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

If you have sold or transferred all your Units in Spring Real Estate Investment Trust, you should at once hand this Response Document to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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

**RESPONSE DOCUMENT RELATING TO
UNSOLICITED VOLUNTARY CONDITIONAL CASH OFFER BY
UBS AG HONG KONG BRANCH
ON BEHALF OF
RE STRATEGIC INVESTMENTS PTE. LTD.
TO ACQUIRE ALL OF THE ISSUED UNITS OF
SPRING REAL ESTATE INVESTMENT TRUST
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
RE STRATEGIC INVESTMENTS PTE. LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

THE BOARD RECOMMENDS TO REJECT THE OFFER

Financial adviser to Spring Asset Management Limited



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

TRINITY

Trinity Corporate Finance Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Response Document.

A letter from the Board is set out on pages 7 to 21 of this Response Document.

A letter from the Independent Board Committee is set out on pages 22 to 23 of this Response Document.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the Offer is set out on pages 24 to 53 of this Response Document.

15 October 2018

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DEFINITIONS

In this Response Document, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“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 car parking spaces located in the underground levels of the two office buildings, which is wholly-owned by Spring REIT
“Closing Date”	29 October 2018 (being the date stated in the Offer Document as the first closing date of the Offer) or any subsequent closing date of the Offer as may be extended or revised by the Offeror in accordance with the Takeovers Code
“Condition(s)”	the conditions to the Offer, which are set out in the Offer Document under “Letter from UBS — Conditions to the Offer”
“connected person(s)”	has the meaning ascribed to the term in the REIT Code
“Control”	has the meaning ascribed to the term under the Takeovers Code, and “Controlling” and “Controlled” shall be construed accordingly
“Director(s)”	the director(s) of the Manager
“EGM”	the extraordinary general meeting of Spring REIT to be held to consider and, if thought fit, approve, among other things, the Huizhou Transaction

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form of Acceptance”	the form of acceptance and transfer of the Offer Units in respect of the Offer which accompanies the Offer Document
“GBP”	British pound sterling, the lawful currency of the UK
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huizhou Property”	the property known as Huamao Place (華貿天地) located at No. 9, First Wenchang Road, Huicheng District, Huizhou, Guangdong Province, the PRC
“Huizhou Transaction”	the proposed acquisition by Spring REIT of all the issued shares of a company which will on completion of such acquisition be the indirect owner of the Huizhou Property and the transactions contemplated in relation thereto which are subject to the approval of the Unitholders at the EGM, as described in the announcements of Spring REIT dated 19 September 2018 and 26 September 2018 and the Huizhou Transaction Circular
“Huizhou Transaction Acquisition Deed”	the sale and purchase deed entered into between the Trustee, Huamao Focus Limited as seller, and RHZ01 Limited, a special purpose vehicle of Spring REIT as purchaser, dated 19 September 2018 relating to the Huizhou Transaction, pursuant to which and subject to the completion of the Huizhou Transaction, Spring REIT will issue new Units to the seller as part of the consideration for the Huizhou Transaction
“Huizhou Transaction Circular”	the Unitholder circular dated 26 September 2018 issued by Spring REIT in relation to, among other things, the Huizhou Transaction

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin, all being independent non-executive Directors, established pursuant to the Takeovers Code for the purpose of making a recommendation to the Independent Unitholders in relation to the Offer
“Independent Financial Adviser” or “Trinity Corporate Finance”	Trinity Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and being the independent financial adviser appointed by the Manager to advise the Independent Board Committee in respect of the Offer
“Independent Unitholder(s)”	Unitholder(s) other than the Offeror and parties acting in concert with it
“Last Trading Day”	24 September 2018, being the last full trading day of the Units on the Stock Exchange prior to the publication of the Rule 3.5 Announcement
“Latest Practicable Date”	12 October 2018, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
“Manager”	Spring Asset Management Limited (in its capacity as manager of Spring REIT), a company incorporated in Hong Kong
“Manager Associates”	persons Controlling, Controlled by or under the same Control as the Manager
“Manager Associates Group”	collectively, the Manager and the Manager Associates
“Offer”	the voluntary conditional cash offer being made by UBS on behalf of the Offeror to acquire all the issued Units (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it)
“Offer Document”	the offer document dated 29 September 2018 issued by the Offeror in respect of the Offer pursuant to the Takeovers Code containing, among other things, details of the Offer and the terms and conditions of the Offer

DEFINITIONS

“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing from 26 September 2018 (being the date of the Rule 3.5 Announcement) and ending on the Closing Date
“Offer Price”	the cash offer price of HK\$4.85 per Offer Unit payable by the Offeror to the Independent Unitholders for each Offer Unit accepted under the Offer, on the terms and subject to the conditions of the Offer
“Offer Units”	all the issued Units (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it)
“Offeror”	RE Strategic Investments Pte. Ltd., a company incorporated in Singapore with limited liability
“Overseas Independent Unitholder(s)”	Independent Unitholder(s) whose address(es), as shown on the register of Unitholders of Spring REIT, is/are outside Hong Kong
“PAG Parties”	collectively, PAG Unitholders and the Offeror
“PAG Real Estate”	PAG Real Estate Limited, a company incorporated in the Cayman Islands with limited liability
“PAG Unitholders”	collectively, BT Cayman Ltd. and Spirit Cayman Ltd.
“PRC”	the People’s Republic of China, which for the purpose of this Response Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Public Float Percentage”	has the meaning ascribed to it in section 7 headed “Letter from the Board — Maintaining the listing status of Spring REIT” in this Response Document
“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

DEFINITIONS

“Relevant Period”	the period from 26 March 2018, being the date falling six months preceding the date of the commencement of the Offer Period, and up to and including the Latest Practicable Date
“Response Announcement”	the announcement of Spring REIT dated 2 October 2018 in relation to, among others, the formation of the Independent Board Committee to advise Independent Unitholders in relation to the Offer
“Response Document”	this response document issued by Spring REIT in accordance with the Takeovers Code in respect of the Offer
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 3.5 Announcement”	the announcement of the Offeror dated 26 September 2018 in relation to the Offeror’s firm intention to make the Offer
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Spring REIT”	Spring Real Estate Investment Trust (春泉產業信託), a Hong Kong collective investment scheme authorised under section 104 of the SFO and the issued Units of which are listed on the main board of the Stock Exchange (stock code: 01426)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“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, supplemented or otherwise modified from time to time by any supplemental deed
“Trustee”	DB Trustees (Hong Kong) Limited (in its capacity as trustee of Spring REIT), a company incorporated in Hong Kong

DEFINITIONS

“UBS”	UBS AG Hong Kong Branch, a registered institution under the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, being the financial adviser to the Offeror in relation to the Offer
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Portfolio”	the 84 commercial properties located in the UK which are wholly-owned by Spring REIT
“Unit”	an undivided unit in Spring REIT
“Unitholder(s)”	any person(s) registered as holding a Unit
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For the purpose of illustration only and unless otherwise stated, conversion of GBP into US\$ in this Response Document is based on the exchange rate of GBP1 to US\$1.328. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at these rates or any other rates.



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

Registered office of the Manager

Room 2801, 28/F, Man Yee Building

68 Des Voeux Road Central

Hong Kong

Executive Directors:

Mr. Leung Kwok Hoe, Kevin

Mr. Nobumasa Saeki

Independent non-executive Directors:

Mr. Simon Murray

Mr. Qiu Liping

Mr. Lam Yiu Kin

15 October 2018

To: Independent Unitholders

Dear Sir or Madam,

**UNSOLICITED VOLUNTARY CONDITIONAL CASH OFFER BY
UBS AG HONG KONG BRANCH
ON BEHALF OF
RE STRATEGIC INVESTMENTS PTE. LTD.
TO ACQUIRE ALL OF THE ISSUED UNITS OF
SPRING REAL ESTATE INVESTMENT TRUST
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
RE STRATEGIC INVESTMENTS PTE. LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

On 26 September 2018, the Offeror issued the Rule 3.5 Announcement that UBS, on behalf of the Offeror, would make a voluntary conditional cash offer in compliance with the Takeovers Code to acquire all the Offer Units on the terms and subject to the conditions set out in the Offer Document and the Form of Acceptance. On 29 September

LETTER FROM THE BOARD

2018, the Offeror despatched the Offer Document setting out, among other things, terms and conditions of the Offer, together with the Form of Acceptance. On 2 October 2018, Spring REIT issued the Response Announcement in relation to, among others, the formation of the Independent Board Committee to advise Independent Unitholders in relation to the Offer.

The purpose of this Response Document is to provide you with, among other things, information relating to Spring REIT and the Offer, the Board's views in respect of the Offer, the advice and recommendation from the Independent Board Committee, and the recommendation and advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer and as to whether to accept or reject the Offer. You are advised to read carefully the Offer Document and this Response Document, including the letter from the Independent Board Committee and the letter from the Independent Financial Adviser, before taking any action in respect of the Offer.

An Independent Board Committee comprising Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin (all being independent non-executive Directors) has been established to give an opinion to the Independent Unitholders in respect of the Offer and as to acceptance. Trinity Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee in this respect.

Trinity Corporate Finance has advised the Independent Board Committee, the Independent Unitholders and the Trustee that it considers the terms of the Offer are **NOT fair and reasonable** so far as the Independent Unitholders are concerned and advised the Independent Unitholders and the Independent Board Committee to recommend the Independent Unitholders **NOT TO ACCEPT the Offer**.

The Independent Board Committee, having considered the terms of the Offer and the advice and recommendation from the Independent Financial Adviser, is of the view that the terms of the Offer are **NOT fair and reasonable** so far as the Independent Unitholders are concerned and, accordingly, recommends that the Independent Unitholders should **REJECT the Offer**.

The Board (including each of the independent non-executive Directors, having consulted and taken into account the advice and recommendation of Trinity Corporate Finance) is of the view that the terms of the Offer are not fair and not reasonable so far as the Independent Unitholders are concerned. Accordingly, the Board (including each of the independent non-executive Directors, having consulted and taking into account the advice and recommendation of Trinity Corporate Finance) unanimously recommends that the Independent Unitholders REJECT THE OFFER. Independent Unitholders are strongly advised to TAKE NO ACTION. DO NOT COMPLETE ANY FORMS OF ACCEPTANCE.

LETTER FROM THE BOARD

2. THE OFFER

The terms of the Offer set out below are extracted from the Offer Document and the announcements published by the Offeror. You are advised to refer to the Offer Document, the Form of Acceptance and the Offeror's announcements for further details.

The Offer is subject to the fulfilment (or waiver, if applicable) of the Conditions set out in the section headed "Conditions to the Offer" below.

Consideration for the Offer

UBS, on behalf of the Offeror, is making the Offer on the following basis:

For each Offer Unit HK\$4.85 in cash

Conditions to the Offer

The Offer is subject to the following conditions:

- (i) the Offeror having received valid acceptances (and, where permitted, such acceptances not having been withdrawn) at or before 4:00 p.m. on the Closing Date (or such other time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of the Offer which will result in the Offeror and persons acting in concert with it holding more than 50% of the Units; and
- (ii) the resolutions approving the Huizhou Transaction are not passed by the independent Unitholders at the EGM.

Condition (i) is not waivable. The Offeror reserves its right to waive Condition (ii). If the Conditions are not satisfied (or waived, if applicable) on or before the Closing Date, the Offer will lapse unless the Offer Period is extended by the Offeror (with the consent of the Executive).

As stated in the Offeror's clarification announcement dated 4 October 2018:

- (a) it was disclosed in the Offer Document that:
 - (i) if sufficient Unitholders accept the Offer and the Offer becomes unconditional as to acceptance by or around 15 October 2018 (or a later date if the EGM date is postponed), the Offeror intends to waive the condition on the Huizhou Transaction and proceed with the Offer; and
 - (ii) if the Offeror and its concert parties become entitled to voting rights in respect of over 50% of the issued Units before the record date for the Huizhou Transaction (being 24 October 2018), the Offeror will vote down the resolutions for approving the Huizhou Transaction at the EGM; and

LETTER FROM THE BOARD

- (b) save as disclosed in the Offer Document, the Offeror does not intend to waive Condition (ii) and will not proceed with the Offer if the Huizhou Transaction is approved by the independent Unitholders at the EGM.

For further details of the Huizhou Transaction, please refer to the announcements dated 19 September 2018, 26 September 2018 and 8 October 2018, and the Huizhou Transaction Circular published by Spring REIT.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least 14 days after the Offer becomes or is declared unconditional (whether as to acceptances or in all respects).

The latest time at which the Offeror can declare the Offer unconditional as to acceptances is 7:00 p.m. on 28 November 2018, i.e. the 60th day after the posting of the Offer Document on 29 September 2018, or such later date to which the Executive may consent.

Further details of the Offer

Further details of the Offer, including, among other things, the expected timetable, the conditions, the terms and procedures of acceptance and settlement of the Offer, are set out in the Offer Document, the Form of Acceptance and further announcements made or to be made by the Offeror (if applicable).

3. REASONS TO REJECT THE OFFER AND RETAIN THE MANAGER

Unitholders are strongly encouraged to carefully consider the reasons set out below when considering any action to take in respect of the Offer.

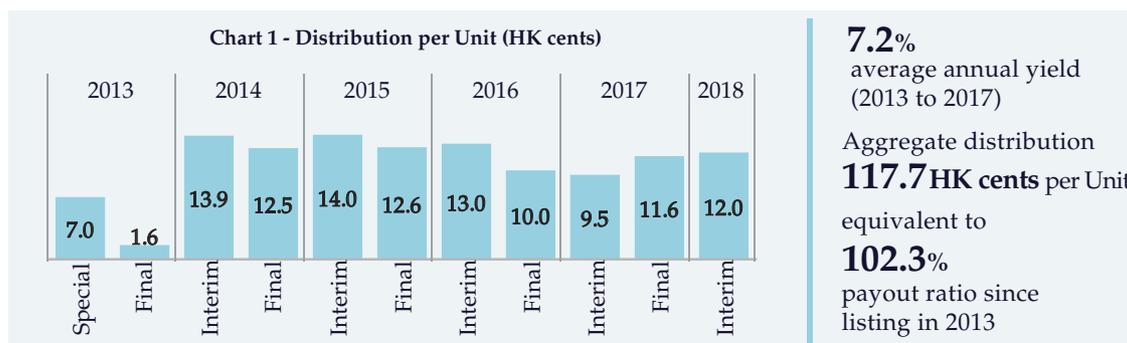
A. The Offeror disregarded the declared objectives of Spring REIT as shared by its income-seeking Unitholders

The Manager's declared objectives are to provide Unitholders with stable distributions and the potential for sustainable long-term growth in the distributions of Spring REIT and enhancement in the value of its real estate assets. The Manager intends to accomplish these objectives through holding and investing in high quality income-producing real estate assets.

Unitholders approved, among others, an expansion of the geographical scope of the investment policy and objective of Spring REIT in 2015, allowing Spring REIT to invest in high quality income-producing real estate located in any part of the world, including but not limited to mainland China, Hong Kong, Macau, Taiwan, Japan and other areas in Asia. The resolution in this regard was approved by 99.99% of the votes cast by independent Unitholders at the extraordinary general meeting held on 20 May 2015.

LETTER FROM THE BOARD

Spring REIT has been able to deliver stable distributions and consistent yield returns to Unitholders. Since its listing in 2013, Spring REIT has paid out a total distribution per Unit of HK117.7 cents (equivalent to approximately 30.9% of the issue price at listing), which represents a payout ratio of 102.3% of distributable income in aggregate. The annualised distribution yield was 7.2% for 1H2018 and the average distribution yield on an annual basis from 2013 to 2017 was 7.2%.



The distribution per Unit in the six months ended 30 June 2018 (“1H2018”) was 12.0 HK cents, representing an increase of 26.3% when compared with the six months ended 30 June 2017 (“1H2017”). The distribution per Unit in the six months ended 31 December 2017 recovered after the distributable income was negatively affected by an increase in tax expenses as a result of a change in real estate tax basis to the CCP Property in Beijing which took place in the second half of 2016.

As is evident from the above, the strategy of Spring REIT to achieve its declared objectives is a proven one. It is a strategy that remains firmly on track, as is reflected by the improving operational and financial performance of the CCP Property.

It is important to note that Spring REIT gives Unitholders an efficient way of taking part in the ownership of high-quality real estate assets within its portfolio. The Offer is incompatible with this investment strategy for Unitholders as it is a one-off monetisation proposal to Unitholders.

