIGHLEY, Worthway	BD21 5ET	3,576	Leasehold	800	33,598	20 03 2007	19 03 2032	6.85%	490,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick and block infill walls with cladding above to part under a pitched roof. The accommodation includes a reception, workshop with four bays (five service bays), MOT office, office, tyre store (within the workshop), staffroom and customer and staff WC's. Externally a concrete surfaced car park fronts the property and has capacity for approximately 11 vehicles.								
37	KEYNSHAM, Ashton Way	BS31 2UF	3,214	Freehold	800	33,619	20 03 2007	19 03 2032	5.70%	590,000
	Brief description:	The property comprises a detached purpose-built unit of steel portal frame construction, with block elevations beneath a pitched roof. The accommodation is at ground floor level and includes a reception area, 4 bay workshop, tyre store, staffroom and customer/staff WCs. Externally there is a small car park with capacity for 7 vehicles.								
38	KIDDERMINSTER, 20 Churchfields	DY10 2JL	3,849	Leasehold	900	28,982	20 03 2007	19 03 2032	7.10%	352,000
	Brief description:	The property comprises a detached steel portal frame unit with brick elevations beneath a pitched roof. The accommodation is situated principally at ground floor level and includes a 6 bay workshop, tyre store, staffroom and customer/staff WCs. A small first floor staff room and WC are excluded from the measured survey referred to below. Externally there is a small car park with capacity for approximately 8 vehicles.								

Ref	Address	Postcode	GIA *(sq ft)*	Tenure	Site Area *(sq ft)*	2017 Rent *(£)*	Lease Start	Lease End	Capitalisation Rate	Market Value *(£)*
39	KILMARNOCK, 32/36 Low Glencairn Street									
		KA1 4DD	3,622	Freehold	900	55,101	20 03 2007	19 03 2032	5.70%	967,000
	Brief description:	The property comprises a detached single storey commercial unit of steel frame construction with brick and block infill walls with profile cladding above under a double pitched roof. The accommodation includes a reception, workshop with three bays (six service bays), tyre store (within the workshop), MOT office, workshop office, store, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park to the front of the property has capacity for approximately 11 vehicles.								
40	KIRKCALDY, 182 The Esplanade									
		KY1 2AQ	5,818	Freehold	1,000	46,903	20 03 2007	19 03 2032	5.85%	802,000
	Brief description:	The unit is single storey with brick elevations beneath a flat roof. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there is limited parking as the site is relatively compact.								
41	LEVEN, The Promenade									
		KY8 4PJ	4,850	Freehold	700	34,942	20 03 2007	19 03 2032	6.10%	573,000
	Brief description:	The unit is single storey and of concrete frame construction beneath a pitched roof. The accommodation is well presented and includes reception area, workshop, staffroom and toilets. Externally there are approximately 5 car parking spaces.								
42	LINCOLN, 148-150 Newark Road									
		LN5 8QJ	4,819	Freehold	700	38,839	20 03 2007	19 03 2032	5.70%	681,000
	Brief description:	The property comprises a brick constructed unit with brick and profile clad elevations with a parapet wall obscuring the roof. Internally, the property comprises a reception, tyre store and ancillary areas, and incorporates four workshop bays and an MOT bay. A small area of the building (extending to perhaps 100 sq ft) was inaccessible at the time of our inspection. Externally, there are nine parking bays.								
43	LIVERPOOL, 232 Aigburth Road									
		L17 0BJ	4,095	Freehold	600	45,457	20 03 2007	19 03 2032	5.85%	777,000
	Brief description:	The property comprises a double bay unit of brick and block construction beneath a largely pitched, steel framed, profiled metal panelled trussed roof. Internally, the accommodation is arranged at ground floor level comprising a customer reception, three workshop bays and an MOT bay. The floor is solid concrete with an exposed ceiling to the workshops and a tiled floor with a suspended ceiling in the reception area. Externally the parking bays are tarmacadam surfaced and provide five parking bays and circulation space.								
44	LLANDUDNO, Conway Road									
		LL30 1DE	11,137	Leasehold	1,700	86,946	20 03 2007	19 03 2032	5.85%	1,482,000
	Brief description:	The property comprises a single storey, purpose built fast fit centre, having a steel truss supported pitched roof. The building is branded as 'Kwik Fit Plus' and benefits from 22 car parking spaces. Internally, the property provides a reception, tyre storage area, staffroom, welfare facilities and a large workshop accommodating ten bays (including MOT).								
45	LOUGHBOROUGH, 24-29 The Rushes									
		LE11 5BG	6,177	Freehold	2,300	75,353	20 03 2007	19 03 2032	5.50%	1,370,000
	Brief description:	The property is a purpose built building having steel portal frame construction and brick and profile clad elevations. Internally there is a reception, tyre store and five workshop bays plus MOT. Externally, there are 40 parking spaces. The site is shared with a third party occupier, by way of a sub-lease from Kwik Fit.								
46	MIDDLESBROUGH, 3 Lansdowne Road									
		TS4 2LW	5,255	Freehold	1,300	79,022	20 03 2007	19 03 2032	5.60%	1,411,000
	Brief description:	The property comprises a detached L–shaped unit of brick and block construction beneath a steel-framed pitched roof with skylights to its apex. The accommodation is mainly at ground floor level and includes a 4 bay workshop, two MOT bays, staffroom and customer WCs, with mezzanine tyre storage and ancillary staff rooms. It is in generally good cosmetic order with the latest branding and fit-out. Externally there is parking for approximately 13 vehicles.								

