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Spring Real Estate Investment Trust

春泉產業信託

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

(Stock code: 01426)

Managed by
Spring Asset Management Limited

ANNOUNCEMENT

UNITHOLDER REQUEST TO CONVENE EXTRAORDINARY GENERAL MEETING OF UNITHOLDERS

The Board announces that on 29 August 2017, it received a letter from the PAG Unitholders requesting that the Manager convene an EGM to vote on the resolutions set out in the appendix to this announcement.

These requested resolutions relate to: (i) the proposed removal of the Manager; (ii) the internalisation of the REIT management function; (iii) the appointment of a representative of the PAG Unitholders to the board of any manager of Spring REIT and adoption of certain corporate governance principles regarding board composition; and (iv) the appointment of independent experts to review the strategy, performance and governance of Spring REIT. The Manager is currently seeking legal advice to assess the validity of the requested resolutions, and if valid in part or in whole, the classification and form of the resolutions to be tabled at the EGM.

For the avoidance of doubt, the abovementioned resolutions requested by the PAG Unitholders (which are set out more fully in the appendix of this announcement) have been directly extracted from the Request Letter, and may or may not be proposed at an upcoming EGM, and if proposed, may or may not be in the same form as that contained in the Request Letter. Further, based on its preliminary review, the Manager considers certain statements in the Request Letter to be misleading, and reserves the right to respond to such statements. Unitholders and potential investors of Spring REIT should therefore exercise caution when dealing in the Units.

Further announcements in relation to the Request Letter will be made by the Manager in accordance with all applicable requirements of the REIT Code as and when appropriate including: (i) to provide further particulars regarding the Request Letter (including the PAG Unitholders' rationale for requesting the resolutions) after the Manager has completed its legal review and formulated its response in connection with the same; and (ii) to inform Unitholders whether the Manager will proceed with an EGM, and if so, the classification and form of resolutions to be approved at the EGM.

REQUEST LETTER

The board of directors (the “**Board**”) of Spring Asset Management Limited (the “**Manager**”) announces that, on 29 August 2017, it received a letter (the “**Request Letter**”) from BT Cayman Ltd. and Spirit Cayman Ltd (together, the “**PAG Unitholders**”), being investment vehicles managed by PAG Real Estate, requesting that the Manager convene an extraordinary general meeting (“**EGM**”) of Spring Real Estate Investment Trust (“**Spring REIT**”) to vote on the resolutions set out in the appendix to this announcement.

Under Spring REIT's trust deed, at the request in writing of not less than two Unitholders registered as together holding not less than 10% of the Units, the Manager shall convene a Unitholder meeting at such time or place in Hong Kong as it thinks fit and propose resolutions for consideration at such meeting. The PAG Unitholders collectively hold 157,150,000 units of Spring REIT (“**Units**”) as of the date of the Request Letter, representing approximately 12.5% of the 1,254,419,551 Units in issue as at the date of this announcement.

These requested resolutions relate to: (i) the proposed removal of the Manager; (ii) the internalisation of the REIT management function; (iii) the appointment of a representative of the PAG Unitholders to the board of any manager of Spring REIT and adoption of certain corporate governance principles regarding board composition; and (iv) the appointment of independent experts to review the strategy, performance and governance of Spring REIT. The Manager is currently seeking legal advice to assess the validity of the requested resolutions, and if valid in part or in whole, the classification and form of the resolutions to be tabled at the EGM.

For the avoidance of doubt, the abovementioned resolutions requested by the PAG Unitholders (which are set out more fully in the appendix of this announcement) have been directly extracted from the Request Letter, and may or may not be proposed at an upcoming EGM, and if proposed, may or may not be in the same form as that contained in the Request Letter. Further, based on its preliminary review, the Manager considers certain statements contained in the Request Letter to be misleading, and reserves the right to respond to such statements. Unitholders and potential investors of Spring REIT should therefore exercise caution when dealing in the Units.

GENERAL

This announcement is made pursuant to paragraph 10.3 of the REIT Code.

Further announcements in relation to the Request Letter will be made by the Manager in accordance with all applicable requirements of the REIT Code as and when appropriate including: (i) to provide further particulars regarding the Request Letter (including the PAG Unitholders' rationale for requesting the resolutions) after the Manager has completed its legal review and formulated its response in connection with the same; and (ii) to inform Unitholders whether the Manager will proceed with an EGM, and if so, the classification and form of resolutions to be approved at the EGM.

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, 30 August 2017

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

Appendix

Resolutions requested by the PAG Unitholders pursuant to the Request Letter

1. “THAT Spring Asset Management Limited be removed as the manager of Spring REIT as soon as practicable after this resolution is passed.”
2. “THAT, conditional upon the passing of Resolution 1 and subject to the approval of the Securities and Futures Commission, the Trustee be directed to:
 - (i) effect the internalization of the REIT management function by incorporating a subsidiary, to be wholly owned by the Trustee, to act as the manager of Spring REIT (the “**Management Subsidiary**”); and
 - (ii) retain Spring REIT’s existing management staff to maintain management continuity and, if resolution 4 is passed and subject to the result of the strategic and governance review, to hire and appoint qualified candidates, with a strong track record of direct real estate management experience, as the directors and staff of the Management Subsidiary in accordance with applicable requirements of the Securities and Futures Commission.”
3. “THAT the Board of Directors of any manager of Spring REIT (a) appoint Mr. Broderick Storie as a non-executive director (for an initial three-year term, subject to re-election as set forth below) to increase the industry expertise on the Board of Directors and (b) adopt the following corporate governance principles:
 - (i) at each annual general meeting, one-third of the Directors shall retire but shall be eligible for re-election by the affirmative vote of a majority of the Unitholders present in person or by proxy at such meeting; and
 - (ii) the Board of Directors will appoint an appropriately experienced and qualified individual, who is independent of the manager of Spring REIT if Resolution 2 is not passed, to act as the Chair of the Board of Directors.”
4. “THAT independent experts shall be appointed to review the strategy, performance and governance of Spring REIT (the “**Review**”). A committee of three members shall be formed to oversee and receive the results of the Review (the “**Strategic and Governance Review Committee**”). The Strategic and Governance Review Committee shall consist of Mr. Broderick Storie, as chair of the committee, and two independent non-executive directors. The Review shall include the following elements:
 - (i) **Financial Performance:** The experts shall (a) evaluate Spring REIT’s operational and asset performance against appropriate benchmarks and develop models for future performance, with in depth analysis of asset management, asset enhancement, operating and overhead costs, and capital management (e.g., financing and hedging); and (b) provide recommendations on operational actions and initiatives to enhance financial performance.
 - (ii) **Strategy:** The experts shall take the following steps to analyze strategic options for Spring REIT:
 - Understand the strategic drivers of current and potential performance;
 - Test the current strategy and strategic initiatives;
 - Identify, develop and agree a set of strategic options; and
 - Evaluate and pose recommendations regarding the best strategic options to enhance value to Unitholders.

- (iii) **Governance:** The experts appointed to conduct the Review should have the diagnostic tools to assess the performance of management, the Board of Directors and systems with reference to the governance standards required by the Hong Kong Code on Real Estate Investment Trusts, the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Trust Deed constituting Spring REIT. The experts' primary objective will be to ensure that Spring REIT's management structure is grounded in market-leading corporate governance practices, with Directors and managers who are directly accountable to Unitholders. The experts will report their recommendations to the Strategic and Governance Review Committee, which will then report the results of the Review to the Board of Directors."