The property portfolio of Spring REIT currently includes the following:

CCP Property

The CCP Property comprises all the office floors of Office Towers 1 and 2 and approximately 600 car parking spaces of China Central Place. China Central Place is a prime mixed-use development complex located in the central business district (“CBD”) of Beijing, with shopping centres and well-recognised brand hotels including The Ritz-Charlton Hotel Beijing and JW Marriott Hotel Beijing.

LETTER FROM THE BOARD



96.1% occupancy
as of 1H2018



>94% occupancy
since listing in 2013



2013 1H2018

Increased net passing rent
from RMB274 per sqm to
RMB362 per sqm

Demand for premium office space continues to increase in Beijing's resilient commercial property market in 1H2018, indicating strong long-term prospects for Spring REIT. This robust business activity is reflected in consistently high occupancy rates at the CCP Property. Since Spring REIT's listing in 2013, the average occupancy rate of the CCP Property has remained above 94.0% on an annual basis and in 1H2018 it reached 96.1%, the highest level since Spring REIT's listing.

Through a combination of proactive leasing and property management strategies, the Manager has achieved consistent positive rental reversion and significant growth in average monthly passing rent. Average monthly net passing rent¹ has increased from RMB274 per square metre for the year ended 31 December 2013 to RMB362 per square metre for 1H2018, representing a growth of 32.1% since 2013 or a compound annual growth rate ("CAGR") of 6.4%.

UK Portfolio



100%
occupancy rate

Contracted
lease period till **2032**³

96.6%
net property
income margin
for 1H2018

GBP4.51m
contracted income per year
with upward-only
adjustment

The UK Portfolio has brought valuable diversification to the asset portfolio of Spring REIT since its acquisition in July 2017. It complements the CCP Property well, offering (i) a contribution to the net property income of GBP2.12 million (equivalent to approximately US\$2.81 million) for 1H2018 from a portfolio with 100% occupancy rate; (ii) a significantly high net property income margin of 96.6% for 1H2018 due to the "triple nets"² nature of the leases, and (iii) a lease period running through to 2032³ delivering an annual contracted income of GBP4.51 million (equivalent to approximately US\$5.99 million) subject to an upward-only adjustment mechanism.

1. The weighted average of rental payable by a tenant (excluding management fees, other outgoings, taxes, and after adjustment of rental concession) divided by the relevant gross floor area.
2. All real estate taxes, building insurance, and maintenance are paid by the tenants.
3. With the exception of one lease which expires in 2024.

LETTER FROM THE BOARD

The Offer is a one-off monetisation proposition to Unitholders. It contradicts the underlying investment philosophy of its income-seeking Unitholders, which is centred on building an investment that delivers long-term value. The Offer does this by urging Unitholders to give up their long-term steady distributions, which are derived from the ownership of high-quality real estate assets. At a 19.8% discount to the unaudited NAV of Spring REIT as at 30 June 2018, the Offer Price has undervalued the assets and future prospects of Spring REIT.

- B. The Offeror attempts to ignore or discount the Manager’s achievements over the years in delivering operating excellence for Spring REIT within a changing market environment**

The stability and sustainability of Spring REIT’s operational and financial performance over the years are attributable to the Manager’s continuous efforts in carefully monitoring and responding appropriately to a changing market environment.



The Manager has successfully navigated changes in tax regimes in the PRC, against a backdrop of changing market conditions and other challenges. In May 2016, the business tax of 5.0% applicable to Spring REIT was replaced by value-added tax (“VAT”) of 11.0% levied on rental revenues (“B2V Reform”), subject to applicable input VAT credits. When this occurred, the Manager worked closely with the tenants to mitigate risks in advance and minimise the impact of the B2V Reform. As a result, the B2V Reform had no significant impact on Spring REIT’s overall performance.

The distributable income was negatively affected by an increase in tax expenses as a result of a change in real estate tax basis to the CCP Property in Beijing which took place in the second half of 2016. As a result, total distribution in 2016 declined but the financial performance of Spring REIT has been recovering and improving as illustrated in Chart 1.

LETTER FROM THE BOARD

The Manager has proactively introduced effective capital and risk management strategies to facilitate the optimisation of Spring REIT's capital structure. For instance, in April 2017, the Manager successfully implemented initiatives which resulted in an estimated aggregate reduction in interest margin of 110 basis points in relation to the loan facilities related to the CCP Property ("CCP Facilities").

As part of these initiatives, the unit placement in 2017 with new Units issued at then market price was a capital management exercise to mitigate an asset and liability mismatch in currency terms by deploying a majority of the proceeds towards the partial early repayment of the CCP Facilities. It helped Spring REIT counteract the effect of RMB depreciation and reduce the costs associated with servicing the CCP Facilities, as well as giving Spring REIT more flexibility due to its stronger balance sheet. The combination of the two valuable and timely capital management exercises resulted in significant interest savings, calculated at approximately US\$3.28 million for the year ended 31 December 2017 ("FY2017"), and will continue to yield benefits going forward.

As a result of the strong fundamentals of Spring REIT's portfolio and effective measures implemented by the Manager, the net property income of Spring REIT in 1H2018 as compared to 1H2017 increased by 24.0%, which reflected the contribution from the UK Portfolio, as well as the stable rental growth from the CCP Property and stronger RMB/US\$ exchange rate during the period. Distributable income in 1H2018 was US\$20.1 million, representing an increase of 32.0% when compared with 1H2017 or 59.1% of distributable income for FY2017. As at 30 June 2018, the gearing ratio of Spring REIT was 34.4%, below the 45.0% limit prescribed under the REIT Code.

In summary, against a backdrop of changing market conditions and business environment, the Manager has successfully delivered satisfactory operating results of Spring REIT over the years. Besides, the Manager has been actively pursuing opportunities and continuously reviewing its strategies for Spring REIT. This has resulted in two yield-accretive acquisitions on a pro forma basis being proposed in the last 18 months, with ongoing capital management exercises implemented to enhance Spring REIT's financial flexibility and stability. The Manager has been and will continue to review and optimise its strategies in the interest of Spring REIT and all Unitholders as a whole.

LETTER FROM THE BOARD

C. The Offeror fails to recognise the effectiveness of the Manager's growth strategy for Spring REIT

While mainland China continues to be the core focus of Spring REIT, Unitholders approved, among others, an expansion of the geographical scope of the investment policy and objective of Spring REIT in 2015, allowing Spring REIT to invest in high quality income-producing real estate located in any part of the world, including but not limited to mainland China, Hong Kong, Macau, Taiwan, Japan and other areas in Asia. The aim of this expansion in geographical scope was to build a solid foundation for future development and growth.

The acquisition of the UK Portfolio and the proposed Huizhou Transaction thus represent key strategic moves to enhance the position of Spring REIT and create value for Unitholders. Both of these moves are part of a coherent and well-planned business strategy on the part of the Manager.

UK Portfolio acquisition

The acquisition of the UK Portfolio represents the first strategic initiative of the Manager to implement this expanded investment scope. The goal was to locate a solid investment opportunity that would enhance cash flow and contribute to the geographical diversification of Spring REIT's property portfolio. The UK Portfolio has contributed positively to Spring REIT's result in 1H2018. Please refer to the sub-section headed "UK Portfolio" on page 12 of this Response Document for further details.

The resolution that the UK Portfolio acquisition was conditional upon was supported by 83.6% of the votes cast by independent Unitholders at the extraordinary general meeting held on 25 May 2017. The same subjective judgement that led the PAG Unitholders to oppose the UK Portfolio acquisition may be operating with regard to the Offeror in respect of the Huizhou Transaction.

LETTER FROM THE BOARD

Huizhou Transaction



Strategic investment in the Greater Bay Area

9.4%
annualised gross
property yield

7.5%
annualised net
property yield

97.2%
occupancy rate as of
31 July 2018

Higher yields than those of Spring REIT's existing portfolio

The second-largest shopping centre in Huizhou, located at the core of CBD

The Huizhou Transaction represents an opportunity for Spring REIT to invest in “Huamao Place”, a seven-storey shopping mall (including two basement floors) together with 677 underground and 44 above-ground carpark spaces. The Huizhou Property is the retail component of a larger integrated development known as “Huizhou Central Place”, which also includes, among other things, three Grade-A office buildings, three residential buildings and a serviced apartment building.

Notwithstanding the seller of the Huizhou Property is owned as to 87.0% by Huamao Property Holdings Ltd., which owns 9.8% of the shares in the Manager, the seller is not a connected person of Spring REIT under the REIT Code, and accordingly, the Huizhou Transaction is an independent third party acquisition. The Huizhou Transaction would mark the first investment by Spring REIT in the Greater Bay Area. The Greater Bay Area initiative, as part of the 13th Five-Year Plan of the PRC government, is a plan to link nine cities in Guangdong province plus Hong Kong and Macau to form an integrated economic and business hub.

As disclosed in the Huizhou Transaction Circular, the Huizhou Property is a well-established premium local retail destination in Huizhou. It enjoys a leading apparel tenant portfolio comprising exclusive fashion brands, and this distinguishes it positively from other mid-to-high end shopping malls in the city. The Huizhou Property had an occupancy rate of 97.2% as at 31 July 2018. Given its leading position and reputation in Huizhou, the Huizhou Property had an average monthly rent of RMB116.9 per square metre based on gross rented area for the month of July 2018, the highest amongst the shopping malls in Huizhou.

The annualised gross and net property yields of the Huizhou Property were 9.4% and 7.5%, respectively, for 1H2018 based on the consideration indicated in the Huizhou Transaction Circular, both of which are higher than those of the properties in Spring REIT's existing portfolio. **The acquisition is fully in line with Spring REIT's investment strategy of investing in income-producing real estate and seeking yield-accretive investment opportunities.**

LETTER FROM THE BOARD

The Huizhou Transaction will be financed through a combination of debt at attractive low cost within a rising interest rate environment and the issuance of up to 279,173,957 new Units (which represent 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). This will have the benefit of preserving the resources of Spring REIT and maintaining a healthy gearing level despite the dilutive effect of issuing new Units. The Huizhou Transaction is supported by the Board. Please refer to the Huizhou Transaction Circular for further details.

The acquisition of the UK Portfolio and the proposed Huizhou Transaction are in line with the Manager's coherent business strategy and vision, and demonstrate the ability of the Manager to identify acquisition opportunities by leveraging its industry position and market connections. Because PAG Parties may not share or appreciate the Manager's vision and strategic long-term planning, they have been consistently opposing these transactions in a way that could potentially hinder the performance of Spring REIT in the future.

D. Uncertainties over the plan proposed by the Offeror

The Offer is subject to Conditions (please refer to the paragraph headed "2. The Offer — Conditions to the Offer" above). Unitholders are urged to carefully consider the terms and Conditions of the Offer before taking any action. There is sufficient time for Unitholders to do this, as the Offer will close for acceptances at 4:00 pm on 29 October 2018 (i.e. the first closing date of the Offer) unless otherwise revised or extended, and the EGM in relation to the Huizhou Transaction will take place at 4:30 pm on the same day.

Unitholders should also note that the proposal that the Offeror intends to appoint an affiliated company of PAG Real Estate as new manager is inconsistent with the request by PAG Unitholders' just over a year ago on 29 August 2017 to internalise the REIT management function. The Offeror has provided no explanation for this material change in its stance. As things stand, the Manager remains fully committed to upholding a high level of corporate governance. It has been and will continue to act in the best interests of Unitholders and Spring REIT as a whole within the regulatory framework applicable to Spring REIT. The Manager's success in these areas was endorsed as recently as 10 November 2017, when 80.7% of the votes cast at an extraordinary general meeting rejected the resolution proposed by PAG Unitholders to remove the Manager.

LETTER FROM THE BOARD

No reasons have been given by the Offeror to explain why, if the Offer has become unconditional in all respects, the performance of Spring REIT would be materially enhanced over and above the performance delivered by the Manager. By contrast, the Manager and its current management team can deliver objective quantifiable evidence to support its claims. The Manager's management team has accumulated significant experience, knowledge and skills in managing Spring REIT, evidenced by satisfactory operating results, various initiatives to improve the capital structure, the successful acquisition of the UK Portfolio and consistent distributions to Unitholders since listing. The Manager has also maintained a well-managed relationship with both tenants and lenders, a fact supported by the longer tenancy duration profile and high occupancy rates associated with its property portfolio.

DESPITE A PREMIUM OF 61.7% OVER THE CLOSING PRICE OF THE UNITS ON THE LAST TRADING DAY, THE BOARD DOES NOT SUPPORT THE OFFER FOR THE FOLLOWING REASONS:

- (I) THE OFFER PRICE IS AT A 19.8% DISCOUNT TO THE UNAUDITED NAV OF SPRING REIT AS AT 30 JUNE 2018;**
- (II) THE OFFER HAS UNDERVALUED THE ASSETS AND FAILED TO RECOGNISE THE FUTURE PROSPECTS OF SPRING REIT WHICH OWNS HIGH QUALITY AND VALUABLE ASSETS; AND**
- (III) THE MANAGER HAS BEEN ACTIVELY PURSUING OPPORTUNITIES AND CONTINUOUSLY REVIEWING ITS STRATEGIES FOR SPRING REIT. THIS HAS RESULTED IN TWO YIELD-ACCRETIVE ACQUISITIONS ON A PRO FORMA BASIS BEING PROPOSED IN THE LAST 18 MONTHS, WITH ONGOING CAPITAL MANAGEMENT EXERCISES IMPLEMENTED TO ENHANCE SPRING REIT'S FINANCIAL FLEXIBILITY AND STABILITY. THE MANAGER HAS BEEN AND WILL CONTINUE TO REVIEW AND OPTIMISE ITS STRATEGIES IN THE INTEREST OF SPRING REIT AND ALL UNITHOLDERS AS A WHOLE.**

4. INFORMATION ON THE OFFEROR

Please refer to the Offer Document for information on the Offeror.

5. INFORMATION ON SPRING REIT

Spring REIT is a real estate investment trust, the Units of which were first listed on the Stock Exchange on 5 December 2013. Spring REIT's current portfolio includes the CCP Property and the UK Portfolio. For the financial information of Spring REIT, please refer to Appendix I to this Response Document.

LETTER FROM THE BOARD

6. INTENTION OF THE OFFEROR IN RELATION TO SPRING REIT AND THE MANAGER

The Directors have noted the intentions of the Offeror in relation to Spring REIT and the Manager. Given the Offeror's intention to remove the Manager, the Manager is regarded as having a material interest in the Offer. For details of the Offeror's intention in relation to Spring REIT and the Manager, as extracted from the Offer Document, please see Appendix II to the Response Document.

7. MAINTAINING THE LISTING STATUS OF SPRING REIT

As stated in the Offer Document, in the event that, at the close of the Offer, the public float of Spring REIT falls below 25% (or any other percentage specified or permitted by the SFC from time to time), the Offeror will take appropriate steps to ensure that a sufficient public float exists in the Units. Details regarding the Offeror's intention to maintain the listing status of Spring REIT as extracted from the Offer Document are set out in Appendix II to the Response Document, and Independent Unitholders are also advised to refer to the Offer Document for details regarding the same.

Pursuant to the Trust Deed, in the event that the Manager becomes aware that the percentage of the outstanding Units held in the public hands has fallen below 25% (or any other percentage specified or permitted by the SFC from time to time) (the "**Public Float Percentage**"), the Manager shall as soon as possible: (i) issue an announcement regarding the same; and (ii) use its best efforts to restore the percentage of Units held in public hands to at least the Public Float Percentage of the outstanding Units.

8. RECOMMENDATIONS

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 formed to advise the Independent Unitholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

As each of Mr. Toshihiro Toyoshima and Mr. Hideya Ishino is a director and a shareholder of Mercuria Investment Co., Limited, a private equity investment firm listed on The Tokyo Stock Exchange (stock code: 7190), which in turn owns 90.2% of the shares in the Manager, Mr. Toshihiro Toyoshima and Mr. Hideya Ishino are not part of the Independent Board Committee.

Trinity Corporate Finance has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the Offer and, in particular, as to whether the Offer is, or is not, fair and reasonable and as to acceptance of the Offer.

LETTER FROM THE BOARD

Having taken into account the principal factors and reasons considered by, and the opinions and recommendations of Trinity Corporate Finance, the independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee, the Board (including each of the independent non-executive Directors, having consulted and taking into account the advice and recommendation of Trinity Corporate Finance) is of the view that the **TERMS OF THE OFFER ARE NOT FAIR AND REASONABLE SO FAR AS THE INDEPENDENT UNITHOLDERS ARE CONCERNED. ACCORDINGLY, THE BOARD (INCLUDING EACH OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS FOLLOWING CONSULTATION AND TAKING INTO ACCOUNT THE ADVICE AND RECOMMENDATION OF TRINITY CORPORATE FINANCE) UNANIMOUSLY RECOMMENDS THAT THE INDEPENDENT UNITHOLDERS REJECT THE OFFER. INDEPENDENT UNITHOLDERS ARE STRONGLY ADVISED TO TAKE NO ACTION. DO NOT COMPLETE ANY FORMS OF ACCEPTANCE.**

Your attention is drawn to: (i) the letter from the Independent Board Committee contained in this Response Document; and (ii) the letter from the Independent Financial Adviser contained in this Response Document, which contains its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the Offer and the principal factors considered by it in arriving at its advice. You are also advised to read the Offer Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Offer, the making of the Offer to Overseas Independent Unitholders and taxation implications.