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
47	MONTROSE, 24 George Street									
		DD10 8EW	2,726	Freehold	670	24,728	20 03 2007	19 03 2032	6.10%	405,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick infill walls under a roof that was not visible from ground floor level. The accommodation includes a reception, workshop with two bays (two service bays), tyre store (within the workshop and an adjoining bay), store, staffroom and customer WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately ten vehicles.								
48	MOTHERWELL, 99a Airbles Road									
		ML1 2TJ	6,220	Freehold	600	55,645	20 03 2007	19 03 2032	5.70%	976,000
	Brief description:	The property comprises a semi-detached single storey steel framed commercial unit with painted brick external elevations with cladding above under a part flat/part pitched roof. The accommodation includes a reception, workshop with three bays (six service bays), tyre store (within the workshop), MOT office, workshop office, staffroom and customer and staff WC's. Externally a sloping tarmacadam surfaced car park to the west of the property has capacity for approximately 11 vehicles.								
49	NORTHWICH, Leicester Street									
		CW9 5LQ	7,825	Freehold	700	63,164	20 03 2007	19 03 2032	6.00%	1,053,000
	Brief description:	The building is of brick and steel frame construction which is part single storey and part double storey, beneath a pitched roof. Ground floor accommodation includes a reception area, three separate workshops, staffroom and toilets. At first floor is ancillary accommodation. The site has good parking provision and has two access points.								
50	OBAN, Market Street									
		PA34 4HR	5,134	Freehold	370	38,488	20 03 2007	19 03 2032	6.85%	562,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with painted rendered and brick infill walls under a double pitched roof. The accommodation includes a reception, workshop with single bay (four service bays), store, staffroom and customer WC's. A tyre store is provided on a mezzanine level. Externally no parking is provided albeit on street parking and a large free car park is available in the vicinity.								
51	OLDHAM, Huddersfield Road									
		OL1 3HR	4,411	Freehold	1,300	41,661	20 03 2007	19 03 2032	5.85%	712,000
	Brief description:	The property comprises a detached single storey steel portal framed commercial unit with brick and block infill walls with cladding above under a double pitched roof. The accommodation includes a reception, workshop with three bays (five service bays), MOT office, tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately 12 vehicles.								
52	OLDHAM, Middleton Road/Lansdowne Road									
		OL9 9EG	4,819	Leasehold	1,300	35,614	20 03 2007	19 03 2032	7.60%	423,000
	Brief description:	The property comprises a detached part two storey part single storey commercial unit with brick and rendered infill walls under a flat roof. The accommodation includes a reception, workshop with six bays (five service bays), MOT office, store, staffroom and customer and staff WC's. A tyre store is to the first floor. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately 11 vehicles.								
53	OTLEY, Bondgate									
		LS21 3AB	6,247	Leasehold	1,000	44,052	20 03 2007	19 03 2032	6.00%	716,000
	Brief description:	The property comprises a relatively dated detached single-storey steel frame unit with brick/block elevations, partially clad with local stone to lower elevations and profiled metal sheet to upper parts, beneath a pitched corrugated cement sheet roof. The accommodation is situated at ground floor level and includes small reception area, a four vehicle workshop, rolling road, tyre store, staffroom and customer/staff WCs. Externally there is a small car park with capacity for approximately ten vehicles.								
54	PLYMOUTH, 125-129 Alexandra Road									
		PL4 7EG	9,725	Freehold	2,500	77,947	20 03 2007	19 03 2032	5.60%	1,392,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a pitched roof. The business trades as Kwik-Fit Plus, and the accommodation includes a 7 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a good sized car park with capacity for 17 vehicles.								