9. TRUSTEE'S VIEW

If the Offer becomes unconditional in all respects in accordance with the terms of the Offer Document, the Offeror intends to requisition an extraordinary general meeting of Unitholders to vote on a resolution to remove the incumbent Manager and appoint an affiliated company of PAG Real Estate as the successor manager.

The Trustee is of the view that if a resolution is approved by the requisite amount of Unitholders to remove the Manager and there is also prior written approval from the SFC to appoint an affiliated company of PAG Real Estate as the successor manager and the Unitholders have approved such appointment by way of an ordinary resolution, Unitholders should be aware that a considerable amount of time and cost will be required to implement the change in manager and this transition could result in a disruption to the day-to-day business activities of Spring REIT. Unitholders should note that no formal implementation plan has been agreed between the relevant parties nor is a related estimate of time, costs and expenses currently available. The Trustee will use its best endeavours to work with the successor manager to facilitate its smooth transition as the manager of Spring REIT.

Furthermore, Unitholders should be aware that if the SFC does not grant approval for an affiliated company of PAG Real Estate to be appointed as a successor manager, the Trustee would need to identify a management company to act as a successor manager and there can be no assurance that a successor manager can be readily identified. In addition, Unitholders should be aware that a considerable amount of time, cost and expense may be required to identify, confirm and transition the appointment of a successor manager.

LETTER FROM THE BOARD

The Trustee will also need to engage professional advisers (including legal counsel) to implement the transition of a successor manager. The fees, costs and expenses of such professional advisers will be reimbursed out of Spring REIT in accordance with the terms of the Trust Deed.

The Trustee has considered the (i) Letter from the Independent Financial Adviser; (ii) Letter from the Board; and (iii) Letter from the Independent Board Committee each as set out in this Response Document. The Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the opinions of the Independent Financial Adviser, the Board and the Independent Board Committee are properly presented for Unitholders to consider.

The Trustee shall, in accordance with the Trust Deed, exercise all due diligence and vigilance in carrying out its functions and duties and in protecting the rights and interests of the Unitholders.

The Trustee urges all Unitholders to carefully review the Offer Document and the Response Document and all related announcements made by the Offeror and the Manager. Individual circumstances of each Unitholder will differ and each Unitholder shall be solely responsible for making its own independent appraisal of the Offer including the merits and risks involved. Each Unitholder should carefully consider the risks and uncertainties described in this Response Document and other information contained herein (including the letter from the Independent Financial Adviser) before making a decision in respect of the Offer. If Unitholders are in doubt, they should consult their own financial, tax, legal or other professional advisers before making an investment decision in respect of their Units. The Trustee makes no recommendation or representation as to whether Unitholders should accept the Offer or not.

10. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Response Document.

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

15 October 2018

To Independent Unitholders

Dear Sir or Madam,

**UNSOLICITED VOLUNTARY CONDITIONAL CASH OFFER BY
UBS AG HONG KONG BRANCH
ON BEHALF OF
RE STRATEGIC INVESTMENTS PTE. LTD.
TO ACQUIRE ALL OF THE ISSUED UNITS OF
SPRING REAL ESTATE INVESTMENT TRUST
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
RE STRATEGIC INVESTMENTS PTE. LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Response Document dated 15 October 2018 issued by Spring REIT in response to the Offer, in which this letter forms a part. Terms used in this letter shall have the meanings as those defined in the Response Document unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offers are, or are not, fair and reasonable so far as your interests are concerned and to make recommendation as to acceptance or rejection of the Offer. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation are set out in the letter from the Independent Financial Adviser on pages 24 to 53 of the Response Document.

Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Response Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Offer and the advice and recommendation from the Independent Financial Adviser, we are of the view that the terms of the Offer are **NOT fair and reasonable** so far as the Independent Unitholders are concerned. Accordingly, we recommend that the Independent Unitholders should **REJECT the Offer**.

Notwithstanding our recommendation, the Independent Unitholders should carefully consider the terms of the Offer and the “Letter from Independent Financial Adviser” in this Response Document. If in any doubt, the Independent Unitholders should consult their own professional advisers for professional advice.

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

TRINITY

Trinity Corporate Finance Limited
Suite 7B, 7th Floor,
Two Chinachem Plaza,
68 Connaught Road Central,
Hong Kong.

15 October 2018

*To the Independent Board Committee, Independent Unitholders
and the Trustee of Spring Real Estate Investment Trust*

Dear Sirs,

**UNSOLICITED VOLUNTARY CONDITIONAL CASH OFFER BY
UBS AG HONG KONG BRANCH
ON BEHALF OF
RE STRATEGIC INVESTMENTS PTE. LTD.
TO ACQUIRE ALL OF THE ISSUED UNITS OF
SPRING REAL ESTATE INVESTMENT TRUST
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
RE STRATEGIC INVESTMENTS PTE. LTD.
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee, the Independent Unitholders and DB Trustees (Hong Kong) Limited (the “**Trustee**”), in its capacity as trustee of Spring REIT in connection with the Offer, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the response document of Spring REIT dated 15 October 2018 (the “**Response Document**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise requires.

On 26 September 2018, the Offeror informed Spring Asset Management Limited (the “**Manager**”) that UBS, on behalf of the Offeror, firmly intends to make a voluntary conditional general offer in compliance with the Takeovers Code for all the issued Units (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) (the “**Offer Units**”) on and subject to the terms set out in the offer document issued by the Offeror to all Unitholders dated 29 September 2018 (the “**Offer Document**”) and the accompanying form of acceptance and transfer of the Offer Units.

An Independent Board Committee comprising Mr. Simon Murray, Mr. Qiu Liping and Mr. Lam Yiu Kin (all independent non-executive Directors), has been established to give an opinion to the Independent Unitholders in respect of the Offer and as to acceptance. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Offer. As each of Mr. Toshihiro Toyoshima and Mr. Hideya Ishino is a director and a shareholder of Mercuria Investment Co., Limited, which in turn owns 90.2% of the shares in the Manager, Mr. Toshihiro Toyoshima and Mr. Hideya Ishino are not part of the Independent Board Committee.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We, Trinity Corporate Finance Limited, have been appointed as the Independent Financial Adviser as approved by the Independent Board Committee to advise the Independent Board Committee, the Independent Unitholders and the Trustee in this respect.

As at the Latest Practicable Date, we did not have any relationships or interests with Spring REIT, the Offeror or any other parties that could reasonably be regarded as relevant to our independence. We are not associated with Spring REIT, the Offeror, or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice in connection with the Offer. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Spring REIT, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, the Independent Unitholders and the Trustee, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in Spring REIT's prospectus dated 25 November 2013 (the "**Prospectus**"), Spring REIT's circular to the Unitholders for the Huizhou Transaction dated 26 September 2018 (the "**Huizhou Transaction Circular**"), the Offer Document, the Response Document, the respective related announcements made by Spring REIT on 8 October 2018 and the Offeror on 4 October, 8 October and 11 October 2018, and the information and representations provided to us by Spring REIT, its Directors and management. We have no reason to believe that any information and representations relied on by us in forming our opinion, are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Prospectus, the Huizhou Transaction Circular, the Offer Document, the Response Document, and the respective related announcements made by Spring REIT on 8 October 2018 and the Offeror on 4 October, 8 October and 11 October 2018, which have been provided by, inter alia, the Offeror, the Directors and the management of Spring REIT and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date, and if and when it comes to our knowledge that there are any material changes, Unitholders will be informed as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Response Document have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document, the omission of which would make any statement in the Response Document misleading.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Prospectus, the Huizhou Transaction Circular, the Offer Document, the Response Document, and the respective related announcements made by Spring REIT on 8 October 2018 and the Offeror on 4 October, 8 October and 11 October 2018, and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Prospectus, the Huizhou Transaction Circular, the Offer Document or the Response Document or the reasonableness of the opinions and representations provided to us by Spring REIT. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of Spring REIT or any parties involved in the Offer or their future prospects.

This letter is issued to the Independent Board Committee, the Independent Unitholders and the Trustee solely in connection with their consideration of the Offer and, except for its inclusion in the Response Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes other than our role as the Independent Financial Adviser, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Offer, we have taken into account the following principal factors and reasons:

A. Terms of the Offer

Consideration for the Offer

According to the terms of the Offer Document, UBS, on behalf of the Offeror, is making the Offer on the following basis:

For each Offer Unit HK\$4.85 in cash

Conditions to the Offer

As set out in the Offer Document, the Offer is subject to the following conditions:

- (i) the Offeror having received valid acceptances (and, where permitted, such acceptances not having been withdrawn) at or before 4:00 p.m. on the Closing Date (or such other time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of the Offer which will result in the Offeror and persons acting in concert with it holding more than 50% of the Units; and
- (ii) the resolutions approving the Huizhou Transaction are not passed by the Independent Unitholders at the EGM.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Condition (i) is not waivable and the Offeror reserves its right to waive Condition (ii) above. If the Conditions are not satisfied (or waived, if applicable) on or before the Closing Date, the Offer will lapse unless the Offer Period is extended by the Offeror (with the consent of the Executive).

Unitholders are also advised to refer to the Offeror's announcements dated 4 October 2018 and 8 October 2018 and Spring REIT's announcement dated 8 October 2018 regarding the timing and Conditions to the Offer and the timing for the EGM of the Huizhou Transaction.

In addition, we note that it is also stated in the Offer Document that if sufficient Unitholders accept the Offer and the Offer becomes unconditional as to acceptance by or around 15 October 2018 (or a later date if the EGM date is postponed), the Offeror intends to waive the condition on the Huizhou Transaction and proceed with the Offer. If the Offeror and its concert parties become entitled to voting rights in respect of over 50% of the issued Units before the record date for the Huizhou Transaction (being 24 October 2018), the Offeror will vote down on the resolutions for approving the Huizhou Transaction at the EGM. In addition, the Offeror also made a clarification announcement on 4 October 2018 that:

- (i) if the Manager of Spring REIT pushes ahead with the Guangdong shopping centre acquisition (i.e. the Huizhou Transaction), and it is approved by Unitholders, the Offer **will not** proceed; and
- (ii) if the vote for the Huizhou Transaction goes through, the Offeror will terminate the Offer and no Unitholders will be paid.

Unitholders should also be aware that no Unitholders will be paid if the Offer lapses as a result of condition (i) not being fulfilled prior to the Closing Date.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least 14 days after the Offer becomes or is declared unconditional (whether as to acceptances or in all respects).

The latest time at which the Offeror can declare the Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of this Offer Document, i.e. 28 November 2018 (or such later date to which the Executive may consent).

Comparisons of value

The Offer Price represents:

- (a) a premium of approximately 24.7% over the closing price of HK\$3.89 per Unit as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 61.7% over the closing price of HK\$3.00 per Unit as quoted on the Stock Exchange on the Last Trading Day (the "**Last Trading Price**");

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (c) a premium of approximately 51.1% over the average closing price of approximately HK\$3.21 per Unit as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 47.0% over the average closing price of approximately HK\$3.30 per Unit as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 47.4% over the average closing price of approximately HK\$3.29 per Unit as quoted on the Stock Exchange for the last 60 trading days immediately prior to and including the Last Trading Day;
- (f) a premium of approximately 47.0% over the average closing price of approximately HK\$3.30 per Unit as quoted on the Stock Exchange for the last 90 trading days immediately prior to and including the Last Trading Day;
- (g) a discount of approximately 22.0% to the audited net asset value (“NAV”) of Spring REIT of approximately HK\$6.22 per Unit as at 31 December 2017; and
- (h) a discount of approximately 19.8% to the unaudited NAV of Spring REIT of approximately HK\$6.05 per Unit as at 30 June 2018.

The Offeror set out in the Offer Document (in bar graph format) to highlight that the Offer Price represents a 61.7% premium to the Last Trading Price and, based on the average distribution of HK\$0.24 per year since the first interim distribution in September 2014, this is equivalent to 7.7 years of distributions. Unitholders should note that as a result of the commencement of the Offer Period, the Unit price then prevailing as at the latest practicable date prior to the issuance of the Offer Document was HK\$4.01 per Unit on 27 September 2018 and adopting the Offeror’s method of presentation of the premium, this represents 3.5 years of distributions.

Also, based on the closing price on the Latest Practicable Date prior to the issue of the Response Document of HK\$3.89 per Unit, the Offer Price represents a premium of approximately 24.68%. Using the same method of presentation by the Offeror in calculating the premium in terms of the average distribution of HK\$0.24 per year, the Offer Price represents a premium of 4.0 years of distributions on the Latest Practicable Date.

We wish to remind Unitholders that the Offer may lapse under the Conditions as set out in the Offer Document, and there is no certainty that the Unit price will remain at the current levels irrespective of whether the Offer is declared unconditional or lapses.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Unitholders are advised to refer to Paragraph N below, which shows that the distribution yield of Spring REIT is still at a 6.17% per annum, despite the market Unit price is HK\$3.89 as at the Latest Practicable Date, which is still comparable to the average distribution yield of all REITs listed in Hong Kong. For a detailed comparison of Spring REIT with other REITs listed in Hong Kong, please refer to Paragraph N below.

Rationale for using NAV as the benchmark for REITs' transactions

We consider investors in REITs are akin to property investors, as there are protections under the Trust Deed and the REIT Code for the protection of the assets held under the REIT structure and Unitholders have assured entitlements to a distribution payout ratio of not less than 90% of distributable income (audited net income adjusted for certain non-cash items) annually. As mentioned in Paragraph J below, each Unit represents an undivided interest in Spring REIT. Investors in REITs and Unitholders should therefore expect that the assets held under the REIT are protected by the Trustee and the long-term value of assets would not be hindered or affected by short-term volatility in Unit price, while at the same time benefiting from stable distribution payout, although some investors may take advantage of volatility in the Unit price for the purposes of short-term gains. Regarding the investment nature of a REIT, according to the Stock Exchange website, *"the total return of REIT is subject to the performance of the property market. The unit price of a REIT may go down if its properties drop in value. When deciding to invest in a REIT, investors should not simply look at the expected yield but also consider the concentration, quality and length of its property leases"*. Also, the Stock Exchange website provides a clear distinction between REIT and property stocks, in that *"a property stock is essentially a company, while a REIT is a trust. To ensure proper checks and balances, a REIT must appoint an independent trustee to oversee its operation of the safekeeping of its assets for unit holders"*.

The NAV of a company (or a REIT in this case) is defined as its total assets (including intangible assets, if any) less its total liabilities, and excluding, where applicable, minority interests. The NAV provides an estimate of the value of the REIT assuming the sale of all of its assets at book value, the proceeds of which are first used to settle liabilities and obligations with the balance available for distribution to Unitholders. We have discussed with the Manager and understand that the NAV of Spring REIT as at 30 June 2018, to the best of their knowledge, information and belief, already reflects the current market valuation of its assets and there are no material changes since its interim report for the 6 months ended 30 June 2018.

Hence, the long-term value of assets is reflected in the NAV of Spring REIT, and unless there are material events that could have an impact on the operations or financial return of the assets, the NAV is not diminished purely due to Unit price fluctuations or changes in expected yield which maybe affected by extraneous factors such as changes in the equity market, foreign exchange fluctuations and/or pure shifts in market demand for such yield-protected investment products.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We therefore consider that it is of significance to bring to the attention of the Independent Unitholders that the Offer Price is at a substantial discount of approximately 22.02% and 19.83% to the audited NAV of Spring REIT as at 31 December 2017 of HK\$6.22 per Unit and to the unaudited NAV of Spring REIT as at 30 June 2018 of HK\$6.05 per Unit respectively. The significance of the discount to NAV is explained in further detail in Paragraph L below regarding the possible termination of Spring REIT after the proposed appointment of a new manager (which is proposed to be an affiliated company of PAG Real Estate), the proposed strategic review which will include options including that the proposed new manager, acting in the best interests of all Unitholders, could recommend a disposal of assets and termination of Spring REIT and delisting from the Stock Exchange subject to the REIT Code, the Listing Rules (which requires a special resolution approved by more than 75% of Unitholders attending and voting at the relevant Unitholder's meeting, and not more than 10% of Unitholders attending and voting against the delisting), the Takeovers Code and the terms of the Trust Deed (the "**Possible Disposal of Assets, Termination and Delisting**") and/or other options including acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers (together the "**Strategic Options**") to be recommended by the new manager. Since the Offeror or the new manager after the strategic review is expected to choose the best option in the best interests of the Offeror and the Unitholders then outstanding, the expected return of the other Strategic Options (apart from the Possible Disposal of Assets, Termination and Delisting) is expected to be better or equal to the NAV upon termination, subject to market and financial conditions and the timing if and when the termination materializes and regulatory requirements including and not limited to the REIT Code and the Trust Deed. Applying the Offeror's same method of presentation, the discount of the Offer Price compared to the audited NAV as at 31 December 2017 represents 5.7 years of distribution and compared to the unaudited NAV as at 30 June 2018 represents 5.0 years of distribution, i.e. the NAV that Unitholders will forego by accepting the Offer needs to be compared to the gain that they will obtain from accepting the Offer on the basis of the currently prevailing NAV and without taking into account of the potential capital appreciation of the assets of Spring REIT, nor the potential value that the Huizhou Transaction and/or the Strategic Options that the possible new manager may consider in the best interests of all Unitholders then outstanding (for which the Unitholders who accept the Offer will not be entitled to). Unitholders are advised to refer to the Letter from the Board and the Huizhou Transaction Circular for a more detailed explanation of the quality and long-term prospects of the CCP Property, the UK Portfolio and the Huizhou Transaction and to Paragraphs E, G and H below. Unitholders who wish to participate in the Strategic Options, including the Possible Disposal of Assets, Termination and Delisting, and/or other options including among acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers, that may be proposed by the new manager, should not accept the Offer, in order to enjoy such Strategic Options which will be made for the benefit of all Unitholders then outstanding (for which the Unitholders who accept the Offer will not be entitled to).

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As explained in Paragraph L below, we believe that Unitholders should expect to receive the full value of the pro-rata net assets in Spring REIT, which is represented by the audited NAV as at 31 December 2017 of HK\$6.22 per Unit and the unaudited NAV as at 30 June 2018 of HK\$6.05 per Unit, subject to changing market and financial conditions (if any), as this is the expected return in the event the result of the strategic review points toward the termination of Spring REIT, which is one of the potential Strategic Options proposed by the Offeror. Accordingly, the Offer Price, which is at a substantial discount of 22.02% and 19.83% to the audited NAV of Spring REIT as at 31 December 2017 and the unaudited NAV of Spring REIT as at 30 June 2018 respectively, is therefore not fair and reasonable so far as the Independent Unitholders are concerned. However, since the Offeror also proposed other Strategic Options for the benefit of Unitholders then outstanding, it is implied that the expected return of other potential options, i.e. acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers, may or may not be equal to or better than the expected return from a Possible Disposal of Assets, Termination and Delisting of Spring REIT. Given that a Possible Disposal of Assets, Termination and Delisting of Spring REIT has been proposed by the Offeror as one of the potential Strategic Options but not the only option, with the other potential options being acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers, which may or may not proceed, Unitholders who wish to participate in or intend to benefit from the Strategic Options proposed by the Offeror should not accept the Offer in order to do so.

Unitholders are also advised to refer to the analysis of the Unit price performance and trading liquidity, comparable company analysis of REITs listed in Hong Kong, general offer terms for units of REITs listed in Hong Kong and comparable transaction analysis of REITs in Singapore in Paragraphs M, N, O and P respectively below.

B. Sequence of events involving PAG Real Estate, PAG Unitholders and the Offeror prior to the Offer Period

According to the Letter from the Board, the Huizhou Transaction, which is subject to Unitholders' voting in the EGM, represents an opportunity for Spring REIT to invest in the "Huamao Place" (華貿天地). The Board believes that the Huizhou Transaction aligns with the coherent business strategies and demonstrates the vision and ability of the Manager to source proprietary acquisition opportunities, leveraging its industry position and connections in the market, for Unitholders to gain access to unique investment opportunities and to enhance the value for Spring REIT and Unitholders as a whole. Accordingly, we advise Unitholders to review the Letter from the Board and the Huizhou Transaction Circular in this respect.

The Offeror intends to install an affiliated company of PAG Real Estate as a new manager of the Spring REIT after the Offer, but other than a plan to put in a proposed new manager to conduct a strategic review of Spring REIT, the Offeror has not provided any detailed management plan of Spring REIT as a going concern.

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According to the Offer Document, the Offeror is a company incorporated in Singapore with limited liability. It is principally engaged in investment holding. It has not held any investment or conducted any business activities since its date of incorporation other than matters relating to the Offer. The sole shareholder of the Offeror is RE Strategic Investment LP. The general partner of RE Strategic Investment LP is RES Investments GP, which is a wholly-owned subsidiary of SCREP VI Management, LLC, which is in turn indirectly wholly-owned by PAG Real Estate. Also, according to the Offer Document, each of the above companies and partnerships is under the control of PAG Holdings Limited (“PAG”). PAG is one of the Asia’s largest alternative investment management firms with more than US\$20 billion in funds under management and employs over 350 people in major financial hubs in Asia. For a more detailed explanation of the legal structure and background of the Offeror, Unitholders can refer to the section headed “Information on the Offeror” in the Offer Document.

We are of the view that, if Unitholders believe the proposed new manager has the ability and will undertake a strategic review in the best interests of all Unitholders then prevailing (which will not include Unitholders who accept the Offer), and intend to benefit from the potential Strategic Options proposed by the Offeror including acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers, and/or a Possible Disposal of Assets, Termination and Delisting of Spring REIT, such Unitholders should not accept the Offer in order to participate in the Strategic Options. Our views in respect of the Unitholder’s rights and entitlements subject to the potential Strategic Options after a strategic review is conducted by the proposed new manager, are set out in Paragraphs J, K and L below. Unitholders who are uncertain about the Offeror’s proposed appointment of the new manager and the Strategic Options can refer to our analysis of the Unit price performance and trading liquidity, comparable company analysis of REITs listed in Hong Kong, general offer terms for units of REITs listed in Hong Kong and comparable transaction analysis of REITs in Singapore set out in Paragraphs M, N, O and P respectively below.

C. Maintaining the listing status of Spring REIT

According to the Offer Document, the Offeror intends to maintain the listing of the Units on the Stock Exchange upon the close of the Offer. The Offeror also stated that following the strategic review described in Paragraphs D and F below, *“the proposed new manager of Spring REIT, acting in the best interests of all Unitholders, could recommend a disposal of assets and termination of Spring REIT, which would result in a delisting from the Stock Exchange, subject to the REIT Code, the Listing Rules, the Takeovers Code and the terms of the Trust Deed”*.

In this respect, we set out the relevant provisions of the Trust Deed and the REIT Code in Paragraphs J, K and L below.

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D. Offeror's intention regarding the operations of Spring REIT

It is stated in the Offer Document that the Offeror intends to requisition an extraordinary general meeting of the Unitholders upon the Offer becoming unconditional in all respects to vote on a resolution to remove the Manager and to appoint a new manager of Spring REIT, which will be an affiliated company of PAG Real Estate, for the reasons set forth below:

- (i) *“Continued and material Unit price underperformance. Spring REIT’s Unit price has underperformed in many key respects. From the time of its IPO in 2013 up to the Last Trading Day, Spring REIT’s Unit price has underperformed the Hang Seng REIT Index by 41.6% and the Hang Seng Index by 32.1%. During this period, Spring REIT’s Unit price decreased by approximately 21.3%, making Spring REIT, in terms of unit price performance, the worst performing REIT among the constituents of the Hang Seng REIT Index.”*

We have performed an analysis on the Unit price trend of Spring REIT and comparable company analysis with all other REITs listed in Hong Kong, as well as comparison with the performance of the Hang Seng Index and the Hang Seng REIT Index, during the same period mentioned above, as set out in Paragraphs M and N below. The analysis demonstrated that, although Spring REIT Unit price performance underperformed the Hang Seng REIT Index and the Hang Seng Index, Spring REIT was not the worst performing REIT in terms of unit price performance among the constituents of the Hang Seng REIT Index. Apart from merely unit price comparison, we believe it is also important to consider the distribution yield, the price to Total Distributable Income (“TDI”) ratio and the price to book ratio given the unique investment nature of REIT, as opposed to a property stock, which is not only focused on short-term capital gain from Unit price but also the long-term stability of distribution. It is also evident from the peer comparison table of all REITs listed in Hong Kong at the Latest Practicable Date set out in Paragraph N that, Spring REIT has a price to TDI ratio of 18.91 and 14.59 and a price to book ratio of 0.64 and 0.49, as at the Latest Practicable Date and as at the Last Trading Day respectively. Based on the Offer Price, the price to TDI ratio and price to book ratio of Spring REIT is 23.58 and 0.80 respectively. The price to TDI ratio and price to book ratio of Spring REIT as at the Latest Practicable Date was approximately 7.57% and 1.59% higher than the mean of all REITs listed in Hong Kong respectively, and the price to TDI ratio and price to book ratio of Spring REIT as at the Last Trading Day was approximately 17.01% and 22.22% lower than the mean of all REITs listed in Hong Kong. The price to TDI ratio and price to book ratio of Spring REIT, based on the Offer Price, is above the mean and median of all REITs listed in Hong Kong and above all the respective ratios of REITs listed in Hong Kong, apart from Link REIT and Yuexiu REIT. It is

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noted that the distribution yield of REITs in Hong Kong ranges from 3.47% to 8.77% with an average of 6.04% and the distribution yield of Spring REIT of 6.17%, as at the Latest Practicable Date, is also higher than the market average of all REITs listed in Hong Kong. Based on the closing Unit price on the Last Trading Day of HK\$3.00, the distribution yield of Spring REIT of 8.00% was among the highest of all REITs listed in Hong Kong, apart from Hua Xian REIT. Based on the Offer Price, the distribution yield of Spring REIT is 4.95%, which is lower than the mean and median of all REITs listed in Hong Kong. Unitholders are advised to review the analysis set out in Paragraphs M and N below.

- (ii) *“Questionable decision-making and governance practices. In 2017, the Manager’s decision to acquire 84 commercial properties involving leases with an indirect wholly-owned subsidiary of Itochu Corporation, a related party, in the UK (which is a market where the Manager has no relevant track record or active presence), together with the dilutive placement of new Units, negatively affected distributions per Unit from 2016 to 2017. This placement of Units, at a discount of 45.4% to NAV, significantly diluted the voting rights and economic interests of the Unitholders.”*

As mentioned in Paragraph B above, the acquisition of the UK Portfolio was approved by 83.6% of votes cast by independent Unitholders at the extraordinary general meeting on 25 May 2017 and does not reflect the concern expressed by the Offeror.

- (iii) *“Lack of clear strategy and coherent business plan. The Manager has consistently failed to articulate a coherent strategy to address the persistent underperformance of Spring REIT. It has expanded the investment scope of Spring REIT, in terms of geography and types of investments, without clearly articulating how the broader scope would be matched with adequate operational and financial resources and capabilities.”*

As mentioned in Paragraph B above, the approval for the expansion of investment policy was approved by over 99.99% of votes cast by independent Unitholders at the extraordinary general meeting on 20 May 2015 and we have also conducted a research on the Prospectus and Huizhou Transaction Circular and note that the strategy and business plan of the Manager has been clearly stated. Nothing has come to our attention that the Manager is not focused on the pre-set objectives of Spring REIT, i.e. to provide Unitholders with stable distributions and potential for sustainable long-term growth in the distributions and enhancement in the value of the real estate assets.

It was further stated in the Offer Document that, upon the removal of the Manager and the appointment of the new manager of Spring REIT, it is intended the proposed new manager will conduct a strategic review of Spring REIT, which will seek to review the strategy, performance and governance of Spring REIT and analyse Strategic Options for Spring REIT. As mentioned above, the Strategic Options for Spring REIT could include, among others, acquisitions of assets, asset enhancement, changes in capital structure, refinancings, mergers, disposals of assets and/or termination and delisting of Spring REIT.

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Under the REIT Code, the proposed new manager will be obligated to act in the best interests of all Unitholders when conducting the strategic review and implementing recommendations that result from the strategic review. Prior to the completion of the strategic review, the Offeror has no plans, if the Offer is completed, to: (i) make any major change to the business and operations of Spring REIT, including any redeployment of assets; (ii) initiate any major change to the investment policy of Spring REIT; or (iii) discontinue the employment of the employees of the Manager or of Spring REIT (other than in the ordinary course of business), but if the existing Manager is removed and the new manager is appointed as further described below, the board of the new manager will comprise of directors which are different from the directors on the board of the current Manager.

If Unitholders believe in the strategy of the Offeror and the proposal for a new manager and that under the REIT Code, the proposed new manager will be obligated to act in the best interests of all Unitholders (then outstanding) when conducting the strategic review and implementing the Strategic Options that result from the strategic review, Unitholders should not accept the Offer in order to participate in the expected return to be derived from the Strategic Options that may be proposed by the new manager, which may include the Possible Disposal of Assets, Termination and Delisting of Spring REIT. For Unitholders who are uncertain about the Offeror's proposed appointment of the new manager and the Strategic Options, they can refer to our analysis of the Unit price performance and trading liquidity, comparable company analysis of REITs listed in Hong Kong, general offer terms for units of REITs listed in Hong Kong and comparable transaction analysis of REITs in Singapore in Paragraphs M, N, O and P respectively below, and may consider to sell their Units in the open market after carefully monitoring the market price and trading volume of the Units in order to take advantage of the current Unit price and increase in turnover to liquidate all or part of their Units if the market price is above the Offer Price, or they may consider to accept the Offer.

E. The Board's reasons to reject the Offer and to retain the Manager

Unitholders are advised to refer to the Letter from the Board regarding the Board's view as to why the Offer should be rejected and the Manager should be retained. As stated above, the Offeror proposes to appoint a new manager if the Offer becomes unconditional in all respects and the Board or the Manager's views should be considered in the context of such opposing or conflicting views.

In any event, we have not identified any specific reasons as to why the value of Spring REIT will be materially changed apart from the Offeror's proposal to appoint a new manager and to implement the recommendations resulting from the strategic review, over and above what the Manager has been performing. However, for Unitholders who accept the Offer, whether or not the Offeror appoints a new manager to undertake a strategic review and the outcome of that strategic review would be irrelevant to them, as they would already have disposed of their Units. Unitholders are therefore strongly advised to refer to the Letter from the Board regarding the assets and future growth potential of Spring REIT's portfolio. Unitholders are advised not to accept the Offer if they agree with the Board and

wish to maintain an investment that delivers long-term value. Likewise, as explained in paragraph A above, Unitholders who wish to participate in the outcome of the possible Strategic Options should not accept the Offer. Only Unitholders who wish to take advantage of the short-term liquidity and Offer Price (which may lapse according to the Conditions set out in the Offer Document) may consider to sell their Units in the open market after carefully monitoring the market price and trading volume of the Units as explained in Paragraph M and the Recommendation section below in order to take advantage of the current Unit price and increase in turnover to liquidate all or part of their Units if the market price is above the Offer Price, or they may consider to accept the Offer.

F. Reasons for and benefits of the Offer as stated by the Offeror in the Offer Document

We note that the Offeror has stated in the Offer Document that the Offer represents the Offeror's determination to protect and preserve the value of its investment **"by increasing the level of control over Spring REIT in order to remove the Manager and appoint a new manager that will conduct a strategic review of Spring REIT"**.

G. Background and recent business development of Spring REIT

Spring REIT is a real estate investment trust, the units of which were first listed on The Stock Exchange of Hong Kong Limited on 5 December 2013. Spring REIT's current portfolio includes all office floors of Office Tower 1 and Office Tower 2 of the CCP Property (which are located in Beijing, PRC) and a portfolio of 84 commercial properties in the UK which is leased to Kwik Fit, a leading car servicing provider in the UK with over 600 centres nationwide.

According to the Prospectus, Spring REIT is a real estate investment trust formed primarily to own and invest in high quality income-producing real estate assets in Asia. The key objectives of the Manager for Spring REIT are to provide Unitholders with stable distributions and potential for sustainable long-term growth in the distributions and enhancement in the value of the real estate assets.

Pursuant to the Huizhou Transaction, on 19 September 2018, Spring REIT (through the purchaser) entered into the Share Purchase Deed to purchase the entire equity interest in the target company, which 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 Huizhou Property. Upon completion of the Huizhou Transaction, Spring REIT will hold the Huizhou Property, being a shopping mall known as "Huamao Place" (華貿天地) located in Huizhou, Guangdong Province, PRC.