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
55	PONTYPRIDD, Sardis Road									
		CF37 1BA	4,718	Freehold	1,400	42,898	20 03 2007	19 03 2032	6.10%	703,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a flat roof. The accommodation includes a 5 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a good sized car park with capacity for approximately 15 vehicles.								
56	PORTSMOUTH, 94 East Surrey Street									
		PO1 1JY	5,927	Freehold	900	63,164	20 03 2007	19 03 2032	5.70%	1,108,000
	Brief description:	The property comprises a detached two storey unit with brick elevations and a parapet wall obscuring the roof. Internally, there is a reception, ancillary areas and a six bay workshop. At first floor level is a large tyre and parts store. Externally, there are eight parking spaces.								
57	PRESTON, Market Street									
		PR1 2HP	14,643	Leasehold	2,000	86,946	20 03 2007	19 03 2032	8.35%	810,000
	Brief description:	The property comprises a part one and part two storey unit formed of interconnecting buildings on a sloping site. The section operated by Kwik Fit is single storey and incorporates a reception, staff facilities, WC's and a rear tyre store in addition to the five bay workshop which also includes and MOT bay. To the left hand side of the Kwik Fit operation is a two storey building of traditional construction. Externally, there are 11 parking bays at the front of the site, with a roughly surfaced area at the rear on the upper portion of the site utilised for staff parking.								
58	RADCLIFFE, Bury Road									
		M26 2UG	3,074	Leasehold	900	26,663	20 03 2007	19 03 2032	6.10%	437,000
	Brief description:	The property is single-storey and of concrete frame and brick construction beneath a flat roof. The accommodation includes a reception area, workshop, staffroom and toilets. There is limited parking provision.								
59	RUTHERGLEN, 273 Main Street									
		G73 1EE	4,952	Freehold	800	42,468	20 03 2007	19 03 2032	5.35%	794,000
	Brief description:	The property comprises a detached two storey steel framed commercial unit with brick elevations under a flat roof. The accommodation includes a reception, workshop with three bays (five service bays), MOT office, store, staffroom and customer WC. To the first floor a tyre store, store, meeting room and staff WC are provided. Externally a tarmacadam surfaced car park fronting the property has capacity for approximately 11 vehicles. The property appears to have been recently refurbished to a Kwik Fit Premier standard.								
60	SHEFFIELD, 726 City Road									
		S2 1GJ	4,391	Leasehold	1,200	48,445	20 03 2007	19 03 2032	8.00%	564,000
	Brief description:	The property comprises a detached single storey steel portal framed commercial unit with brick and block infill walls with cladding above to part under a double pitched roof. The accommodation includes a reception, workshop with three bays (six service bays), MOT office, tyre store (within the workshop), staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately 10 vehicles.								
61	SHEFFIELD, Townhead Street									
		S1 1YG	7,479	Leasehold	9,230	57,188	20 03 2007	19 03 2032	6.10%	937,000
	Brief description:	The property comprises a semi-detached commercial unit of steel framed construction with brick and block infill walls under a part pitched part flat roof. The accommodation includes a reception, workshop with two bays (six service bays), MOT office, tyre store (within the workshop), store, staffroom and customer and staff WC's. A first floor above the reception provides storage accommodation. Externally a small concrete surfaced car park fronts the property and has capacity for approximately eight vehicles.								