We understand that the Huizhou Transaction is scheduled for Unitholder's approval at the EGM and for further details of the Huizhou Transaction, Unitholders are advised to refer to the Huizhou Transaction Circular.

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H. Financial performance of Spring REIT

Set out below is a summary of the financial information of Spring REIT for the six months ended 30 June 2017 and 2018 and the last three financial years ended 31 December 2015, 2016 and 2017, extracted from the unaudited consolidated financial statements as set out in the interim report of Spring REIT for the six months ended 30 June 2018 and the audited consolidated financial statements set out in the annual reports of Spring REIT for the last three financial years ended 31 December 2015, 2016 and 2017, respectively.

No modified or qualified opinion had been given in the auditors' reports issued by Spring REIT's auditors in respect of each of the three financial years ended 31 December 2015, 2016 and 2017.

Summary of the financial information of Spring REIT for the six months ended 30 June 2017 and 2018 and the last three financial years ended 31 December 2015, 2016 and 2017:

	Six months ended 30 June 2018 <i>US\$mn</i>	Six months ended 30 June 2017 <i>US\$mn</i>	Year ended 31 December		
			2017 <i>US\$mn</i>	2016 <i>US\$mn</i>	2015 <i>US\$mn</i>
Revenue	43,407	35,604	76,695	75,431	80,515
Property operating expenses	(10,712)	(9,234)	(19,615)	(18,593)	(19,239)
Net property income	32,695	26,370	57,080	56,838	61,276
General and administrative expenses	(6,602)	(4,970)	(11,761)	(9,428)	(9,320)
Fair value gain of investment properties	1,981	3,378	4,807	100,477	35,543
Other losses, net	(1,781)	(6,976)	(5,147)	(5,214)	(854)
Operating profit	26,293	17,802	44,979	142,673	86,645
Finance income	303	222	482	519	559
Finance costs on interest-bearing borrowings	(20,026)	999	9,874	(51,898)	(46,837)

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	Six months ended 30 June 2018 <i>US\$mn</i>	Six months ended 30 June 2017 <i>US\$mn</i>	Year ended 31 December		
			2017 <i>US\$mn</i>	2016 <i>US\$mn</i>	2015 <i>US\$mn</i>
Profit before taxation and transactions with Unitholders	6,570	19,023	55,335	91,294	40,367
Income tax expenses	(81)	–	(175)	–	–
Profit for the period, before transactions with Unitholders	<u>6,489</u>	<u>19,023</u>	<u>55,160</u>	<u>91,294</u>	<u>40,367</u>
Earnings per unit based upon profit before transactions with Unitholders					
Basic (US cents)	0.5	1.6	4.57	8.11	3.62
Diluted (US cents)	0.5	1.6	4.56	8.09	3.61
Total comprehensive income for the period, before transactions with Unitholders	(9,157)	38,165	110,264	35,136	3,275
Distributable income for the period	20,082	15,211	33,967	35,872	41,234
Total distributions of the period	<u>19,339</u>	<u>15,211</u>	<u>33,967</u>	<u>33,451</u>	<u>38,389</u>

Source: Interim report of Spring REIT for the six months ended 30 June 2018 and annual reports of Spring REIT for the last three financial years ended 31 December 2015, 2016 and 2017

For the financial year ended 31 December 2017:

Spring REIT's revenue for the year ended 31 December 2017 was US\$76.70 million, 1.7% higher than that in 2016. The improvement was the result of the UK Portfolio contributing to the top line along with stable rental growth from the CCP Property, which helped to counteract the nominal accounting effects of the 2016 B2V reform and the weaker RMB/US\$ monthly average exchange rate adopted throughout 2017. After taking into account property operating expenses, net property income amounted to US\$57.08 million, representing a 0.4% increase YoY and a property income margin of 74.4% (2016: 75.4%).

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Professional fees and administrative expenses escalated to US\$11.76 million, with costs of approximately US\$0.52 million incurred in relation to the extraordinary general meeting held on 10 November 2017. Meanwhile, a total finance income on interest-bearing borrowings of US\$9.87 million (2016: a cost of US\$ 51.90 million) is registered as a result of a foreign exchange gain of US\$29.46 million (2016: a loss of US\$32.16 million) recognized when translating US\$ bank borrowings to RMB. Cash interest expenses amounted to US\$17.11 million, compared to US\$16.54 million in 2016, as US\$ LIBOR rate has been rising and additional debt was taken on to fund the acquisition of the UK Portfolio. Further, a translation gain of US\$2.96 million was recorded as the monthly average exchange rate adopted in 2017 understated the actual RMB/US\$ exchange rate at which currency was converted. A US\$8.08 million loss was registered from the reversal of the mark-to-market gain and cash settlement of two currency forward contracts which expired in the first half of the financial year ended 31 December 2017.

Taking into account the increase in fair value of the CCP Property and UK Portfolio of US\$4.81 million (2016: US\$100.48 million), profit after taxation for the financial year ended 31 December 2017 was US\$55.16 million (2016: US\$91.29 million).

Spring REIT's total distributable income for the financial year ended 31 December 2017 was US\$33.97 million, representing a decrease of 5.3% YoY. Among other adjustments, the reported amount excludes the foreign exchange gain and the increase in fair value of the CCP Property and UK Portfolio, both of which are non-cash in nature.

For the six months ended 30 June 2018:

As stated in Spring REIT's interim report for the six months ended 30 June 2018, the Beijing CBD hosts tenants from a wide range of industries, including representatives of the finance and insurance, professional services, Internet and other hi-tech industries among others. It held the largest amount of Grade-A office stock in Beijing, amounting to 1.82 million square metres as at the end of 1H 2018, and accounting for 22.0% of the city's total Grade-A office space of 8.26 million square metres, largely unchanged compared to the end of 2017. The market remained well supported due to the fact that no significant completions of new office buildings took place during such reporting period. In terms of leasing activities, the Beijing CBD has remained robust. This can be seen in a declining vacancy rate and higher average rentals compared to the previous half, with domestic firms, and finance firms in particular, being the key driving force. The trend that had previously affected demand in the CBD, namely relocation by tenants to decentralised locations such as Wangjing and other lower-rent areas, was no longer a threat because the larger spaces in these lower-cost areas had mostly been taken. Due to a resilient market, the performance of the CCP Property was stable throughout such reporting period.

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The Manager considered that the first half of 2018 was an encouraging one for Spring REIT in many different respects. Resilient activity in the Beijing office market and sustained demand for high quality office space was reflected in a notable improvement in occupancy rates and passing rents. As a result, the CCP Property continued its healthy organic growth with a respectable rental reversion of 4.5%. In the meantime, as anticipated, the UK Portfolio enhanced Spring REIT's cash flow, with a 96.6% pass through of its revenue.

From this sound footing, the Manager is cautiously optimistic about prospects for the second half of the year. Despite the potential of a China-US trade war, economic activity in Beijing has remained upbeat as evidenced by the 6.8% YoY growth in GDP growth in 1H 2018. In addition, the Manager continues to be confident about the fundamentals of the CCP Property, especially as they are seeing delays in a number of projects in the CBD area that were scheduled to be completed in 2019. Leases expiring in the second half of 2018 account for 9% of the total leased GFA, with the average unit rent at RMB356 per square metre. Another notable statistic is that 98 of the 192 tenancies at the CCP Property as at 30 June 2018 have been with Spring REIT since its listing in 2013, with these tenancies making up 57.5% of the leasable GFA. Such a percentage of renewed tenancies demonstrates strong levels of trust in CCP management and satisfaction with the quality of the building and its facilities.

I. Background of the Manager and Trustee of Spring REIT

Spring REIT is managed by Spring Asset Management Limited, as the Manager of Spring REIT, a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 30 June 2018, the Manager was 90.2% owned by Mercuria Investment Co., Limited (formerly known as AD Capital Co., Ltd., renamed on 1 January 2016), a private equity investment firm listed on the Tokyo Stock Exchange (Stock Code: 7190) with notable shareholders that include the Development Bank of Japan, the Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited. The remaining 9.8% is owned by Huamao Property Holdings Limited.

The Trustee of Spring REIT is DB Trustees (Hong Kong) Limited. The Trustee and the Manager are independent of each other and the Trustee, in its capacity as trustee of Spring REIT, is responsible under the Trust Deed for safe custody of the assets of Spring REIT on behalf of Unitholders. The Manager's role under the Trust Deed is to manage Spring REIT and its assets in accordance with the Trust Deed in the sole interest of the Unitholders and to fulfill the duties imposed on it under general law as manager of Spring REIT in particular to ensure that the financial and economic aspects of Spring REIT's assets are professionally managed in the sole interests of Unitholders.

J. The Trust Deed and related matters

Since the Offeror has clearly stated its intention to appoint a New Manager for conducting a strategic review and that it will also consider the option of terminating Spring REIT, we believe it is necessary to provide a review of each Unitholder's rights and claims under such circumstances. Spring REIT is a REIT constituted and governed by the Trust Deed entered into between the Manager and the Trustee, dated 14 November 2013 and as amended and restated from time to time. The provisions of the Trust Deed is binding on the Trustee, the Manager and each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contained covenants on the part of each Unitholder to observe and be bound by the provisions of the Trust Deed and an authorization by each Unitholder to do all such acts and things as the Trust Deed may require the Manager and/or the Trustee to do.

The assets of Spring REIT and income arising from those assets separately are held by the Trustee on trust for the benefit of the Unitholders *pari passu* according to the number of Units held by each Unitholder, subject to the terms and conditions of the Trust Deed.

The rights and interests of Unitholders are contained in the Trust Deed. Under the Trust Deed, the Trustee must exercise all due diligence and vigilance in protecting the rights and interests of Unitholders.

Each Unit represents an undivided interest in Spring REIT. In other words, REIT investors are akin to property investors, in that there is certainty as to distribution payout of not less than 90% of distributable income (audited net income adjusted for certain non-cash items) annually and the right to an undivided interest in the REIT. Unitholder's rights are not only protected under the Trust Deed, but are also protected under the REIT Code.

The Prospectus states that, under the Trust Deed, Spring REIT is of indeterminate duration but may be terminated (i) if Spring REIT is wound up by a court order or the operation of law, or whereby there is no manager for a period of more than 60 calendar days or such longer period as the Trustee considers appropriate. Otherwise Spring REIT shall continue until the expiration of 80 years less one day from the date of commencement of Spring REIT as provided in the Trust Deed, or until Spring REIT is terminated or merged; or (ii) with the specific approval prior approval by special resolution at a meeting to be convened in accordance with the provisions contained in the Trust Deed by the Manager.

Where a proposal to terminate Spring REIT is recommended by the Manager, the Manager and any connected persons of the Manager shall abstain from voting if they hold interests in the Units and if their interest (at the sole determination of the Trustee) in terminating Spring REIT is different from that of all other Unitholders. Pursuant to the Trust Deed and according to Rule 11.8 of the REIT Code, all investments shall be disposed of through public auction or any form of open tender

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and the disposal price shall be the best available price obtained through public auction or open tender. Subject to the provisions of the Trust Deed, any net cash proceeds derived from the sale or realization of such investments shall be distributed to the Unitholders pro rata to the number of Units held or deemed to be held by them at the date of termination of Spring REIT.

Under the Trust Deed, Unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in the exercise of any discretion expressly conferred on the Trustee or Manager.

K. Rights of Unitholders

We note that as set out in the Prospectus, the key rights of Unitholders include rights to:

- (a) receive income and other distribution attributable to the Units held;
- (b) receive audited accounts and the annual reports and semi-annual reports of Spring REIT; and
- (c) participate in the termination of Spring REIT (which is subject to a special resolution being approved by of Unitholders attending and voting at the relevant Unitholder's meeting and not more than 10% of Unitholders attending and voting against the delisting) by receiving a share of all new cash proceeds derived from the realisation of the assets of Spring REIT, in accordance with their proportionate interests in Spring REIT.

The Strategic Options proposed by the Offeror include acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers, and/or a Possible Disposal of Assets, Termination and Delisting of Spring REIT. With respect to the rights of the Unitholders as stated in (c) above, in the event the proposed new manager decides to recommend a disposal of assets, termination and delisting of Spring REIT after conducting the strategic review, Unitholders should currently expect to receive the latest audited NAV as at 31 December 2017 of HK\$6.22 per Unit or the unaudited NAV as at 30 June 2018 of HK\$6.05 per Unit, which will be subject to market and financial conditions. As stated by the Offeror in the Offer Document, under the REIT Code, the proposed new manager will be obligated to act in the best interests of all Unitholders when conducting the strategic review and implementing recommendations that result from the strategic review. In other words, Unitholders should expect that the results of the other Strategic Options, apart from the Possible Disposal of Assets, Termination and Delisting of Spring REIT, should be better than or equal to the latest audited NAV as at 31 December 2017 of HK\$6.22 per Unit or the unaudited NAV as at 30 June 2018 of HK\$6.05 per Unit, subject to the then prevailing market and financial conditions.

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The expected net proceeds upon disposal of assets and termination of Spring REIT or the expected value to be derived from the other Strategic Options may also likely be over and above such NAV as the assets should be disposed of through public auction or open tender to derive the best available price and the other Strategic Options should be better than or equal to such return given the proposed new manager will be obligated to act in the best interests of all Unitholders (then outstanding). On the basis that Unitholders should be entitled to receive net cash proceeds on a pro-rata basis without any discount or deduction upon disposal of assets and termination of Spring REIT, or a better or equivalent return if the other Strategic Options were to be considered beneficial to the then outstanding Unitholders after the strategic review, we are of the view that the Offer Price is not fair and reasonable as it represents a discount of approximately 22.02% and 19.83% to the audited NAV per Unit of HK\$6.22 as at 31 December 2017 and the unaudited NAV per Unit of HK\$6.05 as at 30 June 2018 respectively. As mentioned above, we consider that if the Offeror or new manager proposes Strategic Options other than the Possible Disposal of Assets, Termination and Delisting of Spring REIT, the expected value from such options should be better than or equal to the NAV upon termination, subject to market and financial conditions and the timing if and when the termination materializes subject to regulatory requirements including and not limited to the REIT Code and the Trust Deed.

Although currently there is no certainty as to whether or not the Offeror may ultimately decide on a Possible Disposal of Assets, Termination and Delisting of Spring REIT, and that the final entitlement of Unitholders upon termination of Spring REIT cannot be ascertained with certainty as at the Latest Practicable Date, the mechanism under the Trust Deed ensures that Unitholder's interests are protected and their entitlements should not be subject to any discount or deduction should a disposal be required by public auction or open tender to achieve the best available price. Also, the Offeror has stated that the proposed new manager is expected to choose the Strategic Option which is in the best interests of all Unitholders. Accordingly, Unitholders should not accept the Offer in order to benefit from any Strategic Options to be proposed by the new manager.

L. Assessment of Strategic Options proposed by the Offeror, including Possible Disposal of Assets, Termination and Delisting of Spring REIT, following the strategic review by the proposed new manager

The Strategic Options proposed by the Offeror, which include acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers, and/or the Possible Disposal of Assets, Termination and Delisting of Spring REIT, will be the potential outcome following a strategic review by the proposed new manager, which is intended to be an affiliated company of PAG Real Estate. Since the Offeror has specifically stated the Possible Disposal of Assets, Termination and Delisting of Spring REIT as one of the Strategic Options, in contrary to other offerors for listed companies who did not include termination as one of the options, we believe it is necessary for our assessment to also cover such possibility in order to present an objective view for the Unitholders.

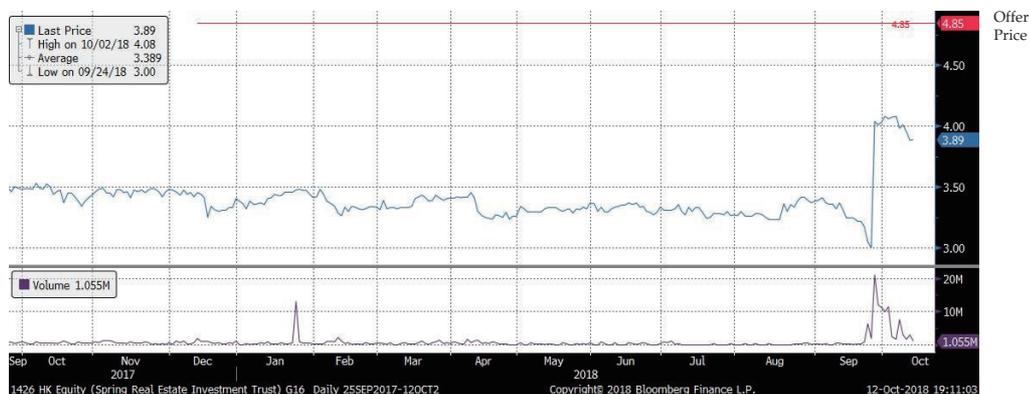
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For Unitholders who accept the Offer, they will no longer be entitled to a pro-rata distribution of the net cash proceeds of Spring REIT's assets upon its termination, if any. As the expected return upon disposal of assets and termination and delisting of Spring REIT shall be based on the audited NAV as at 31 December 2017 of HK\$6.22 per Unit or the unaudited NAV as at 30 June 2018 of HK\$6.05 per Unit, Unitholders who accept the Offer, will forego the difference or discount between the pro-rata entitlements to the final expected net proceeds and the Offer Price, i.e. for illustration purposes, HK\$1.37 per Unit or HK\$1.20 per Unit, assuming final net proceeds upon termination of HK\$6.22 or HK\$6.05 per Unit respectively, subject to market and financial conditions at the actual date of termination of Spring REIT if it materialises subject to, inter alia, the application of the Listing Rules and REIT Code.

In addition to the Possible Disposal of Assets, Termination and Delisting of Spring REIT, the Offeror has also proposed acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers as other options. Since the proposed new manager is expected to recommend the Strategic Option which is in the best interests of all Unitholders as a whole, Unitholders should expect a return better than or equal to the Possible Disposal of Assets, Termination and Delisting of Spring REIT, which is based on the audited NAV as at 31 December 2017 or the unaudited NAV as at 30 June 2018. Among the Strategic Options proposed by the Offeror, for which the proposed new manager after a strategic review may either decide on the disposal of assets, termination and delisting of Spring REIT, or choose another Strategic Option which should achieve a return better or equivalent having considered the proposed new manager will act in the best interests of all Unitholders, the current Offer Price of HK\$4.85 which is at a 22.02% and 19.83% discount to the audited NAV of Spring REIT as at 31 December 2017 and to the unaudited NAV of Spring REIT as at 30 June 2018 respectively is not fair and reasonable so far as the Independent Unitholders are concerned. Unitholders are also advised to refer to the analysis of the Unit price performance and trading liquidity, comparable company analysis of REITs listed in Hong Kong, general offer terms for units of REITs listed in Hong Kong and comparable transaction analysis of REITs in Singapore in Paragraphs M, N, O and P respectively below.

M. Unit price performance and trading liquidity of Spring REIT

Set out below in the chart are the movements of the closing prices of the Spring REIT Units on the Stock Exchange during the period from the 12 months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date:



Source: Bloomberg

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As shown in the Unit price chart above, the Unit price of Spring REIT has generally traded within a narrow band around HK\$3.00 to HK\$3.50, with an average of HK\$3.39 over the period from the 12 months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date. This steady Unit price has seen an increase from the Last Trading Day to the Unit price on the Latest Practicable Date of HK\$3.89, which is an approximately 15.77% increase from the 12-month average of HK\$3.36, as a result of market expectations regarding the Offer. The highest and lowest Unit price during such period was HK\$4.08 and HK\$3.00 on 2 October 2018 and 24 September 2018 respectively. Our understanding is that, after discussions with the Manager, the investor base of REITs tend to be mainly long-term funds or professional and retail investors with a long-term investment horizon, who are not speculators for the short-term, thus leading to the stable Unit price over the 12-month period preceding the commencement of the Offer Period.

The Offer Price of HK\$4.85 (as marked by the red line in the Unit price chart above) is higher than the highest Unit price in the 12-month period preceding the commencement of the Offer Period, and therefore has led to an increase in trading volume in the Units (as shown in the average daily trading volume table below). The Offer Price is also 27.3% over Spring REIT's IPO price of HK\$3.81 per Unit and is 24.0% higher than the highest traded price since listing up to the Last Trading Day of HK\$3.91 per Unit, and 61.7% over the closing price on the Last Trading Day of HK\$3.00 per Unit. The Unit price has traded at a discount to NAV and as at the Latest Practicable Date, such discount was approximately 37.46% and 35.70% to the audited NAV as at 31 December 2017 of HK\$6.22 per Unit and the unaudited NAV as at 30 June 2018 of HK\$6.05 per Unit respectively. However, the Unit price as at the Latest Practicable Date of HK\$3.89 is still at a discount of approximately 19.79% below the Offer Price, indicating that Unitholders cannot fully divest their Units in the secondary market at or above the Offer Price. In addition, given the Offer Price is at a 22.02% and 19.83% discount to the audited NAV as at 31 December 2017 or the unaudited NAV as at 30 June 2018 respectively (which is a material factor in the context of a Possible Disposal of Assets, Termination and Delisting of Spring REIT, being one of the potential Strategic Options, among others, as proposed by the Offeror, which is explained in detail in Paragraphs J, K and L above), apart from providing a short-term exit opportunity to Unitholders who may wish to take advantage of the market liquidity created by the commencement of the Offer Period and accept the Offer for short-term gain, the Offer Price is not fair and reasonable despite its premium to market Unit price since an appropriate valuation benchmark of Spring REIT in view of the different potential Strategic Options should be in the NAV of Spring REIT. Unitholders may consider to sell their Units in the open market after carefully monitoring the market price and trading volume of the Units in order to take advantage of the current Unit price and increase in turnover to liquidate all or part of their Units if the market price is above the Offer Price, or they may consider to accept the Offer. Unitholders are advised to exercise extreme caution when dealing in the Spring REIT Units during the Offer Period as the Offer may lapse under the Conditions as set out in the Offer Document, and there is no certainty that the Unit price will remain at the current levels irrespective of whether the Offer is declared unconditional or not.

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Set out below in the table are the average daily trading volume of the Spring REIT Units and the percentage of the average daily trading volume to the total issued Units of Spring REIT and the total number of Units of Spring REIT held by the Independent Unitholders respectively during the period from the 12 months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date:

Period/month	Average daily trading volume of Spring REIT Units for the month/period	Approximate % of average daily trading volume to the total issued Units of Spring REIT (Note 1)	Approximate % of average daily trading volume to the total number of Units of Spring REIT held by the Independent Unitholders (Note 1, 2)
From 1 October 2018 up to and including the Latest Practicable Date	4,538,000	0.36%	0.42%
September 2018	55,950,000	4.41%	5.18%
August 2018	3,730,000	0.29%	0.35%
July 2018	3,880,000	0.31%	0.36%
June 2018	3,920,000	0.31%	0.36%
May 2018	4,300,000	0.34%	0.40%
April 2018	8,910,000	0.70%	0.83%
March 2018	8,550,000	0.68%	0.79%
February 2018	9,870,000	0.78%	0.92%
January 2018	20,100,000	1.60%	1.88%
December 2017	12,260,000	0.97%	1.15%
November 2017	12,380,000	0.98%	1.16%
October 2017	10,210,000	0.81%	0.96%

Source: Bloomberg, Stock Exchange website

Notes:

- Based on the total of 1,254,419,551 Units as at 31 October 2017, 1,257,705,732 Units as at 30 November 2017, 1,261,411,963 Units as at 31 March 2018, 1,265,180,645 Units as at 30 April 2018, 1,268,972,532 Units as at 31 August 2018, and 1,268,972,532 Units as at 30 September 2018 and up to the Latest Practicable Date, in issue of Spring REIT.
- Based on the total of 1,066,388,151 Units as at 31 October 2017, 1,069,674,332 Units as at 30 November 2017, 1,078,380,563 Units as at 31 March 2018, 1,077,149,245 Units as at 30 April 2018, 1,080,941,132 Units as at 31 August 2018, and 1,080,941,132 Units as at September and up to the Latest Practicable Date, held by the Independent Unitholders (which is calculated by the difference between the total Units of Spring REIT in issue for the month and the Units held by the Offeror and parties acting in concert with it of 188,031,400 Units on 27 September 2018, as disclosed in the Offer Document).

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The table above shows that the average daily trading volume ranged from approximately 3.73 million Units in August 2018 to the highest daily trading volume of approximately 55.95 million Units in September 2018, and further to approximately 4.54 million Units in October 2018 up to the Latest Practicable Date. The sharp rise in trading volume in September 2018 was due to the commencement of the Offer Period, which accounted for an average daily trading volume of 5.18% of the total number of Units of Spring REIT held by the Independent Unitholders, and the trading volume has seen a decline in October 2018, which accounted for an average daily trading volume of 0.42% of the total number of Units of Spring REIT held by the Independent Unitholders as at the Latest Practicable Date. Based on the above table, while the historical daily trading volume of the Units during the period from the 12 months preceding the commencement of the Offer Period has not been particularly high in absolute terms relative to the total issued Units of Spring REIT and the total number of Units held by the Independent Unitholders. Apart from the approximately 55.95 million Units of average daily trading volume in September 2018 due to the commencement of the Offer Period, the highest average daily trading volume was approximately 20.10 million Units in January 2018. **Nonetheless, Unitholders should exercise extreme caution when dealing in Spring REIT Units during the Offer Period as the Offer may lapse under the Conditions as set out in the Offer Document and there is no certainty that the recent increase in trading liquidity will maintain irrespective of whether the Offer is declared unconditional or not. Unitholders are advised to refer to Recommendation section below with regards to whether or not to accept the Offer.**

N. Comparable company analysis of REITs listed in Hong Kong

Set out below in the table is the peer comparison of all REITs listed in Hong Kong as at the Latest Practicable Date:

Stock code	REIT comparable company name (Note 1)	Last unit trading price (HK\$)	Market capitalization (HK\$ million) (Note 2)	Total distributable income (TDI) (HK\$ million) (Note 3,4)	Net assets attributable to unitholders (NAV) (HK\$ million) (Note 3,4)	NAV per unit (HK\$) (Note 2)	Price to book ratio/Price to NAV ratio		Distribution yield (%)
							(A)/(B)	(A)/(C)	
1426	Spring REIT (note 6)	3.89 3.00	4,936 3,807	261	7,695	6.05	18.91 14.59	0.64 0.49	6.17 8.00
823	Link REIT	71.95	151,957	5,281	178,594	84.56	28.77	0.85	3.47
405	Yuexiu REIT	4.82	14,650	939	16,274	5.35	15.60	0.90	6.65
87001	Hui Xian REIT	3.10	20,223	1,692	30,435	5.29	11.95	0.66	8.77
2778	Champion REIT	5.27	30,814	1,487	60,351	10.32	20.72	0.51	4.76
778	Fortune REIT	8.66	16,603	971	26,888	14.02	17.10	0.62	5.41
808	Prosperity REIT	2.86	4,236	262	8,054	5.44	16.17	0.53	6.24
435	Sunlight REIT	4.98	8,192	451	14,857	9.03	18.16	0.55	5.32
1881	Regal REIT	2.18	7,101	473	15,485	4.75	15.01	0.46	6.65
625	RREEF CCT (note 1)	4.35	2,019	N/A	(100)	N/A	N/A	N/A	N/A
1275	New Century REIT	1.73	1,664	124	2,731	2.85	13.42	0.61	6.92
	MAXIMUM (note 1, 6)						28.77	0.90	8.77
	MEDIAN (note 1, 6)						16.64	0.62	6.21
	MEAN (note 1, 6)						17.58	0.63	6.04
	MINIMUM (note 1, 6)						11.95	0.46	3.47
	Offer Price (note 5)	4.85	6,155				23.58	0.80	4.95

Source: Bloomberg, Stock Exchange website

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Notes:

1. REIT comparables exclude RREEF China Commercial Trust as it disposed all of its real estate business and relevant assets in 2010 and is in the process of termination and liquidation. We consider RREEF CCT not comparable with Spring REIT in generating a meaningful analysis in this respect.
2. The market capitalization of the REIT comparables were calculated based on their respective closing price per unit as at the Latest Practicable Date. Their respective number of issued units as per their respective latest published Next Day Disclosure Return or Monthly Return.
3. The total distributable incomes (TDI) and net assets attributable to unitholders (NAV) are extracted from their latest respective annual reports.
4. For illustrative purposes, the conversion of Renminbi (RMB) into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB0.88, and the conversion of US dollar (US\$) into HK\$ is based on the approximate exchange rate of HK\$1.00 to US\$0.13, as appropriate.
5. Based on the Offer Price of HK\$4.85 per Unit and the total number of 1,268,972,532 Units as at the Latest Practicable Date.
6. Being the last unit trading price on the Last Trading Day of Spring REIT for illustration purposes to eliminate the effect of the Offer on Spring REIT's Unit price, and not being used for the calculation of maximum, median, mean and minimum.

Among the 11 REITs listed on the Stock Exchange as shown above, Spring REIT has a price to TDI ratio of 18.91 and 14.59 and a price to book ratio of 0.64 and 0.49 as at the Latest Practicable Date and as at the Last Trading Day respectively. Based on the Offer Price, the price to TDI ratio and price to book ratio of Spring REIT is 23.58 and 0.80 respectively. The price to TDI ratio and price to book ratio of Spring REIT as at the Latest Practicable Date was approximately 7.57% and 1.59% higher than the mean of all REITs listed in Hong Kong respectively, and the price to TDI ratio and price to book ratio of Spring REIT as at the Last Trading Day was approximately 17.01% and 22.22% lower than the mean of all REITs listed in Hong Kong. The price to TDI ratio and price to book ratio of Spring REIT, based on the Offer Price, is above the mean and median of all REITs listed in Hong Kong and above all the respective ratios of REITs listed in Hong Kong, apart from Link REIT and Yuexiu REIT.

It is noted that the distribution yield of REITs in Hong Kong ranges from 3.47% to 8.77% with an average of 6.04% and the distribution yield of Spring REIT of 6.17%, as at the Latest Practicable Date, is also higher than the market average of all REITs listed in Hong Kong. Based on the closing Unit price on the Last Trading Day of HK\$3.00, the distribution yield of Spring REIT of 8.00% was among the highest of all REITs listed in Hong Kong, apart from Hua Xian REIT. Based on the Offer Price, the distribution yield of Spring REIT is 4.95%, which is lower than the mean and median of all REITs listed in Hong Kong.

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Set out below in the table is the peer comparison of the change in unit price of all REITs listed in Hong Kong, as well as the change in closing prices of the Hang Seng Index and the Hang Seng REIT Index, over the period from 5 December 2013, being the date of listing of Spring REIT, up to and including 24 September 2018, being the Last Trading Day (preceding the commencement of the Offer Period):

Stock code	REIT comparable company name	Last unit trading price/index closing price on 5 December 2013 (HK\$)	Last unit trading price/index closing price on 24 September 2018 (HK\$)	Premium/ (discount) on the last unit trading price/index closing price (HK\$)	Premium/ (discount) on the last unit trading price/index closing price (%)
1426	Spring REIT	3.20	3.00	(0.20)	(6.25%)
823	Link REIT	38.00	73.70	35.70	93.95%
405	Yuexiu REIT	3.82	5.15	1.33	34.82%
87001	Hui Xian REIT	3.86	3.15	(0.71)	(18.39%)
2778	Champion REIT	3.54	5.46	1.92	54.24%
778	Fortune REIT	6.25	9.28	3.03	48.48%
808	Prosperity REIT	2.28	3.06	0.78	34.21%
435	Sunlight REIT	3.01	5.27	2.26	75.08%
1881	Regal REIT	2.25	2.24	(0.01)	(0.44%)
625	RREEF CCT (note 1)	4.35	4.35	N/A	N/A
1275	New Century REIT	3.63	1.88	(1.75)	(48.21%)
	MAXIMUM (note 1)				93.95%
	MEDIAN (note 1)				34.52%
	MEAN (note 1)				26.75%
	MINIMUM (note 1)				(48.21%)
HSI	Hang Seng Index	23,712.57	27,499.39	3,786.82	15.97%
HSREIT	Hang Seng REIT Index	5,407.77	7,283.79	1,876.02	34.69%

Source: Bloomberg

Notes:

- REIT comparables exclude RREEF China Commercial Trust as it disposed all of its real estate business and relevant assets in 2010 and is in the process of termination and liquidation. We consider RREEF CCT not comparable with Spring REIT in generating a meaningful analysis in this respect.

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Also set out below in the chart are the movements of the closing prices of the Spring REIT Units on the Stock Exchange compared with that of other REITs listed in Hong Kong, as well as the Hang Seng Index and the Hang Seng REIT Index, over the period from 5 December 2013, being the date of listing of Spring REIT, up to and including 24 September 2018, being the Last Trading Day (preceding the commencement of the Offer Period):



Source: Bloomberg

As shown in both the peer comparison table and chart of unit prices of all REITs listed in Hong Kong above, from the time of Spring REIT's IPO in 2013 up to the Last Trading Day, Spring REIT's Unit price has decreased by 6.25%, which was below the mean and median of the unit price performance of all REITs listed in Hong Kong, yet still performed better than Hui Xian REIT (with a decrease in unit price of 18.39%) and New Century REIT (with a decrease in unit price of 48.21%). During the same period, although Spring REIT Unit price performance underperformed the Hang Seng REIT Index and the Hang Seng Index, Spring REIT was not the worst performing REIT in terms of unit price performance among the constituents of the Hang Seng REIT Index. Apart from merely unit price comparison, we believe it is also important to consider the distribution yield, the price to TDI ratio and the price to book ratio given the unique investment nature of REIT, as opposed to a property stock, which is not only focused on short-term capital gain from Unit price but also the long-term stability of distribution.

O. General offer terms for units of REITs in Hong Kong

We have identified only one unconditional mandatory cash offer transaction within the last 24 months in respect of units of New Century Real Estate Investment Trust ("**New Century REIT**") listed in Hong Kong. This is an exhaustive list of comparable transactions for REITs listed in Hong Kong within the last 24 months. REITs are not designed to deliver short-term capital gains (through disposal or speculative trading of assets) but to provide long-term stable distribution. Also, given that the structure of REITs and its objectives are significantly different from other listed property companies, we do not consider that an analysis of transactions for listed property companies has any bearing on the terms and Offer Price herein.

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The offer price of HK\$2.5011 in that case represented a premium of 6.43%, 7.34%, 5.09% and 0.35% in respect of the closing price on the last trading day, the average closing price for the 5 consecutive trading days prior to and including the last trading day, the average of the closing price for the 10 consecutive trading days prior to and including the last trading day and the closing price on the latest practicable date respectively. The offer price also represented a discount of approximately 9.38% to the latest unaudited consolidated net assets attributable to unitholders of New Century REIT as at 30 June 2016. In that case, the offeror intended to continue with the existing operations and did not intend to terminate the REIT. Since the transaction did not involve a possible disposal of assets nor the termination or delisting of the REIT, unitholders did not have the expectation of achieving the NAV or more upon a possible disposal of assets or termination of the REIT after completion of the cash offer. Nonetheless, we note that the offer price was at a discount of 9.38% to the latest unaudited consolidated net asset attributable to unitholders, which is lower than the discount to the audited NAV of Spring REIT as at 31 December 2017 and the unaudited NAV of Spring REIT as at 30 June 2018 of 22.02% and 19.83% respectively for the Offer herein.

P. Comparable transaction analysis of REITs in Singapore

We have identified only one comparable scheme of arrangement or general offer transaction in cash of REIT within the last 24 months outside Hong Kong in respect of units of Croesus Retail Trust (“CRT”) listed on the Singapore Stock Exchange, which we consider relevant to the Offer as it was a Scheme of Arrangement for acquiring all units in the REITs pursuant to which upon the scheme becoming effective in accordance with its terms, the REIT would be delisted and removed from the Official List of the Singapore Stock Exchange. This is an exhaustive list of comparable transactions for REITs listed on the Singapore Stock Exchange within the last 24 months. The details of this transaction is explained in further detail below. Although comparisons of REITs using their NAVs may be affected by differences in accounting policies, in particular depreciation and amortization policies, we consider that the terms for such transaction are directly comparable to REITs listed in Hong Kong.

According to the scheme document of CRT dated 22 August 2017 (the “**Scheme Document**”), on 28 June 2017, the trustee-manager of CRT, and the offeror (a company incorporated in Singapore by funds managed or advised by affiliates of The Blackstone Group L.P.) jointly announced the proposed acquisition of all the issued units in CRT by the offeror. According to the Scheme Document, The Blackstone Group L.P. and its affiliates (the “**Blackstone Group**”) is one of the largest institutional real estate investors in the world. With offices in the United States of America, Europe and Asia, as of 31 December 2016, the Blackstone Group manages US\$102 billion of equity for real estate investments. As of the date of and according to the information disclosed in the Scheme Document, since 2004, the Blackstone Group has completed over 20 public company real estate acquisitions with a combined transaction value in excess of US\$110 billion. Upon the scheme becoming effective in accordance with its terms, the REIT would be delisted and removed from the Official List of the Singapore Stock Exchange. The scheme consideration of S\$1.17 for CRT was at a **premium of 19.9% to the adjusted NAV per unit** as at 30 June 2017 and at a premium of 24%, 26% and 38% to the last full trading day price, 1-month Volume Weighted Average Price (“**VWAP**”) and 1-year VWAP respectively.

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Since both the above CRT transaction and the intention of the Offeror in the Offer includes the possibility of a delisting of the REIT, and the CRT scheme consideration was at a 19.9% premium to adjusted NAV and the Offer Price herein is at a discount of 22.02% and 19.83% to the audited NAV per Unit as at 31 December 2017 and the unaudited NAV as at 30 June 2018 respectively, the Offer Price is therefore not fair and reasonable on this basis.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, in particular:

- (1) the objective of Spring REIT since its listing is primarily to own and invest in high quality income-producing real estate assets;
- (2) the key objectives of the Manager for Spring REIT are to provide Unitholders with stable distributions and potential for sustainable long-term growth in the distributions and enhancement in the value of the real estate assets;
- (3) the Offer Price is at a discount of (i) 22.02% to the audited NAV per Unit as at 31 December 2017 was HK\$6.22 per Unit and (ii) 19.83% to the unaudited NAV per Unit as at 30 June 2018 was HK\$6.05 per Unit;
- (4) the discount of the Offer Price compared to the audited NAV per Unit as at 31 December 2017 and the unaudited NAV per Unit as at 30 June 2018 represents 5.7 years of distributions and 5.0 years of distributions respectively which more than outweighs the gain that Unitholders will receive for the 4.0 years of distribution, being the difference between the Offer Price and the Unit price as at the Latest Practicable Date. The premium of the Offer Price over the Unit price as at the Last Trading Day was 7.7 years of distribution;
- (5) the Offeror's intention regarding the operations of Spring REIT, including and not limited to the fact that the proposed new manager after conducting a strategic review could recommend a Possible Disposal of Assets, Termination and Delisting of Spring REIT and/or other Strategic Options which should have a better than or equal return to the unaudited NAV of Spring REIT, if that is in the best interests of Unitholders as a whole, and Unitholders who wish to participate in the strategic review and the Strategic Options which may be proposed by the new manager should not accept the Offer;
- (6) under the Trust Deed, upon termination of Spring REIT, the disposal of assets should be conducted by way of public auction or open tender to derive the best available price and it is likely that this or the other Strategic Options will result in a price which is higher than or at least equivalent to the current NAV per Unit disclosed above;
- (7) based on the comparable transaction of REIT listed in Singapore, that the scheme consideration for CRT was priced at a **premium** of 19.9% above the latest adjusted NAV per Unit; and

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (8) the Offer Price is 61.7% over the closing Unit price on the Last Trading Day and a 24.68% higher than the Unit price as the Latest Practicable Date,

we are of the opinion that the terms of the Offer are not fair and reasonable so far as the Independent Unitholders are concerned and we would advise the Independent Unitholders and the Independent Board Committee to recommend the Independent Unitholders not to accept the Offer.

In making this recommendation, we also note that Unitholders are at liberty to accept the Offer according to their own personal preference, investment horizon and objectives and they should consult their own professional advisers for advice specific to their own circumstances.

Unitholders who are considering re-couping their investments for a short-term gain during the Offer Period may consider to sell their Units in the open market after carefully monitoring the market price and trading volume of the Units in order to take advantage of the current Unit price and increase in turnover to liquidate all or part of their Units if the market price is above the Offer Price, or they may consider to accept the Offer. **However, the Offer may lapse according to the terms and conditions as set out in the Offer Document and Unitholders are advised to exercise extreme caution when dealing in the Units and closely monitor the market price and trading volume which may not be sustainable. Unitholders are therefore advised that they may wish to take a wait-and-see approach until the Offer is declared unconditional before deciding whether and what actions they wish to take.**

Yours faithfully,
For and on behalf of
Trinity Corporate Finance Limited
Keith Jacobsen Joanne Pong
Responsible Officer Responsible Officer

Mr. Keith Jacobsen and Ms. Joanne Pong are licensed persons registered with the Securities and Futures Commission and responsible officers of Trinity Corporate Finance Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Keith Jacobsen and Ms. Joanne Pong have participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong, and have over 25 years and 17 years of experience in the corporate finance industry respectively.

1. FINANCIAL INFORMATION OF SPRING REIT

Set out below is a summary of the financial information of Spring REIT for the six months ended 30 June 2018 and the past three financial years ended 31 December 2015, 2016 and 2017, which are extracted from the unaudited consolidated financial statements of Spring REIT as set forth in the interim report of Spring REIT for the six months ended 30 June 2018 and the audited consolidated financial statements of Spring REIT as set forth in the annual reports of Spring REIT for the past three financial years ended 31 December 2015, 2016 and 2017.

No modified or qualified opinion had been given in the auditors' report issued by PricewaterhouseCoopers in respect of each of the three financial years ended 31 December 2015, 2016 and 2017.

	Six months ended 30 June 2018	Year ended 31 December		
	<i>(US\$ million)</i>	<i>2017 (US\$ million)</i>	<i>2016 (US\$ million)</i>	<i>2015 (US\$ million)</i>
Revenues	43,407	76,695	75,431	80,515
Property operating expenses	<u>(10,712)</u>	<u>(19,615)</u>	<u>(18,593)</u>	<u>(19,239)</u>
Net property income	32,695	57,080	56,838	61,276
General and administrative expenses	(6,602)	(11,761)	(9,428)	(9,320)
Fair value gain of investment properties	1,981	4,807	100,477	35,543
Other losses, net	<u>(1,781)</u>	<u>(5,147)</u>	<u>(5,214)</u>	<u>(854)</u>
Operating profit	26,293	44,979	142,673	86,645
Finance income	303	482	519	559
Finance costs on interest-bearing borrowings	<u>(20,026)</u>	<u>9,874</u>	<u>(51,898)</u>	<u>(46,837)</u>
Profit before taxation and transactions with Unitholders	6,570	55,335	91,294	40,367
Income tax expenses	<u>(81)</u>	<u>(175)</u>	<u>–</u>	<u>–</u>
Profit for the period, before transactions with Unitholders	<u>6,489</u>	<u>55,160</u>	<u>91,294</u>	<u>40,367</u>

	Six months ended 30 June 2018	Year ended 31 December		
	2018	2017	2016	2015
	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
Earnings per unit based upon profit before transactions with Unitholders				
Basic (US cents)	0.5	4.57	8.11	3.62
Diluted (US cents)	0.5	4.56	8.09	3.61
Total comprehensive income for the period, before transactions with Unitholders	(9,157)	110,264	35,136	3,275
Distributable income for the period	20,082	33,967	35,872	41,234
Total distributions of the period	<u>19,339</u>	<u>33,967</u>	<u>33,451</u>	<u>38,389</u>
Distributions per unit to Unitholders for the period (HK cents)	<u>12.0</u>	<u>21.1</u>	<u>23.0</u>	<u>26.6</u>

2. INFORMATION INCORPORATED BY REFERENCE

The financial information of Spring REIT for the six months ended 30 June 2018 and the year ended 31 December 2017 has been published in the reports as follows:

- (1) the financial statements of Spring REIT for the six months ended 30 June 2018 (including all accompanying notes) is disclosed in the interim report of Spring REIT for the six months ended 30 June 2018 published on 30 August 2018 (www.springreit.com/files/LTN20180830478.pdf), from pages 28 to 57; and
- (2) the financial statements of Spring REIT for the year ended 31 December 2017 (including all accompanying notes) is disclosed in the annual report of Spring REIT for the year ended 31 December 2017 published on 20 April 2018 (www.springreit.com/files/LTN20180420465.pdf), from pages 99 to 139.

The interim report for the six months ended 30 June 2018 and the annual report for the year ended 31 December 2017 of Spring REIT have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of Spring REIT (www.springreit.com/en-us/financial_reports/index).

3. INDEBTEDNESS

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 Response Document, Spring REIT had in place aggregate secured loan facilities of approximately US\$533.6 million, comprising:

- (i) a fully drawn term loan facility of US\$450 million and an uncommitted facility of US\$20 million (with US\$18 million drawn down), which will expire in April 2020; and
- (ii) a facility of GBP50 million (equivalent to approximately US\$65.6 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 and its subsidiaries did not have any outstanding, nor had Spring REIT or any of its subsidiaries agreed to issue or enter into any, bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities, in each case 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 Response Document.

4. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors and the Manager confirm that, save for (i) the Huizhou Transaction as described in the Huizhou Transaction Circular; and (ii) the Offer as described in the Offer Document, there has not been any material change in the financial or trading position or outlook of Spring REIT since 31 December 2017, being the date to which Spring REIT's latest published audited consolidated financial statements were made up, and up to the Latest Practicable Date.

The following text is extracted from the section headed “Letter from UBS — Offeror’s intention in relation to Spring REIT” in the Offer Document.

OFFEROR’S INTENTION IN RELATION TO SPRING REIT

The Offeror intends to requisition an extraordinary general meeting of the Unitholders upon the Offer becoming unconditional in all respects to vote on a resolution to remove the Manager and to appoint a new manager of Spring REIT, which will be an affiliated company of PAG Real Estate, for the reasons set forth below:

- (i) Continued and material Unit price underperformance. Spring REIT’s unit price has underperformed in many key respects. From the time of its IPO in 2013 up to the Last Trading Day, Spring REIT’s unit price has underperformed the Hang Seng REIT Index¹ by 41.6% and the Hang Seng Index by 32.1%. During this period, Spring REIT’s Unit price decreased by approximately 21.3%, making Spring REIT, in terms of unit price performance, the worst performing REIT among the constituents of the Hang Seng REIT Index.*
- (ii) Questionable decision-making and governance practices. In 2017, the Manager’s decision to acquire 84 commercial properties involving leases with an indirect wholly-owned subsidiary of Itochu Corporation, a related party, in the UK (which is a market where the Manager has no relevant track record or active presence), together with the dilutive placement of new Units, negatively affected distributions per Unit from 2016 to 2017. This placement of Units, at a discount of 45.4% to NAV, significantly diluted the voting rights and economic interests of the Unitholders.*
- (iii) Lack of clear strategy and coherent business plan. The Manager has consistently failed to articulate a coherent strategy to address the persistent underperformance of Spring REIT. It has expanded the investment scope of Spring REIT, in terms of geography and types of investments, without clearly articulating how the broader scope would be matched with adequate operational and financial resources and capabilities.*

The Offeror believes that the deficiencies described above expose all Unitholders to a material risk that the Manager will continue to make value-destroying decisions like the highly dilutive unit placement last year. The Offeror has no confidence that the Manager will deliver acceptable outcomes for Unitholders, and strongly believes that it must act now to preserve the value of its existing investment.

¹ *The Hang Seng REIT Index, consisting of nine REITs listed on the Stock Exchange, is the key benchmark that tracks the performance of REITs in Hong Kong. From the IPO date to the Last Trading Day, Spring REIT’s unit price has declined by 21.3% and the Hang Seng REIT Index has increased by 34.8%.*

Upon the removal of the Manager and the appointment of the new manager of Spring REIT, it is intended the New Manager will conduct a strategic review of Spring REIT, which will seek to review the strategy, performance and governance of Spring REIT and analyze strategic options for Spring REIT. Strategic options for Spring REIT could include, among others, acquisitions of assets, asset enhancement, changes in capital structure, refinancings, mergers, disposals of assets and/or termination of Spring REIT. Under the REIT Code, the New Manager will be obligated to act in the best interests of all Unitholders when conducting the strategic review and implementing recommendations that result from the strategic review. Prior to the completion of the strategic review, the Offeror has no plans, if the Offer is completed, to: (i) make any major change to the business and operations of Spring REIT, including any redeployment of assets; (ii) initiate any major change to the investment policy of Spring REIT; or (iii) discontinue the employment of the employees of the Manager or of Spring REIT Group (other than in the ordinary course of business), but if the existing Manager is removed and the New Manager is appointed as further described below, the board of the New Manager will comprise of directors which are different from the directors on the board of the current Manager.

The removal of the existing Manager and the appointment of the New Manager are subject to the approval of the Unitholders of Spring REIT by way of an ordinary resolution at a general meeting. The appointment of the New Manager is also subject to satisfaction of all applicable laws and regulatory requirements and the grant of a license by the SFC and the consent of the Trustee. The New Manager will use best endeavors to work with the outgoing Manager (who has a duty to act in the best interests of the Unitholders) and the Trustee to ensure a smooth transition of duties and to minimize interruption to the business of Spring REIT, and will use best endeavors to ensure that the transition from the outgoing Manager to the New Manager will take effect simultaneously with no “vacuum” period during which Spring REIT would not have a manager in place.

Proposed transition arrangements for the change of manager

The proposed transition arrangements for the change of manager of Spring REIT are as follows:

- (i) The current property management company in respect of China Central Place Office Towers 1 and 2 and the relevant car parks (the “**Beijing Properties**”) is Beijing Hua-re Real Estate Consultancy Co. Ltd. (the “**Current Beijing Property Manager**”), which is an affiliated company of the current Manager. Simultaneously with the proposed change of manager, the property management company in respect of the Beijing Properties is proposed to be changed to a new property management company (the “**Proposed Beijing Property Manager**”), which will be an independent third party with appropriate level of professional qualifications, to be selected after a rigorous review and selection process in the interests of the Unitholders.

- (ii) *It is intended that the current property management company in respect of 84 separate commercial properties in the United Kingdom, Montagu Evans LLP, which is independent of the current Manager (based on publicly available information), will be retained.*
- (iii) *Upon successful appointment and as per market practice, the selected Proposed Beijing Property Manager is expected to nominate a dedicated transition team which will execute a detailed transition plan for the transition of all responsibilities from the Current Beijing Property Manager to the Proposed Beijing Property Manager, comprising timelines, specific responsibilities and key deliverables.*

As soon as practicable after the despatch of the Offer Document, the Offeror will use best endeavors to engage with the current Manager and the Trustee to discuss potential transition arrangements and plan in the event the Offer becomes unconditional and the resolution is passed to remove the current Manager and to appoint the New Manager.

Subject to the Offer becoming unconditional in all respects, further details of the appointment of the New Manager and the transition arrangements will be provided in the requisition notice of the Offeror in relation to the removal of the Manager and appointment of the New Manager, and expected to be included in the circular to be despatched by Spring REIT to all Unitholders.

In the event of any material development to the transition arrangement, the Offeror will use best endeavours to inform the Unitholders.

The following text is extracted from the section headed “Letter from UBS — Maintaining the listing status of Spring REIT” in the Offer Document.

MAINTAINING THE LISTING STATUS OF SPRING REIT

The Offeror intends to maintain the listing of the Units on the Stock Exchange upon the close of the Offer. However, following the strategic review described in the section headed “Offeror’s Intention in Relation to Spring REIT” above, the new manager of Spring REIT, acting in the best interests of all Unitholders, could recommend a disposal of assets and termination of Spring REIT, which would result in a delisting from the Stock Exchange, subject to the REIT Code, the Listing Rules, the Takeovers Code and the terms of the Trust Deed.

In the event that, at the close of the Offer, the public float of Spring REIT falls below 25% (or any other percentage specified or permitted by the SFC from time to time), the Offeror will take appropriate steps to ensure that a sufficient public float exists in the Units.

Under the Trust Deed, in the event that the manager becomes aware that the percentage of the outstanding Units in the public hands has fallen below 25% (or any other percentage specified or permitted by the SFC from time to time), the manager shall use its best efforts to restore the percentage of Units held in public hands to at least the said percentage.

1. RESPONSIBILITY STATEMENT

The Manager and the Directors jointly and severally accept full responsibility for the accuracy of information contained in this Response Document (other than the information relating to the Offeror and parties acting in concert with it, the terms of the Offer, the intention of the Offeror in relation to Spring REIT, the Manager and its employee and the listing status of Spring REIT which are extracted or summarised from, or compiled based on the Offer Document) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading. The Directors only take responsibility for the correctness of the reproduction or presentation of the information relating to the Offeror and parties acting in concert with it, the terms of the Offer, the intention of the Offeror in relation to Spring REIT, the Manager and its employee and the listing status of Spring REIT which are extracted or summarised from, or compiled based on the Offer Document but accept no further responsibility in respect of such information.

2. SECURITIES OF SPRING REIT

As at the Latest Practicable Date, Spring REIT has a total of 1,268,972,532 issued Units. Save for the 3,706,231 Units issued on 26 March 2018, the 3,768,682 Units issued on 27 April 2018, and the 3,791,887 Units issued on 3 August 2018, all of which were for the payment of the Manager's base fee pursuant to the Trust Deed, Spring REIT has not issued any new Units since 31 December 2017, the date to which the latest published audited financial statements of Spring REIT were made up, and up to the Latest Practicable Date. Subject to and upon completion of the Huizhou Transaction, Spring REIT will issue new Units to the seller of the Huizhou Transaction as part of the acquisition consideration in accordance with the Huizhou Transaction Acquisition Deed, details of which were disclosed in the Huizhou Transaction Circular.

As at the Latest Practicable Date, Spring REIT has no outstanding options, warrants, conversion rights affecting or securities convertible into Units and has not entered into any agreement for the issue of such options, warrants, conversion rights or convertible securities.

All the issued Units currently in issue rank *pari passu* with each other in all respects including the rights as to voting, dividends and capital.

3. DISCLOSURE OF INTERESTS

(i) Shareholdings and dealings in the Offeror

As at the Latest Practicable Date, neither Spring REIT, the Trustee, the Manager Associates Group nor any Directors have any interest in the equity share capital, securities which carry substantially the same rights as any to be issued as consideration for the Offer (if applicable) and convertible securities, warrants, options and derivatives in respect of the above of the Offeror (the "**relevant securities of the Offeror**"), and no such person (including Spring REIT) had dealt in the relevant securities of the Offeror during the Relevant Period.

(ii) Disclosure of interests in Units of the Manager Associates Group, the Directors and the Trustee

As at the Latest Practicable Date, the interests of the Manager Associates Group, the Directors and the Trustee in Units, were as follows:

Name	Capacity/Nature of interest	Number of Units interested	Approximate % of interest ⁽¹⁾
Manager Associates Group		60,809,532	4.79%
Mercuria Investment Co., Limited	Beneficial owner/ Beneficial interest	35,289,500	2.78%
Manager	Beneficial owner/ Beneficial interest	25,520,032	2.01%
Directors		2,391,000	0.19%
Toshihiro Toyoshima	Beneficial owner/ Personal interest	700,000	0.06%
Nobumasa Saeki	Beneficial owner/ Personal interest	400,000	0.03%
Hideya Ishino	Beneficial owner/ Personal interest	49,000	0.00%
Simon Murray	Beneficial owner/ Personal interest	423,000	0.03%
Qiu Liping	Beneficial owner/ Personal interest	423,000	0.03%
Lam Yiu Kin	Beneficial owner/ Personal interest	396,000	0.03%
Trustee			
DB Trustees (Hong Kong) Limited	N/A	Nil	Nil

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.

Save as disclosed above, as at the Latest Practicable Date, none of the Trustee, the Manager Associates Group nor any of its Directors had any interests in the Units.

(iii) Dealings in securities of Spring REIT

As at the Latest Practicable Date, none of the Trustee, the Manager Associates Group nor any of the Directors have dealt for value in the relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of Spring REIT (“**relevant securities of Spring REIT**”) during the Relevant Period, save for the following:

Name	Transaction date	Transaction type	Transaction Unit Price	Number of Units
Simon Murray	24 September 2018	Settlement of independent non-executive director fees for third quarter of 2018	HK\$3.24	27,000
Qiu Liping	24 September 2018	Settlement of independent non-executive director fees for third quarter of 2018	HK\$3.24	27,000
Lam Yiu Kin	24 September 2018	Settlement of independent non-executive director fees for third quarter of 2018	HK\$3.24	27,000
Spring Asset Management Limited	24 September 2018	Settlement of independent non-executive director fees for third quarter of 2018	HK\$3.24	81,000
Spring Asset Management Limited	30 August 2018	Settlement of property management supervisory agreement fees to Mercuria Investment Co., Limited	HK\$3.31	302,500
Mercuria Investment Co., Limited	30 August 2018	Receipt of property management supervisory agreement fees from Spring Asset Management Limited	HK\$3.31	302,500
Spring Asset Management Limited	3 August 2018	Receipt of management fees for second quarter of 2018	HK\$3.28	3,791,887
Lam Yiu Kin	26 June 2018	Settlement of independent non-executive director fees for second quarter of 2018	HK\$3.34	26,000
Simon Murray	26 June 2018	Settlement of independent non-executive director fees for second quarter of 2018	HK\$3.34	26,000

Name	Transaction date	Transaction type	Transaction Unit Price	Number of Units
Qiu Liping	26 June 2018	Settlement of independent non-executive director fees for second quarter of 2018	HK\$3.34	26,000
Spring Asset Management Limited	26 June 2018	Settlement of independent non-executive director fees for second quarter of 2018	HK\$3.34	78,000
Spring Asset Management Limited	27 April 2018	Receipt of management fees for first quarter of 2018	HK\$3.26	3,768,682
Spring Asset Management Limited	4 June 2018	Interim dividend for 2018 financial year to members of Spring Asset Management Limited	HK\$3.41	8,504,000
Lam Yiu Kin	27 March 2018	Settlement of independent non-executive director fees for first quarter of 2018	HK\$3.39	26,000
Simon Murray	27 March 2018	Settlement of independent non-executive director fees for first quarter of 2018	HK\$3.39	26,000
Qiu Liping	27 March 2018	Settlement of independent non-executive director fees for first quarter of 2018	HK\$3.39	26,000
Spring Asset Management Limited	27 March 2018	Settlement of independent non-executive director fees for first quarter of 2018	HK\$3.39	78,000
Spring Asset Management Limited	26 March 2018	Receipt of management fees for fourth quarter of 2017	HK\$3.39	3,706,231

(iv) Other interests in Spring REIT**(a) As at the Latest Practicable Date:**

- (i) No (i) subsidiary of Spring REIT, (ii) pension fund of Spring REIT or of any subsidiaries of Spring REIT, (iii) person who is presumed to be acting in concert with Spring REIT by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code, or (iv) person who is an associate of Spring REIT by virtue of classes (2), (7) and (8) of the definition of “associate” under the Takeovers Code (but excluding principal traders and exempt fund managers), owned, Controlled or were interested in the relevant securities of Spring REIT, save in the case of the Manager Associates Group and the Directors which are disclosed under the section headed “— Disclosure of interests in Units of the Manager Associates Group, the Directors and the Trustee” in this Appendix II.
- (ii) None of the aforementioned person(s) had dealt for value in any of the relevant securities of Spring REIT during the Relevant Period, save as disclosed under the section headed “— Dealings in securities of Spring REIT” in this Appendix II.

(b) As at the Latest Practicable Date:

- (i) There were no relevant securities of Spring REIT managed on a discretionary basis by fund managers (other than exempt fund managers) connected with Spring REIT, the Trustee or the Manager Associates Group.
- (ii) None of the aforementioned person(s) had dealt for value in any of the relevant securities of Spring REIT during the Relevant Period.

- (c) As at the Latest Practicable Date:
- (i) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Spring REIT or any person who is presumed to be acting in concert with Spring REIT by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or by virtue of classes (2), (3), (4), (7) and (8) of the definition of “associate”.
 - (ii) None of the aforementioned person(s) had dealt for value in any of the relevant securities of Spring REIT during the Relevant Period.
- (d) As at the Latest Practicable Date, neither Spring REIT, the Trustee, the Manager Associates Group nor any of the Directors had borrowed or lent any relevant securities of Spring REIT.
- (e) As at the Latest Practicable Date, (i) (as Mr. Leung Kwok Hoe, Kevin does not beneficially own any Units, he is not entitled to the Offer) all other Directors who are also Unitholders, namely, Mr. Toshihiro Toyoshima, Mr. Hideya Ishino, Mr. Simon Murray, Mr. Qiu Liping, Mr. Lam Yiu Kin and Mr. Nobumasa Saeki (holding in aggregate of approximately 0.19% of the issued Units as at the Latest Practicable Date); and (ii) the Manager Associates Group (holding in aggregate of approximately 4.79% of the issued Units as at the Latest Practicable Date), had each confirmed that, in respect of his or its own respective beneficial unitholdings, each of them does not intend to accept the Offer on its current terms and conditions.

4. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

- (i) no benefit (other than statutory compensation) will be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (iii) there was no material contract entered into by the Offeror in which any Director has a material personal interest.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, in relation to Spring REIT or any of its subsidiaries or associated companies, there is no (i) service contract in force entered into between the Manager and any of the Directors; or (ii) service contract in force in whatever form with the Manager in such capacity (a) which (including both continuous and fixed term contracts) has been entered into or amended in the Relevant Period; (b) which is a continuous contract with a notice period of 12 months or more; or (c) which is fixed term contract with more than 12 months to run irrespective of the notice period.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, none of Spring REIT, the Manager or the Trustee (in its capacity as trustee of Spring REIT) was engaged in any litigation or claims of material importance, and no litigation or claim of material importance by or known to the Directors against Spring REIT, the Manager or the Trustee (in its capacity as the trustee of Spring REIT) was pending or threatened.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Manager, Spring REIT, or any of its subsidiaries) have been entered into by the Manager, Spring REIT or any of its subsidiaries, within the two year period preceding the commencement of the Offer Period and ending on the Latest Practicable Date and are or may be material in relation to the business of Spring REIT as a whole:

- (a) the share purchase deed dated 19 September 2018 and entered into between RHZ01 Limited, a direct wholly-owned subsidiary of Spring REIT, Huamao Focus Limited and the Trustee (in its capacity as the trustee of Spring REIT) in relation to the acquisition of a property located in Huizhou, Guangdong Province, the PRC, known as Huamao Place (華貿天地). The purchase consideration of the acquisition (which is subject to Unitholders' approval) is

RMB1,653,466,000.0, minus the amounts outstanding under certain borrowings of the target group as at completion of the acquisition, and subject to an adjustment by reference to the net asset value of the target group as at completion of the acquisition;

- (b) the share purchase agreement dated 17 March 2017 and entered into between the Trustee (in its capacity as trustee of Spring REIT), Hawkeye Oval Holdco III Limited and Hawkeye Oval II LLP in relation to the acquisition of a portfolio of 84 commercial properties in the UK. The purchase consideration for the acquisition was GBP36,696,353.0; and
- (c) the subscription agreement dated 13 April 2017 made between the Manager and China Orient Stable Value Fund Limited as subscriber relating to the subscription of 114,884,000 new Units at an issue price of HK\$3.25 per subscription Unit to be issued by Spring REIT.

8. QUALIFICATION OF EXPERT AND CONSENT

Set out below is the qualification of the experts who have been named in this Response Document or who have given opinions or advices contained in this Response Document:

Name	Qualification
Trinity Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Trinity Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion of its advice, letter and references to its name and logo in the form and context in which they respectively appear herein.

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any unitholding in Spring REIT and did not have any 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, Trinity Corporate Finance Limited did not have any direct or indirect interest in any assets, which have been since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of Spring REIT were made up), acquired or disposed of by or leased to Spring REIT, or are proposed to be acquired or disposed of by or leased to Spring REIT.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection: (i) during normal business hours (from 9:00 a.m. to 5:00 p.m.) (Hong Kong time) on any weekday (except Saturdays, Sundays and public holidays in Hong Kong) at the Manager's registered office in Hong Kong at Room 2801, 28/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong; or (ii) on the website of Spring REIT (<http://www.springreit.com>) or the website of the SFC (<http://www.sfc.hk>) from the date of this Response Document up to and including the Closing Date:

- (i) the Trust Deed;
- (ii) the annual reports of Spring REIT for each of the two years ended 31 December 2016 and 2017;
- (iii) the letter from the Board, the text of which is set out on pages 7 to 21 of this Response Document;
- (iv) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this Response Document;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 53 of this Response Document;
- (vi) the material contracts as referred to under the section headed "Material Contracts" in this appendix;
- (vii) the written consent from the Independent Financial Adviser as referred to under the section headed "Qualification of Expert and Consent" in this appendix; and
- (viii) this Response Document.

10. GENERAL

- (i) The registered office of the Manager is situated at Room 2801, 28/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong.
- (ii) The company secretary of the Manager is Fair Wind Secretarial Services Limited at Unit B, 1st Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.
- (iii) The unit registrar of Spring REIT is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (iv) The registered office of Rothschild (Hong Kong) Limited is situated at 16/F, Alexandra House, 18 Chater Road, Central, Hong Kong.
- (v) The registered office of Trinity Corporate Finance Limited is situated at Suite 7B, 7th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong.
- (vi) The English text of this Response Document shall prevail over the Chinese text in case of inconsistency.