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
62	SHIPLEY, 58 Briggate									
		BD17 7BT	4,834	Freehold	1,000	42,059	20 03 2007	19 03 2032	5.85%	719,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick and block infill walls with cladding above to part under a part flat and part pitched roof. The accommodation includes a reception, workshop with five bays (five service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a tarmacadam surfaced car park fronts the property and has capacity for approximately six vehicles. An additional tyre store is to the rear (north-eastern corner of the site) and is separately accessed to the main building.								
63	SKEGNESS, 50 Roman Bank									
		PE25 2SP	7,343	Freehold	1,100	59,132	20 03 2007	19 03 2032	6.20%	954,000
	Brief description:	The property comprises two split level light industrial buildings; to the front is a single bay workshop having a steel truss supported roof and comprising five workshop bays and an offset reception area. To the rear (accessed via stairs from the workshop or via a vehicle ramp to the side of the workshop) is a tyre storage area incorporating a small office mezzanine and an MOT bay.								
64	SOUTH CROYDON, 453 Brighton Road									
		CR2 6EW	6,544	Freehold	1,800	124,027	20 03 2007	19 03 2032	4.35%	2,851,000
	Brief description:	The property comprises a purpose built single storey steel framed building with a pitched roof and arranged in an 'L' shape. Internally, there is a reception area, tyre store, ancillary accommodation and an 11 bay workshop. Externally, there is the capacity to park up to 19 vehicles.								
65	SOUTHPORT, 8 Ash Street									
		PR8 6JH	3,875	Freehold	500	26,084	20 03 2007	19 03 2032	5.60%	466,000
	Brief description:	The property comprises a single storey unit having brick elevations and a steel truss supported pitched roof. The internal accommodation comprises a customer reception, tyre store, mezzanine storage and a three-bay workshop.								
66	STIRLING, 11 Burghmuir Road									
		FK8 2DY	4,980	Freehold	1,000	57,964	20 03 2007	19 03 2032	5.00%	1,165,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with painted rendered external elevations with profile cladding above under a double pitched roof. The accommodation includes a reception, workshop with four bays (six service bays), tyre store (within the workshop), store, staffroom and customer and staff WC's. Externally a car park fronts the property and has capacity for approximately 75 vehicles.								
67	STONEHAVEN, 110 Barclay Street									
		AB39 2AP	5,998	Freehold	640	46,371	20 03 2007	19 03 2032	6.00%	773,000
	Brief description:	The property comprises a semi-detached single storey steel framed commercial unit with painted rendered and block infill walls under a roof that was not visible from ground floor level. The accommodation includes a reception, workshop with single bay with an additional bay that was not in use (four service bays), MOT office, tyre store (within the workshop), stores, staffroom and customer and staff WC's. Externally a very small concrete surfaced car park fronts the property and has capacity for approximately two vehicles. On street parking is available in the vicinity.								
68	SUNDERLAND, Monk Street									
		SR6 0BD	7,938	Freehold	1,000	56,225	20 03 2007	19 03 2032	5.60%	1,004,000
	Brief description:	The property comprises a detached part two- and part single-storey brick/block unit with brick elevations respectively beneath a part flat asphalt covered roof and part steel-framed pitched corrugated cement sheet roof to the workshop unit. The accommodation is mostly situated at ground floor level and includes a six bay workshop, customer waiting room and WCs.								
69	THORNBURY, 14 Mead Court									
		BS35 3UW	3,579	Leasehold	700	29,352	6 06 2007	19 03 2032	6.10%	481,000
	Brief description:	The property comprises a detached, refurbished two storey commercial unit of steel portal framed construction, utilising a mono pitched roof. The accommodation includes a 4 bay workshop, tyre stores, staffroom and customer/staff WCs, together with first floor stores. Externally there is a car park with capacity for approximately 10 vehicles.								

Ref	Address	Postcode	GIA *(sq ft)*	Tenure	Site Area *(sq ft)*	2017 Rent *(£)*	Lease Start	Lease End	Capitalisation Rate	Market Value *(£)*
70	TOTTENHAM, 32 Monument Way									
		N17 9NX	5,451	Freehold	1,800	107,245	20 03 2007	19 03 2032	4.50%	2,383,000
	Brief description:	The property comprises a purpose built single storey building having a steel frame and a pitched roof. Internally, there is a reception area, tyre store, staff welfare facilities and an eight bay workshop. Parking is extensive, having 22 spaces arranged to the front and side of the site.								
71	TRURO, Treaswalls Road									
		TR1 3PY	9,626	Freehold	4,100	83,468	20 03 2007	19 03 2032	6.60%	1,265,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a pitched roof. The accommodation includes a 5 bay workshop, tyre stores, staffroom and customer/staff WCs. The Brandon Tool Hire unit comprises a trade counter, with reception area and stores. Externally there is a good sized car park with capacity for 18 vehicles, as well as yard space to the rear.								
72	WARRINGTON, Priestley Street/Garibaldi Street									
		WA5 1TE	5,721	Leasehold	500	44,748	20 03 2007	19 03 2032	7.35%	511,000
	Brief description:	Single storey unit of concrete frame construction beneath a flat roof. The accommodation includes a welcoming reception area, well presented workshop, staffroom and toilets. Externally there are approximately 12 car parking spaces. The site enjoys good prominence. The unit has access from the rear.								
73	WIGAN, Wallgate									
		WN5 0XG	10,236	Leasehold	4,900	87,355	20 03 2007	19 03 2032	5.70%	1,532,000
	Brief description:	The property comprises a single storey steel portal framed building with brick elevations which has been split to accommodate Kwik Fit (front section) and a third party occupier (rear section), the latter occupies on a sub-lease from Kwik Fit. We did not inspect the rear portion of the building (which was locked at the time of our inspection). The front section comprises customer reception, tyre store and a seven bay workshop. Externally, there is a large parking area capable of accommodating approximately 26 vehicles at the front, with a large service yard extending behind the rear section of the building.								
74	WORCESTER, 1 Carden Street, City Walls									
		WR1 2AX	8,535	Leasehold	1,400	82,961	6 06 2007	19 03 2032	7.10%	1,072,000
	Brief description:	The property comprises a detached single storey commercial unit of steel portal framed construction, utilising a pitched roof. The accommodation, which was refurbished in late 2016, includes an 8 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a good sized car park with capacity for 10 vehicles.								
75	YOKER, 2369-2375 Dumbarton Road									
		G14 0NT	8,548	Freehold	1,000	63,760	20 03 2007	19 03 2032	6.00%	1,063,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with painted brick and pebbledash external elevations under a double pitched roof. The accommodation includes a reception, two workshop bays (six service bays), MOT office, tyre store (within the workshop), store, staffroom and customer WC's. Externally a concrete surfaced car park fronts the property and has capacity for approximately six vehicles.								
76	GLOUCESTER, Unit 3 Northbrook Road									
		GL4 3DP	16,814	Freehold	4,100	68,397	20 03 2007	19 03 2032	6.00%	1,140,000
	Brief description:	The property comprises a converted industrial premises occupying part ground and part first floor accommodation. The construction utilises traditional brick elevations together with a steel frame, beneath pitched roof structures. The premises trade as Central Tyres, together with a former training centre for Kwik-Fit. The Central Tyres unit consists of reception area, 6 bay workshop, stores, WCs and staffroom, whilst the former Kwik-Fit training centre (which we were unable to inspect) is understood to provide a training area with a 2 bay workshop, stores, first floor offices and WCs. Externally there is a large car park with room for approximately 50 vehicles.								

Ref	Address	Postcode	GIA (sq ft)	Tenure	Site Area (sq ft)	2017 Rent (£)	Lease Start	Lease End	Capitalisation Rate	Market Value (£)
77	STIRLING, 1 Whitehouse Road									
		FK7 7SS	5,425	Freehold	2,000	37,028	20 03 2007	19 03 2032	6.20%	597,000
	Brief description:	The property comprises a detached commercial unit with block and painted rendered external elevations under a predominantly pitched roof. The accommodation includes reception, workshop, store and WC's. Externally there is a surfaced car park with capacity for approximately 15 vehicles.								
78	BARRHEAD, 17 Cross Arthurlie Street									
		G78 1QY	3,856	Leasehold	1,200	35,221	20 03 2007	19 03 2032	5.85%	601,000
	Brief description:	The property comprises a detached single storey steel framed commercial unit with brick infill walls with painted render to external elevations under a double pitched roof. The accommodation includes a reception, workshop with three bays (four service bays), tyre store (within the workshop), MOT office, staffroom and customer WC's. Externally a tarmacadam surfaced car park is to the front and south of the property and has capacity for approximately eight vehicles.								
79	BIRMINGHAM, 900/902 Coventry Road									
		B10 0UA	5,977	Leasehold	500	46,371	20 03 2007	19 03 2032	9.35%	410,000
	Brief description:	The property is a detached dated building which is part single storey and part two storey, with brick elevations. The accommodation includes a 4 bay workshop along with tyre store, WCs and additional storage at first floor level.								
80	EDINBURGH, 40a Portobello Road									
		EH8 7EH	4,006	Freehold	1,200	46,371	20 03 2007	19 03 2032	6.10%	760,000
	Brief description:	The property is single storey with mainly brick elevations beneath a pitched roof and is sub-leased to a third party occupier from Kwik-Fit. We were unable to inspect the property internally.								
81	LICHFIELD, 8-9 Europa Way									
		WS14 9TZ	1,835	Freehold	100	15,804	20 03 2007	19 03 2032	5.85%	270,000
	Brief description:	The property is a single mid-terrace unit of steel portal frame construction beneath a flat roof. The unit has been rebranded Tyre City. Accommodation includes reception, 4-bay workshop, trye store and WCs.								
82	NELSON, 130 Leeds Road									
		BB9 9XB	4,645	Leasehold	700	36,334	20 03 2007	19 03 2032	6.60%	551,000
	Brief description:	The building is of concrete frame construction which is part single storey and part double storey, beneath a flat roof. Ground floor accommodation includes a small dated reception area, workshop, staffroom and toilets. At first floor is a tyre store.								
83	THORNABY ON TEES, 212 Thornaby Road									
		TS17 8AA	5,169	Freehold	800	41,661	20 03 2007	19 03 2032	5.70%	731,000
	Brief description:	The property comprises a well presented modern detached steel portal frame unit with brick/block elevations beneath a pitched profile metal pannelled roof. The accommodation includes a three bay workshop, tyre store, reception and WCs to ground floor. The first floor is mainly given over to tyre storage with staff ancillary rooms and goods lift to one end. Externally there is a small car park with capacity for approximately ten cars including two marked disabled spaces.								
84	WESTON-SUPER-MARE, Winterstoke Road									
		BS23 3YE	2,849	Freehold	300	31,609	20 03 2007	19 03 2032	6.00%	527,000
	Brief description:	The property comprises a detached, converted two storey unit of brick construction, utilising a flat roof. The accommodation includes a 3 bay workshop, tyre stores, staffroom and customer/staff WCs. Externally there is a small car park with capacity for 5 vehicles.								
Aggregate			**505,381**			**4,513,053**				**75,525,000**

1. DISCLOSURE OF INTERESTS IN UNITS

Interests held by the Manager and the Directors and chief executive officer

The REIT Code requires that Connected Persons of Spring REIT shall disclose their interests in Units. In addition, under the provisions of the Trust Deed, Part XV of the SFO is also deemed to be applicable, among other things, to the Manager, the Directors and the chief executive of the Manager.

The interests and short positions held by Directors and chief executive officer of the Manager in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed are set out below:

Name	Capacity/ Nature of Interest	As at Latest Practicable Date Number of Units Interested in (Long Position)	Approximate % of interest(1)
Manager Group	Beneficial owner/ Beneficial interest	60,890,532	4.8%
Directors			
Toshihiro Toyoshima	Beneficial owner/ Personal interest	700,000	0.1%
Nobumasa Saeki	Beneficial owner/ Personal interest	400,000	0.0%
Hideya Ishino	Beneficial owner/ Personal interest	49,000	0.0%
Simon Murray	Beneficial owner/ Personal interest	396,000	0.0%
Qiu Liping	Beneficial owner/ Personal interest	396,000	0.0%
Lam Yiu Kin	Beneficial owner/ Personal interest	369,000	0.0%

Note:

(1) The percentages expressed herein are based on the total number of issued Units of 1,268,972,532 as at the Latest Practicable Date.

Unitholdings of Significant Holders

The following persons have interests or short position in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed:

Name	Capacity/ Nature of Interest	As at 30 June 2018 Number of Units Interested in (Long Position)	Approximate % of interest[1]
RCA Fund/RCAC[2]	Interest of controlled corporation/corporate interests	345,204,000	27.2%
PAG Holdings Limited[3],[4]	Interest of controlled corporation/corporate interests	176,081,000	13.9%

Notes:

(1) The percentages expressed herein are based on the total number of issued units of 1,268,972,532 as at the Latest Practicable Date.

(2) These 345,204,000 Units are beneficially owned by RCA Fund. Based on the information available to the Manager, RCAC is a general partner of RCA Fund. RCAC has exclusive rights to the management, control and operation of RCA Fund and is thus deemed to be interested in the Units held by RCA Fund.

(3) These 176,081,000 Units comprise the interests of (i) 64,010,000 Units directly held by BT Cayman Limited; and (ii) 112,071,000 Units directly held by Spirit Cayman Limited. Based on the disclosure of interests notification made by PAG Holdings Limited, as at 7 March 2018, each of PAG Real Estate Limited, PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd. was interested in the same parcel of 176,081,000 Units in which PAG Holdings Limited was interested.

(4) Based on disclosure of interests notifications filed on 12 March 2018:

a. each of PARE (Cayman) Limited (as controlling person of SCREP V Management (Cayman), LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP V Management (Cayman), LLC), SCREP V Management (Cayman), LLC (being general partner of Secured Capital Real Estate Partners V, L.P. and SCREP V Feeder B, L.P.), SCREP V Feeder B, L.P. (being limited partner of Secured Capital Real Estate Partners V, L.P.) and Secured Capital Real Estate Partners V, L.P. (as controlling person of BT Cayman Limited as to 100%) was deemed to be interested in 64,010,000 Units, being the same parcel of Units directly held by BT Cayman Limited as referred to in Note 3(i) above;

b. each of PARE (Cayman) Limited (being controlling person of SCREP VI Management, LLC as to 100%), PAG Investment Advisors Pte. Ltd. (as manager of SCREP VI Management, LLC), SCREP VI Management, LLC (being general partner of SCREP VI, L.P. and SCREP VI Feeder A, L.P.), SCREP VI Feeder A, L.P. (being limited partner of SCREP VI, L.P.), SCREP VI, L.P. (being controlling person of SCREP VI Holdings L.P. as to 100%) and SCREP VI Holdings L.P. (being controlling person of Spirit Cayman Limited as to 100%) was deemed to be interested in 112,071,000 Units, being the same parcel of Units directly held by Spirit Cayman Limited as referred to in Note 3(ii) above;

c. PAG Investment Advisors Pte. Ltd. was interested in 176,081,000 Units, comprising 64,010,000 Units which it was deemed to be interested in as manager of SCREP V Management (Cayman), LLC and 112,071,000 Units which it was deemed to be interested in as manager of SCREP VI Management, LLC;

d. PARE (Cayman) Limited was interested in 176,081,000 Units, comprising 64,010,000 Units which it was deemed to be interested in through its controlled corporation SCREP V Management (Cayman), LLC and 112,071,000 Units which it was deemed to be interested in through its controlled corporation SCREP VI Management, LLC;

e. PAG Real Estate Limited was interested in 176,081,000 Units through its 100% controlled corporations PARE (Cayman) Limited and PAG Investment Advisors Pte. Ltd; and

f. PAG Holdings Limited was interested in 176,081,000 Units through its 100% controlled corporation PAG Real Estate Limited.

The interests of each of the above were also disclosed in the disclosure of interests notification made by PAG Holdings Limited filed on 12 March 2018. In addition, according to the subsequent disclosure of interests notifications, Spirit Cayman Limited acquired 768,000 Units on 19 March 2018 crossing one percentage level from 8.99% to 9.05% and was interested in a total of 113,869,000 Units. Accordingly, each of SCREP VI Management, LLC, SCREP VI Feeder A, L.P., SCREP VI, L.P. and SCREP VI Holdings L.P. was deemed to be interested in 113,869,000 Units, being the same parcel of Units held by Spirit Cayman Limited. Such increase in number of Units was not included in the above-mentioned disclosure of interest notification made by PAG Holdings Limited.

Unitholdings of other Connected Persons

As at 30 June 2018, save as disclosed above and based on the information available to the Manager, the Manager is not aware of any other connected persons of Spring REIT, including the Trustee and the Principal Valuer, whose interests (or deemed interests) in the Units or underlying Units were required to be notified to the Manager and the Stock Exchange pursuant to the REIT Code or pursuant to the Trust Deed.

2. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND IN COMPETING BUSINESSES

Save as disclosed in this Circular, as at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any assets which have been, since the date that the latest published audited accounts of Spring REIT were prepared, acquired or disposed of by (or leased to) or are proposed to be acquired or disposed of by (or leased to) Spring REIT;

(b) none of the Directors was materially interested in any contract or arrangement entered into by Spring REIT and subsisting at the date of this Circular which was significant in relation to Spring REIT's business; and

(c) none of the Directors or any of their associates had interests in a business which competes or is likely to compete, either directly or indirectly, with Spring REIT's business.

3. STATEMENT IN RELATION TO FINANCIAL POSITION

The Manager confirms that, as at the Latest Practicable Date, there had not been any material adverse change in the financial or trading position of the REIT since the date that the latest published audited accounts of Spring REIT were prepared.

4. WORKING CAPITAL

Taking into account the expected completion date of the Acquisition and the financial resources available to the Enlarged Group, including its internally generated funds and existing borrowings, the Existing ICBC Facility, the Onshore Loan and the New Facility, the Manager believes that the Enlarged Group has sufficient liquid assets to meet its working capital and operating requirements for the 12 month period commencing from the date of this Circular.

To the extent that Spring REIT makes any acquisitions other than the Acquisition, it may be required to rely on external borrowings to finance such acquisitions.

5. INDEBTEDNESS

(a) Indebtedness of Spring REIT

As at the close of business on 31 July 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, Spring REIT had in place aggregate secured loan facilities of approximately USD533.6 million, comprising:

(1) A fully drawn term loan facility of USD450.00 million and an uncommitted facility of USD20.00 million (with USD18.00 million drawn down), which will expire in April 2020; and

(2) A facility of GBP50.00 million (equivalent to approximately USD65.6 million) expiring in January 2022.

The above facilities are secured by a pledge of Spring REIT's investment properties, derivative financial instruments, rent receivables and all future rent receivables, restricted bank balances, interests in certain subsidiaries of Spring REIT and certain assets of a subsidiary of Spring REIT. In addition, the Trustee has provided guarantee for all the loan facilities.

Save as disclosed above and apart from the intra-group liabilities, Spring REIT did not have any loan capital issued and outstanding, nor had Spring REIT agreed to issue any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities, in each case as at the close of business on the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular.

(b) Indebtedness of the Target Group

At the close of business on 31 July 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Target Group had bank borrowing of RMB462.5 million, which was secured by the Project Company's Existing Property Mortgage. Save as disclosed above and apart from the intra-group liabilities, the Target Group did not have any loan capital issued and outstanding, nor had the Target Group agreed to issue any loan capital, bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities, in each case as at the close of business on the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular.

6. EXPERTS AND CONSENTS

Each of the Reporting Accountant, the Tax Adviser, the Financial Adviser, the Independent Financial Adviser, the Independent Property Valuer, the Market Consultant and the Building Consultant has given and has not withdrawn its written consent to the inclusion of its name in this Circular. Each of the Reporting Accountant, the Independent Financial Adviser, the Independent Property Valuer and the Market Consultant has also given their consent to the inclusion of their respective report in this Circular, in the form and context in which they are appear.

The following are the qualifications of the experts who have been named in this Circular or have given opinion or advice which are contained in this Circular.

PricewaterhouseCoopers	Certified Public Accountants
PricewaterhouseCoopers Limited	Tax Consultant
Somerley Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Knight Frank Petty Limited	Independent Property Valuer
Cushman & Wakefield	Market Consultant
Knight Frank Petty Limited	Building Consultant

As at the Latest Practicable Date, none of the experts had any interest in Spring REIT or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in Spring REIT.

As at the Latest Practicable Date, none of the experts had any direct or indirect interest in any assets which have been, since the date to which the latest published audited financial statements of Spring REIT were made up (being 31 December 2017), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to Spring REIT.

7. LITIGATION

As at the Latest Practicable Date, none of Spring REIT, the Manager, the Trustee (in its capacity as the trustee of Spring REIT), the Purchaser or the Target Group Company were involved in any litigation or claims of material importance and no litigation or claims of material importance, by or against Spring REIT, the Manager, the Trustee (in its capacity as the trustee of Spring REIT), the Purchaser or the Target Group Company, was pending or threatened.

8. MATERIAL CONTRACTS

Save as disclosed in Spring REIT's announcements to Unitholders, and save for the documents referred to in paragraph 9(a) below, Spring REIT has not entered into any other material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date in this Circular. Please refer to section 2.4 headed "Share Purchase Deed" in this Circular for further details regarding the Share Purchase Deed.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at no charge during normal business hours at the offices of the Manager from 9:00 a.m. to 5:00 p.m. on Business Days, from the date of this Circular, up to and including the date falling three months after the date of this Circular:

(a) the Share Purchase Deed (and the attachments thereto, and all material contracts relating to the Acquisition mentioned in this Circular);

(b) the Accountant's Reports of the Target Company and the Project Company from PricewaterhouseCoopers as set out in Appendix 2A and 2B to this Circular;

(c) the report on the pro forma financial information of the Enlarged Group from PricewaterhouseCoopers as set out in Appendix 3 to this Circular;

(d) the Independent Property Valuer's Property Valuation Report;

(e) the Market Consultant's Report;

(f) the written consents referred to in section 6 headed "Experts and Consents" of this Appendix;

(g) the announcement dated 19 September 2018 made by the Manager in relation to the Acquisition;

(h) the interim report of Spring REIT for the six months ended 30 June 2018 referred to in Appendix 1 headed "Financial Information of Spring REIT";

(i) the annual reports of Spring REIT for the 3 years ended 31 December 2017 referred to in Appendix 1 headed "Financial Information of Spring REIT"; and

(j) all material contracts disclosed under section 8 headed "Material Contracts" of this Appendix.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Spring REIT continues to be in existence.

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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the unitholders (the "**Unitholders**") of Spring Real Estate Investment Trust ("**Spring REIT**") will be held at Room 2401-2, Admiralty Centre 1, 18 Harcourt Road, Hong Kong on 29 October 2018 at 4:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolution below.

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 26 September 2018 (the "**Circular**").

ORDINARY RESOLUTIONS

1. "**THAT** approval (where relevant, shall include approval by way of ratification) be and is hereby given for the Acquisition and the transactions contemplated under the Share Purchase Deed (including but not limited to the issuance of Consideration Units and the Onshore Loan Transactions) as more particularly described in the Circular and on the terms and conditions set out in the Share Purchase Deed (as more fully described in the Circular);

   AND THAT authorisation be granted to the Manager, any director of the Manager, the Purchaser and any authorised signatory of the Purchaser to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Purchaser or such authorised signatory of the Purchaser, as the case may be, may consider expedient or necessary or in the interest of Spring REIT to give effect to all matters in relation to the Acquisition and the issuance of Consideration Units generally."

2. "**THAT**, conditional upon Ordinary Resolution no. 1 above being passed, the Guohua CCTs Waiver and the Annual Caps as more fully described in the Circular be and are hereby approved;

AND THAT 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 all matters in relation to the Guohua CCTs Waiver and the Annual Caps generally."

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, 26 September 2018

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

Notes:

(a) A Unitholder is entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. The person appointed to act as a proxy need not be a Unitholder.

(b) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of 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, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.

(c) Where there are joint registered Unitholders of a unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the Register of Unitholders in respect of such unit shall alone be entitled to vote in respect thereof.

(d) In order to determine which Unitholders will qualify to attend and vote at the EGM, the Register of Unitholders will be closed from 24 October 2018 to 29 October 2018, both days inclusive, during which period no transfer of units will be registered. For those Unitholders who are not on the Register of Unitholders, in order to be qualified to attend and vote at the EGM, all unit certificates accompanied by the duly completed transfer forms must be lodged with the 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, for registration not later than 4:30 p.m. on 23 October 2018.

As at the date of this notice, the Board comprises:

Non-executive Directors:	*Mr. Toshihiro Toyoshima (Chairman) and Mr. Hideya Ishino*
Executive Directors:	*Mr. Leung Kwok Hoe, Kevin and Mr. Nobumasa Saeki*
Independent Non-executive Directors:	*Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin*