

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Response Document to Revised Offer 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 Revised Offer 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 THE
REVISED 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 REVISED OFFER

Financial adviser to Spring Asset Management Limited

 **Rothschild & Co**

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 to Revised Offer.

A letter from the Board is set out on pages 3 to 16 of this Response Document to Revised Offer.

A letter from the Independent Board Committee is set out on pages 17 to 18 of this Response Document to Revised Offer.

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 Revised Offer is set out on pages 19 to 52 of this Response Document to Revised Offer.

8 November 2018

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DEFINITIONS

Unless the context otherwise requires, terms used in this Response Document to Revised Offer shall have the same meanings as defined in the Response Document, and the following terms and expressions shall have the following meanings:

“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 Revised Offer
“Latest Practicable Date”	6 November 2018, being the latest practicable date prior to the printing of this Response Document to Revised Offer for ascertaining certain information contained herein
“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 Revised Closing Date (or such later closing date of the Revised Offer as may be extended or revised by the Offeror in accordance with the Takeovers Code)
“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 Document”	the response document dated 15 October 2018 issued by Spring REIT in accordance with the Takeovers Code in respect of the Offer
“Revised Closing Date”	Wednesday, 14 November 2018
“Revised Form of Acceptance”	the revised form of acceptance and transfer of Units in respect of the Revised Offer accompanying the Revised Offer Document
“Revised 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) on the terms set out in the Revised Offer Document

DEFINITIONS

“Revised Offer Announcement”	the announcement of the Offeror dated 29 October 2018 in relation to, amongst other matters, the increase of the Offer Price
“Revised Offer Document”	the revised offer document dated 31 October 2018 issued by the Offeror to all Unitholders in accordance with the Takeovers Code containing, inter alia, details of the increase of Offer Price
“Revised Offer Price”	the cash offer price of HK\$5.30 per Offer Unit payable by the Offeror to the Qualifying Unitholders for each Offer Unit accepted under the Offer, subject to the terms of the Revised Offer
“Response Document to Revised Offer”	this response document to Revised Offer issued by Spring REIT in accordance with the Takeovers Code in response to the Revised Offer



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Managed by

Spring Asset Management Limited

Directors of the Manager

Non-executive Directors:

Mr. Toshihiro Toyoshima (*Chairman*)

Mr. Hideya Ishino

Executive Directors:

Mr. Leung Kwok Hoe, Kevin

Mr. Nobumasa Saeki

Independent non-executive Directors:

Mr. Simon Murray

Mr. Qiu Liping

Mr. Lam Yiu Kin

Registered office of the Manager

Room 2801, 28/F, Man Yee Building

68 Des Voeux Road Central

Hong Kong

8 November 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

Further to the Response Document dated 15 October 2018 issued by Spring REIT, on 29 October 2018, the Offeror issued the Revised Offer Announcement in relation to the Revised Offer, including the Revised Offer Price, the level of acceptance on the First Closing Date (i.e. 29 October 2018), and the extension of the Closing Date. On 31 October 2018, the Offeror despatched the Revised Offer Document setting out, among other things, terms and conditions of the Revised Offer, together with the Revised Form of Acceptance.

LETTER FROM THE BOARD

The purpose of this Response Document to Revised Offer is to provide you with, among other things, information relating to Spring REIT, the Revised Offer, the Board's views in respect of the Revised 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 Revised Offer and as to whether to accept or reject the Revised Offer. **You are advised to read carefully the Revised Offer Document and this Response Document to Revised Offer, including the letter from the Independent Board Committee and the letter from the Independent Financial Adviser, before taking any action in respect of the Revised 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 Revised 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 Revised Offer **NOT fair and reasonable** so far as the Independent Unitholders are concerned and has advised the Independent Unitholders and the Independent Board Committee to recommend the Independent Unitholders **NOT TO ACCEPT the Revised Offer**

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

LETTER FROM THE BOARD

2. THE REVISED OFFER

The terms of the Revised Offer set out below are deduced from the Revised Offer Document. You are advised to refer to the Offer Document, the Revised Offer Document, the Revised Form of Acceptance for further details.

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

Consideration for the Revised Offer

The Offeror revised the Offer Price from HK\$4.85 per Offer Unit to HK\$5.30 per Offer Unit.

The Revised Offer is being made on the following basis:

For each Offer Unit HK\$5.30 in cash

The Offeror confirms that the Revised Offer price will not be further increased and the Offeror does not reserve the right to do so.

Conditions to the Revised 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 Revised Closing Date (or such other time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of the Revised 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 does not intend to waive Condition (ii), unless sufficient Unitholders accept the Revised Offer and the Revised Offer becomes unconditional as to acceptance by a certain date as a result of which the Offeror can effect transfers of Units and become entitled to the voting rights in respect of over 50% of the Units by the record date for the extraordinary general meeting of Spring REIT on the Huizhou Transaction (which has been delayed as described in the announcement of Spring REIT dated 18 October 2018) (the "Delayed EGM"). If the Conditions are not satisfied (or waived, if applicable) on or before the Revised Closing Date, the Revised Offer will lapse unless the Offer Period is extended by the Offeror (with the consent of the Executive). If the Huizhou Transaction is approved by Unitholders, the Offeror will terminate the Offer and no Unitholders will be paid.

LETTER FROM THE BOARD

For further details of the Huizhou Transaction, please refer to the announcements dated 19 September 2018, 26 September 2018, 8 October 2018, 18 October 2018 and 7 November 2018, and the Huizhou Transaction Circular published by Spring REIT.

Pursuant to Rule 16.1 of the Takeovers Code, the Revised Offer must be kept open for acceptance until 14 November 2018 being 14 days from the date on which the Revised Offer Document is posted

In accordance with Rule 15.3 of the Takeovers Code, the Revised Offer must also remain open for acceptance for at least 14 days after the Revised Offer becomes or is declared unconditional in all respects.

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

Further details of the Offer

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

3. REASONS TO REJECT THE REVISED OFFER AND RETAIN THE MANAGER

Unitholders are strongly encouraged to carefully consider the reasons set out below and in the Response Document. The Board maintains its view that the terms of the Revised Offer are NOT fair and reasonable so far as Independent Unitholders are concerned. It therefore strongly recommends that Independent Unitholders **REJECT THE REVISED OFFER**.

Due to the operational excellence of the Manager, Spring REIT has been able to deliver sustainable historical distributions over years. The Revised Offer is solely based on a short-term monetary incentive and includes the possibility of an eventual disposal of Spring REIT assets and the termination of Spring REIT.

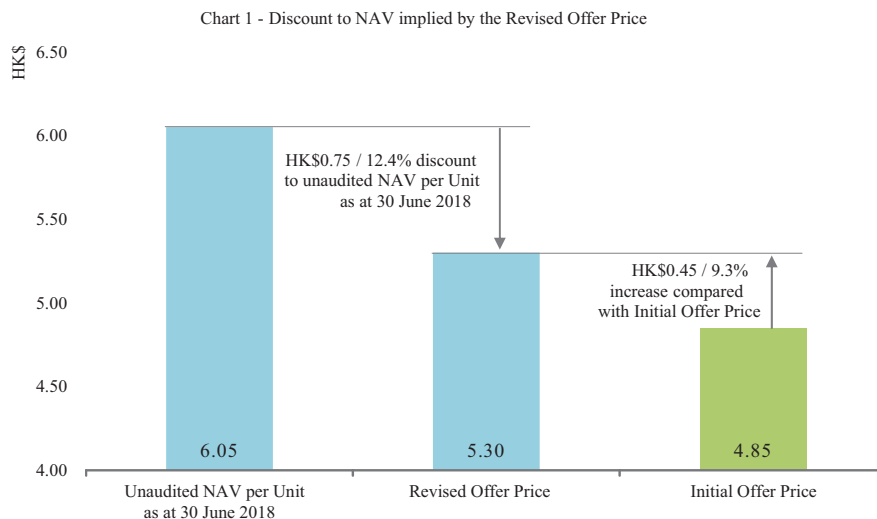
LETTER FROM THE BOARD

A. Revised Offer Price undervalues the assets and fails to recognise future prospects

The Manager's declared objectives are to provide Unitholders with stable distributions, the potential for sustainable long-term growth in the distributions, and enhancement in the value of its real estate assets. Spring REIT is positioned as a yield investment for Unitholders, supported by a portfolio of high-quality income-producing real estate assets.

The Offeror continues to disregard the perpetuity of the distributions and their long-term growth potential, as well as the value of the property portfolio held by Spring REIT in its valuation of Spring REIT. A fairer and more reasonable way of assessing the Revised Offer Price is to consider it in relation to the NAV of Spring REIT, which does reflect the value of the underlying property portfolio.

In fact, the Revised Offer Price remains at a substantial discount of 12.4% to the unaudited NAV per Unit of Spring REIT of HK\$6.05 as at 30 June 2018. In absolute terms, the Revised Offer Price is HK\$0.75 below the unaudited NAV per Unit of Spring REIT as at 30 June 2018.



Page 6 of the Revised Offer Document states that the "Revised Offer Price represents the tightest discount to NAV that Spring REIT has ever achieved and a premium to the average current NAV discount of other Hong Kong REITs". The Board would like to affirm that this statement is fundamentally misleading. Hong Kong REITs are commonly positioned as yield investments, as Spring REIT is. By contrast, the Revised Offer is of a trade nature in a takeover situation, and involves an attempt to acquire a controlling majority stake (given Condition (i) of the Revised Offer) where control premium should apply. It is therefore inappropriate to compare the discount to NAV of Spring REIT implied by the Revised Offer Price with that implied by the trading price of Spring REIT and the other Hong Kong REITs, which are typically valued on a 'going concern' basis.

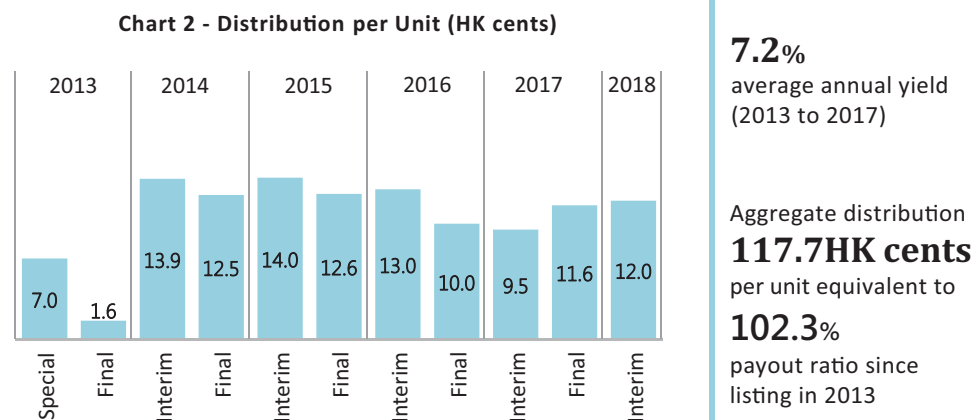
LETTER FROM THE BOARD

The Revised Offer includes the possibility of “a disposal of assets and termination of Spring REIT” as one potential recommendation that could follow from the strategic review by the new manager of Spring REIT. In light of this scenario, it is important to note that the expected return following such a strategic decision could be better than or equal to the NAV. Comparable transaction analysis from the perspective of a takeover and privatisation situation is thus critical in any comprehensive analysis of whether the Revised Offer Price is a fair and reasonable one. Please refer to Paragraph O and P of the letter from the Independent Financial Adviser for further details on the comparable transaction analysis.

The Revised Offer Price, even after its upward adjustment, still falls well short of the NAV of Spring REIT, without considering the control premium, the high quality of income-producing real estate assets held by Spring REIT, and future prospects. The Offeror has confirmed that the Revised Offer Price will be final and that no further increase will be offered.

B. Revised Offer Price fails to recognise the historical performance of Spring REIT

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 for the six months ended 30 June 2018 (“1H2018”) was 7.2% and the average distribution yield on an annual basis from 2013 to 2017 was 7.2%. The annualised distribution yield would be 8.0% if based on the distribution per Unit of HK12.0 cents in 1H2018 and the closing price of HK\$3.00 per Unit as at the Last Trading Day.



LETTER FROM THE BOARD

On 26 October 2018, Spring REIT announced its unaudited operating statistics for the three months ended 30 September 2018. In summary,

- (i) the average monthly passing rent¹ (RMB/sqm) of the CCP Property reached RMB363/sqm in 3Q2018, which represented an increase of 0.3% from RMB362/sqm in 2Q2018 and 1.4% from RMB358/sqm in 3Q2017, while the average occupancy maintained at the all-time high of 97%; and
- (ii) the UK Portfolio maintained an occupancy rate of 100% given the long-term lease contract expiring in 2032², with an annual contract rental income of approximately GBP4.51 million. The rent under each lease is subject to a mark-to-market rent review every five years, under which the rent can only be revised upward.

As is evident from the above, the strategy adopted by 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 Spring REIT.

C. As a one-off monetisation proposal, the Revised Offer fails to reflect or acknowledge the declared objectives of Spring REIT and the stable income currently being delivered to Unitholders

As described in the Response Document, it is important to reiterate that investing in Spring REIT is an efficient way for Unitholders to take part in the ownership of the premium quality real estate assets in its portfolio. As stated in the listing prospectus of Spring REIT in 2013, Spring REIT was the first REIT in Hong Kong to offer investors direct exposure to two Premium Grade office buildings strategically located in the CBD of Beijing. Spring REIT thus represents an investment opportunity of significant scarcity value and functions as an alternative investment instrument for Unitholders, enabling them to benefit from specific economic characteristics and diversify risks against the backdrop of market uncertainties.

¹ The weighted average of rental payable by a tenant (excluding management fees, other outgoings, taxes, and after adjustment of rental concessions) divided by the relevant gross floor area.

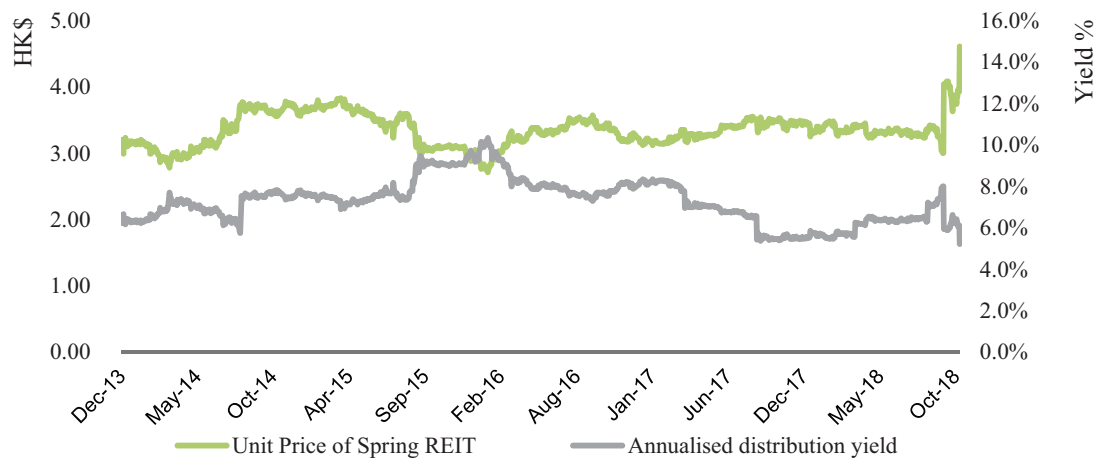
² Except one expiring in 2024.

LETTER FROM THE BOARD

As a one-off monetisation proposal, the Revised Offer is incompatible with and fundamentally contradicts the underlying investment philosophy of income-seeking Unitholders, which is centred on building an investment that delivers long-term value. The Revised Offer instead urges Unitholders to give up their long-term steady distributions, derived from their ownership of high-quality real estate assets, for a short-term, one-off cash sum.

The Revised Offer shows its fundamental difference from this philosophy in its criticism of the supposed limited liquidity of the Units. In fact, the liquidity can be seen to be related to the investment preference of Unitholders for long-term cash flow. Chart 3 below shows that the distribution yields are negatively correlated to the price level of the Units. When the unit price falls, the implied yield would be higher, and vice versa. The Manager believes that the performance of the Units depends on the prevailing market conditions, which include (but are not limited to) the demand and supply driven by the requirements of investors for yield. From the perspective of investors, some Unitholders adopt a buy-and-hold strategy for their investment in a REIT as a long-term instrument (similar to a fixed income investment instrument), with the aim of receiving stable distributions over time.

Chart 3 - Negative correlation between Unit price and yield



The Offeror's repeated presentation of the Offer and the Revised Offer as an "exit option" contradicts the investment strategy and preference of the income-seeking Unitholders. Unitholders who support the strategy and investment philosophy of Spring REIT and its Manager should retain their Units. The Manager has the experience and expertise required to manage the Spring REIT in line with this philosophy and to deliver stable long-term stable cash flow.

LETTER FROM THE BOARD

D. The Revised Offer fails to recognise the Manager’s achievements over the years in delivering operating excellence for Spring REIT

The Manager has a clear strategy and a coherent business plan. Evidence of this can be seen in Spring REIT’s financial and operational results. The Board and the management team of the Manager all have extensive in-depth experience in property investment and asset management, as summarised in the table below.

Name	Title	Experience				Years of experience
		China	Commercial REITs	Retail REITs	Financial investment	
Mr. Toshihiro Toyoshima	Chairman of the Board; Non-executive Director of the Manager; Chief Executive Officer of Mercuria	✓	✓		✓	Over 30 years of experience in investment and real estate management
Mr. Hideya Ishino	Non-executive Director of the Manager; Executive Director and Head of Asset Investment of Mercuria	✓	✓		✓	Over 25 years of experience in investment management
Mr. Leung Kwok Hoe, Kevin	Executive Director of the Manager	✓	✓	✓	✓	Over 12 years of experience in the commercial and retail REIT management
Mr. Nobumasa Saeki	Executive Director of the Manager	✓	✓		✓	Over 10 years of experience in investment and real estate management

Whilst the uncertainties over the plan proposed by the Offeror have been mentioned in the Response Document, the Board notes that the Offeror has not taken the opportunity to supplement the Revised Offer Document with:

- (i) any details about the background and experience of the new manager to be proposed by the Offeror;

LETTER FROM THE BOARD

- (ii) any details of its proposed plan or strategic review, including details of how replacing the Manager could protect and preserve the value of its investment. The proposed plan of the Offeror continues to lack substance for Unitholders. One possible recommendation from the strategic review by the new manager could be a recommendation to dispose of the assets and to terminate Spring REIT.

On page 5 of the Revised Offer Document, there occurs the statement 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”. The Offeror’s inability or unwillingness to provide any details about the new manager or proposed strategic review of Spring REIT suggest that its goal of “protecting and preserving the value of its investment” is highly uncertain.

Furthermore, it is stated on page 7 of the Revised Offer Document that “any transactions to be undertaken as a result of the strategic review will entail significant implementation risks, and may or may not lead to positive results for Unitholders.” It is unclear to the Board that such actions represent well-planned moves to “protect and preserve” the value of an investment, and they provide little ground for confidence in the new manager’s skills or experience in managing Spring REIT.

The Board has already outlined the experience and achievements of the Manager in detail in the Response Document. In summary,

- (i) the Manager and its management team has accumulated significant experience, knowledge and skills in managing Spring REIT, and can provide objective quantifiable evidence of satisfactory operating results, various initiatives to improve the capital structure, and consistent distributions to Unitholders since listing;
- (ii) the Manager has maintained a well-managed relationship with the tenants, a fact supported by the longer tenancy duration profile and high occupancy rates associated with its property portfolio;
- (iii) the experience and expertise of the Board and the management team have provided confidence for Spring REIT in managing the existing property portfolio and actively pursuing acquisition opportunities, including the completed UK Portfolio acquisition and the proposed Huizhou Transaction.

LETTER FROM THE BOARD

In summary, the Manager has successfully delivered satisfactory operating results for Spring REIT over the years by continuously optimising its business strategies for Spring REIT and taking advantage of acquisition opportunities as they arise. This has resulted in the proposal of two yield-accretive acquisitions on a pro forma basis in the last 18 months, alongside ongoing capital management exercises that have been implemented to enhance Spring REIT's financial flexibility and stability.

IN CONCLUSION, THE BOARD MAINTAINS ITS VIEW THAT THE TERMS OF THE REVISED OFFER ARE NOT FAIR AND REASONABLE SO FAR AS INDEPENDENT UNITHOLDERS ARE CONCERNED AND ACCORDINGLY, STRONGLY RECOMMENDS INDEPENDENT UNITHOLDERS TO REJECT THE REVISED OFFER, FOR THE FOLLOWING REASONS:

- (I) THE REVISED OFFER PRICE IS AT A 12.4% DISCOUNT TO THE UNAUDITED NAV OF SPRING REIT AS AT 30 JUNE 2018;
- (II) THE REVISED OFFER PRICE UNDERVALUES THE ASSETS AND FAILS TO RECOGNISE THE FUTURE PROSPECTS OF SPRING REIT AND ITS VALUABLE HIGH QUALITY ASSETS;
- (III) THE REVISED OFFER PRICE FAILS TO RECOGNIZE THE SOUND HISTORICAL PERFORMANCE OF SPRING REIT;
- (IV) THE REVISED OFFER IS INCOMPATIBLE WITH AND FUNDAMENTALLY CONTRADICTS WITH THE UNDERLYING INVESTMENT PHILOSOPHY OF INCOME-SEEKING UNITHOLDERS, WHICH IS CENTRED ON BUILDING AN INVESTMENT THAT DELIVERS LONG-TERM VALUE;
- (V) THE REVISED OFFER FAILS TO RECOGNISE THE MANAGER'S ACHIEVEMENTS OVER THE YEARS IN DELIVERING OPERATING EXCELLENCE FOR SPRING REIT AND THE EFFECTIVENESS OF THE MANAGER'S GROWTH STRATEGY FOR SPRING REIT; AND
- (VI) THE REVISED OFFER FAILS TO RECOGNISE THE MANAGER'S SKILLS IN TAKING ADVANTAGE OF ACQUISITION OPPORTUNITIES AS THEY ARISE AND CONTINUOUSLY OPTIMISING ITS BUSINESS STRATEGIES FOR SPRING REIT. THE MANAGER HAS BEEN REVIEWING 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

4. INFORMATION OF SPRING REIT

As at the Latest Practicable Date, there has been no material change to the information set out under the section headed “5. Information on Spring REIT” in the “Letter from The Board” to the Response Document.

5. INFORMATION ON THE OFFEROR

Please refer to the Offer Document and the Revised Offer Document for details.

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 set out in the Offer Document and the Revised Offer Document. 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, please refer to the Offer Document and the Revised Offer Document.

7. MAINTAINING THE LISTING STATUS OF SPRING REIT

Please refer to the Offer Document and the Revised Offer Announcement for details.

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 Revised Offer is fair and reasonable and as to acceptance of the Revised 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 Revised Offer and, in particular, as to whether the Revised Offer is, or is not, fair and reasonable and as to acceptance of the Revised 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 REVISED 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 REVISED OFFER. INDEPENDENT UNITHOLDERS ARE STRONGLY ADVISED TO TAKE NO ACTION. DO NOT COMPLETE ANY REVISED FORM OF ACCEPTANCE.**

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

9. TRUSTEE'S VIEW

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 to Revised Offer. 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.

LETTER FROM THE BOARD

The Trustee urges all Unitholders to carefully review the Offer Document, the Revised Offer Document, the Response Document and this Response Document to Revised Offer 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 Revised Offer including the merits and risks involved. Each Unitholder should carefully consider the risks and uncertainties described in this Response Document to Revised Offer and other information contained herein (including the letter from the Independent Financial Adviser) before making a decision in respect of the Revised 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 Revised Offer or not.

10. ADDITIONAL INFORMATION

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

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

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(Chapter 571 of the Laws of Hong Kong))*

(Stock code: 01426)

Managed by

Spring Asset Management Limited

8 November 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 to Revised Offer dated 8 November 2018 issued by Spring REIT in response to the Revised Offer, in which this letter forms a part. Terms used in this letter shall have the meanings as those defined in the Response Document to Revised Offer 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 Revised Offer and to advise you as to whether, in our opinion, the terms of the Revised Offer 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 Revised 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 19 to 52 of the Response Document to Revised Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

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

Notwithstanding our recommendation, the Independent Unitholders should carefully consider the terms of the Revised Offer and the “Letter from Independent Financial Adviser” in the Response Document to Revised Offer. 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.

8 November 2018

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

Dear Sirs,

**THE REVISED 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 Revised Offer, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the response document to the Revised Offer of Spring REIT dated 8 November 2018 (the “**Revised Response Document**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Revised Response Document unless the context otherwise requires.

Originally on 26 September 2018, the Offeror informed Spring Asset Management Limited (the “**Manager**”) that UBS, on behalf of the Offeror, firmly intended to make a voluntary conditional cash offer in compliance with the Takeovers Code for all the issued Units of Spring REIT (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) (the “**Offer Unit(s)**”) 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. Subsequently, on 29 October 2018, the Offeror announced that it wished to increase the Offer Price (the “**Revised Offer**”) from HK\$4.85 per Offer Unit to HK\$5.30 per Offer Unit (the “**Revised Offer Price**”). In relation thereto, the Offeror has despatched the Revised Offer Document dated 31 October 2018 containing details of the Revised Offer and other relevant information together with the Revised Form of Acceptance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Revised 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 Revised 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.

We, Trinity Corporate Finance Limited, have 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 respect of the Revised Offer.

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 Revised 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 Revised Offer Document, the Revised Response Document, the respective related announcements made by Spring REIT on 13 April 2017, 2 October 2018, 8 October 2018, 16 October 2018, 18 October 2018, 26 October 2018 and 30 October 2018, and by the Offeror on 26 September 2018, 4 October 2018, 8 October 2018, 11 October 2018, 15 October 2018, 18 October 2018, 20 October 2018 and 29 October 2018 (together referred to as the "**Reviewed Documents**") 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 Reviewed Documents, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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 Reviewed Documents 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 Reviewed Documents 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 Revised 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 Revised Offer and, except for its inclusion in the Revised 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 Revised Offer, we have taken into account the following principal factors and reasons:

A. Terms of the Revised Offer

Consideration for the Revised Offer

According to the terms of the Revised Offer Document, UBS, on behalf of the Offeror, wished to increase the Offer Price from HK\$4.85 per Offer Unit to HK\$5.30 per Offer Unit and is making the Revised Offer on the following basis:

For each Offer Unit HK\$5.30 in cash

The Offeror has confirmed that the Offer Price will not be further increased and the Offeror does not reserve the right to do so.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions to the Revised Offer

As set out in the Revised Offer Document, the Revised 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 Revised Offer which will result in the Offeror and persons acting in concert with it holding more than 50% of the Units; and
- (ii) the resolution(s) approving the Huizhou Transaction are not passed by the Independent Unitholders at the EGM.

Condition (i) is not waivable and the Offeror does not intend to waive Condition (ii), unless sufficient Unitholders accept the Offer and the Offer becomes unconditional as to acceptance by a certain date as a result of which the Offeror can effect transfers of Units and become entitled to the voting rights in respect of over 50% of the Units by the record date for the extraordinary general meeting of Spring REIT for the Huizhou Transaction (which has been delayed to 29 November 2018 as described in the announcement of Spring REIT dated 30 October 2018, or a later date if further adjourned) (the “**Delayed EGM**”). If the Conditions are not satisfied (or waived, if applicable) on or before the Closing Date, the Revised Offer will lapse unless the Offer Period is extended by the Offeror (with the consent of the Executive).

If the Huizhou Transaction is approved by Unitholders, the Offeror will terminate the Revised Offer and no Unitholders will be paid.

Unitholders are also advised to refer to the Offeror’s announcement dated 29 October 2018 and the Revised Offer Document regarding the timing and Conditions to the Revised Offer and Spring REIT’s announcements dated 8 October 2018, 18 October 2018 and 30 October 2018 regarding the timing and status for the Delayed EGM of the Huizhou Transaction respectively.

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

Pursuant to Rule 16.1 of the Takeovers Code, the Revised Offer must be kept open for acceptances until 14 November 2018 (being 14 days from the date on which the Revised Offer Document was posted).

In accordance with Rule 15.3 of the Takeovers Code, the Revised Offer must also remain open for acceptances for at least 14 days after the Revised Offer becomes or is declared unconditional in all respects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 the Offer Document, i.e. 28 November 2018 (or such later date to which the Executive may consent).

Comparisons of value

The Revised Offer Price represents:

- (a) a premium of approximately 15.0% over the closing price of HK\$4.61 per Unit as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 76.7% 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**”);
- (c) a premium of approximately 65.1% 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 60.6% 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 61.1% 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 60.6% 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 14.8% 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 12.4% to the unaudited NAV of Spring REIT of approximately HK\$6.05 per Unit as at 30 June 2018.

The Revised Offer Price remains to be at a substantial discount of 14.8% and 12.4% to the audited and unaudited NAV per Unit of Spring REIT as at 31 December 2017 and 30 June 2018 respectively. In absolute terms, the discount between the Revised Offer Price and the audited NAV per Unit as at 31 December 2017 and the unaudited NAV per Unit as at 30 June 2018 is HK\$0.92 and HK\$0.75 respectively. Based on the total number of Units outstanding as at the Latest Practicable Date of 1,268,972,532 Units, this discount is approximately HK\$1.1 billion and HK\$900 million respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Unitholders are advised to refer to Paragraph N below, which shows that the distribution yield of Spring REIT is at 8.00% per annum based on the Unit price of HK\$3.00 as at the Last Trading Day which is higher than the average distribution yield of all REITs listed in Hong Kong, and at 5.21% per annum based on the Unit price of HK\$4.61 as at the Latest Practicable Date which is lower than 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 six months ended 30 June 2018.

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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 conditions, foreign exchange fluctuations and/or pure shifts in market demand for such yield-protected investment products.

We therefore consider that it is of significance to bring to the attention of the Independent Unitholders that the Revised Offer Price is still at a substantial discount of approximately 14.79% and 12.40% 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 proposed strategic review of Spring REIT by the proposed new manager (which is intended to be an affiliated company of PAG Real Estate), acting in the best interests of all Unitholders, who could recommend a possible disposal of assets, termination and delisting of Spring REIT 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 option which is 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 therefore expected to be better or at least equal to the NAV upon termination, subject to prevailing market and financial conditions and any property price fluctuation and the timing if and when the termination materializes and regulatory requirements including and not limited to the REIT Code and the Trust Deed. Unitholders are advised to refer to the Response Document, the Revised Response Document and the Huizhou Transaction Circular for a more detailed explanation of the quality and long-term prospects of the properties at China Central Place (the "**CCP Property**"), the commercial properties located in the United Kingdom (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 acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers, that may be proposed by the new manager, should not accept the Revised 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 Revised Offer will not be entitled to). Also, Unitholders who adopt a long-term investment strategy or seeking long-term steady distributions based on the quality of Spring REIT's portfolio should not accept the Revised Offer.

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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 prevailing market and financial conditions and any property price fluctuation at the actual date of the possible termination, as this is the expected return for the Unitholders in the event the result of the strategic review points towards the termination of Spring REIT, which is one of the potential Strategic Options proposed by the Offeror in the Offer Document and confirmed in the Offeror's announcement dated 29 October 2018. Accordingly, the Revised Offer Price, which is still at a substantial discount of 14.79% and 12.40% 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 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 the other potential options, i.e. acquisitions of assets, asset enhancement, changes in capital structure, refinancings and mergers, subject to the prevailing market conditions and any property price fluctuation at the actual date of the possible termination, may 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 Revised Offer in order to do so.

Unitholders should note that the Possible Disposal of Assets, Termination and Delisting is only potential option proposed by the Offeror which may not take place or materialise if the Revised Offer lapses as it is not an option proposed by the current Manager.

Unitholders are also advised to refer to the analysis of the Unit price performance and trading liquidity of Spring REIT, 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 below respectively.

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

According to the Huizhou Transaction Circular, Spring REIT intends to invest in the “Huamao Place” (華貿天地), which is subject to Unitholders’ voting in the Delayed EGM. The Board of Spring REIT 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 Response Document, the Revised Response Document and the Huizhou Transaction Circular in this respect.

The Offeror intends to appoint an affiliated company of PAG Real Estate as new manager of the Spring REIT after the Revised 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.

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. 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 Revised 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 Revised 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 below respectively.

C. Maintaining the listing status of Spring REIT

According to the Offer Document and confirmed in the Offeror's announcement dated 29 October 2018, 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, however, following the strategic review as described in Paragraphs D and F below, *"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 this respect, we set out the relevant provisions of the Trust Deed and the REIT Code in Paragraphs J, K and L below.

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 22.41 and 14.59 and a price to book ratio of 0.76 and 0.50, as at the Latest Practicable Date and as at the Last Trading Day respectively. Based on the Revised Offer Price, the price to TDI ratio and price to book ratio of Spring REIT is 25.77 and 0.88 respectively. The price to TDI ratio and price to book ratio of Spring REIT as at the Latest Practicable Date was approximately 28.42% and 18.75% higher than the mean of all REITs

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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 16.39% and 21.88% 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 Revised 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 3.56% to 9.24% with an average of 6.14% and the distribution yield of Spring REIT of 5.21%, as at the Latest Practicable Date, is lower 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 Revised Offer Price, the distribution yield of Spring REIT is 4.53%, 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.”*

The acquisition of the UK Portfolio was approved by 83.6% of votes casted by independent Unitholders at the extraordinary general meeting on 25 May 2017 and does not reflect the concern expressed by the Offeror. We also note from the announcement made by Spring REIT dated 13 April 2017 that the issuance of 114,884,000 subscription Units on 13 April 2017 was made in accordance with the requirements of the Listing Rules, the REIT Code and the Trust Deed, and not subject to the approval 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 approval for the expansion of investment policy was approved by over 99.99% of votes casted 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.

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It was further stated in the Offer Document and confirmed in the Revised 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 and/or Possible Disposal of Assets, Termination and Delisting of Spring REIT. It is also stated in the Revised Offer Document that “any transactions to be undertaken as a result of the strategic review will entail significant risks, and may or may not lead to positive results for Unitholders”.

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 Revised 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 below respectively, 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 level of Unit price and trading volume to liquidate all or part of their Units if the market price is trading above the Revised Offer Price, or may consider to accept the Revised Offer, subject to the Conditions of the Revised Offer. Also, Unitholders who adopt a long-term investment strategy or seeking long-term steady distributions based on the quality of Spring REIT’s portfolio should not accept the Revised Offer.

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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 and the Response Document regarding the Board's view as to why the Revised Offer should be rejected and the Manager should be retained. As stated above, the Offeror proposes to appoint a new manager if the Revised 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 Revised 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 Response Document and the Revised Response Document regarding the assets and future growth potential of Spring REIT's portfolio. Unitholders are advised not to accept the Revised 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 Revised Offer. Only Unitholders who wish to take advantage of the short-term liquidity and Revised Offer Price (which may lapse according to the Conditions set out in the Revised 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 level of Unit price and trading volume to liquidate all or part of their Units if the market price is trading above the Revised Offer Price, or may consider to accept the Revised Offer, subject to the Conditions of the Revised Offer. Also, Unitholders who adopt a long-term investment strategy or seeking long-term steady distributions based on the quality of Spring REIT's portfolio should not accept the Revised 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, and also confirmed in the Revised 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 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-Carlton Hotel Beijing and JW Marriott Hotel Beijing, and the UK Portfolio, being a portfolio of 84 commercial properties in the UK which is leased to Kwik Fit (GB) Limited, 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. As stated in the letter from the board in the Response Document, 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 Manager believes that the design and facilities of the CCP Property are among the highest quality of any office building in Beijing. The CCP Property forms part of China Central Place, a prime mixed-use development complex in Beijing which comprises of:

- Three Premium Grade office buildings (Spring REIT owns Tower 1 & Tower 2);
- SKP Beijing, one of the largest department stores in the PRC by sales, and other shopping areas in China Central Mall, China Central Square and China Central Commercial Street;
- Two five-star luxury hotels, The Ritz-Carlton Hotel Beijing and JW Marriott Hotel Beijing; and
- Residential and serviced apartment buildings and a clubhouse.

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Pursuant to the Huizhou Transaction, as stated in the announcement of Spring REIT dated 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, the PRC.

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

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 as 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.

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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\$m</i> (unaudited)	Six months ended 30 June 2017 <i>US\$m</i> (unaudited)	Year ended 31 December		
			2017 <i>US\$m</i> (audited)	2016 <i>US\$m</i> (audited)	2015 <i>US\$m</i> (audited)
Revenue	43,407	35,604	76,695	75,431	80,515
Property operating expenses	<u>(10,712)</u>	<u>(9,234)</u>	<u>(19,615)</u>	<u>(18,593)</u>	<u>(19,239)</u>
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	<u>(1,781)</u>	<u>(6,976)</u>	<u>(5,147)</u>	<u>(5,214)</u>	<u>(854)</u>
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	<u>(20,026)</u>	<u>999</u>	<u>9,874</u>	<u>(51,898)</u>	<u>(46,837)</u>
Profit before taxation and transactions with Unitholders	6,570	19,023	55,335	91,294	40,367
Income tax expenses	<u>(81)</u>	<u>-</u>	<u>(175)</u>	<u>-</u>	<u>-</u>
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)	<u>0.5</u>	<u>1.6</u>	<u>4.56</u>	<u>8.09</u>	<u>3.61</u>
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	<u>20,082</u>	<u>15,211</u>	<u>33,967</u>	<u>35,872</u>	<u>41,234</u>
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

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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 Business Tax to Value Added Tax 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%).

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

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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.

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.

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Unaudited Operating Statistics for the three months ended 30 September 2018:

Based on the announcement made by Spring REIT on 26 October 2018, the unaudited operating statistics of Spring REIT's property portfolio for the three months ended 30 September 2018, which was based on preliminary internal management records and had not been audited or reviewed by external auditor, are as follows:

1. Office Tower 1 and 2 of the CCP Property

For the three months ended	30 September 2018	30 June 2018	Change
Average Monthly Passing Rent (RMB/square meter)	363	362	+0.3%
Average Occupancy (%)	97	97	0.0%

For the three months ended 30 September 2018, the CCP Property achieved an average monthly passing rent of approximately RMB363 per square meter, increased by 0.3% from that of the previous quarter, and the average occupancy rate was approximately 97%, remain unchanged from that of previous quarter.

2. UK Portfolio

Each of the 84 properties in the UK Portfolio is under a long-term lease with the tenant Kwik-Fit (GB) Limited, a leading car servicing operator in the United Kingdom. All but one of the leases expire in March 2032. Currently, the UK Portfolio has an occupancy rate of 100%, with an annual contract rental income of approximately £4.51 million. The rent under each lease is subject to mark-to-market rent review every 5 years, under which the rent can only be revised upward.

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.

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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 Possible Disposal of Assets, Termination and Delisting of 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.

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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 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 from the Prospectus that 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 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 Possible 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, subject to prevailing market and financial conditions and any property price fluctuation at the actual date of the possible disposal. 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,

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apart from the Possible Disposal of Assets, Termination and Delisting of Spring REIT, should be better than or at least 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 prevailing market and financial conditions and any property price fluctuation at the actual date of the possible disposal.

The expected net proceeds upon Possible Disposal of Assets, Termination and Delisting of Spring REIT or the expected value to be derived from the other Strategic Options may also likely be over and above such NAV, subject to prevailing market and financial conditions and any property price fluctuation at the actual date of the possible disposal, 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 at least 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 Possible Disposal of Assets, Termination and Delisting 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 Revised Offer Price is not fair and reasonable as it still represents a discount of approximately 14.79% and 12.40% 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 at least equal to the NAV upon termination, subject to prevailing market and financial conditions and any property price fluctuation 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 Revised Offer if they intend to benefit from any Strategic Options to be proposed by the new manager. Also, Unitholders who adopt a long-term investment strategy or seeking long-term steady distributions based on the quality of Spring REIT's portfolio should not accept the Revised Offer.

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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 offerors for listed companies in general 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.

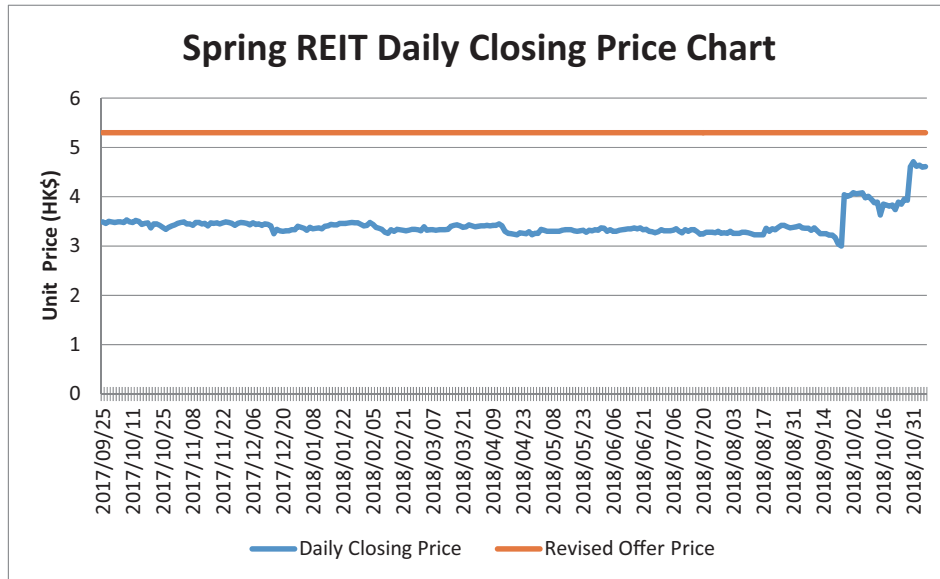
For Unitholders who accept the Revised Offer, they will no longer be entitled to a pro-rata distribution of the net cash proceeds of Spring REIT's assets upon its termination, if any. As the expected return upon Possible Disposal of Assets, Termination and Delisting of Spring REIT, subject to prevailing market conditions and any property price fluctuation at the actual date of the possible disposal, 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 Revised Offer, will forego the difference or discount between the pro-rata entitlements to the final expected net proceeds upon termination and the Revised Offer Price, i.e. for illustration purposes, HK\$0.92 per Unit or HK\$0.75 per Unit, assuming the calculation of final expected net proceeds upon termination is based on HK\$6.22 per Unit or HK\$6.05 per Unit respectively, subject to prevailing market and financial conditions and any property price fluctuation at the actual date of possible termination if it materialises subject to, inter alia, the requirements 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 at least 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 Possible Disposal of Assets, Termination and Delisting of Spring REIT, or choose another Strategic Option which should achieve a return better or at least equivalent having considered the proposed new manager will act in the best interests of all Unitholders, the Revised Offer Price of HK\$5.30 which is still at a 14.79% and 12.40% 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 should note that the Possible Disposal of Assets, Termination and Delisting is only potential option proposed by the Offeror which may not take place or materialise if the Revised Offer lapses as it is not an option proposed by the current Manager. 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 below respectively.

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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: Stock Exchange website

As shown in the Unit price chart above, the Unit price of Spring REIT has generally traded within the range of around HK\$3.00 to HK\$3.50 preceding the commencement of the Offer Period, with an average of HK\$3.43 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 approximately 53.67% increase from the Last Trading Day of HK\$3.00 to the Unit price on the Latest Practicable Date of HK\$4.61, and an approximately 34.40% increase from the 12-month average Unit price of HK\$3.43 to the Unit price on the Latest Practicable Date of HK\$4.61, as a result of market expectations regarding the Offer. The highest and lowest Unit closing price during such period was HK\$4.71 and HK\$3.00 on 31 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 performance over the 12-month period preceding the commencement of the Offer Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Revised Offer Price of HK\$5.30 (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 of the Units (as shown in the average daily trading volume table below). The Revised Offer Price is also 39.11% over Spring REIT's IPO price of HK\$3.81 per Unit and is 35.55% higher than the highest traded price since listing up to the Last Trading Day of HK\$3.91 per Unit, and 76.67% 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 as at the Last Trading Day, which was approximately 51.77% and 50.41% 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. The Unit price has also traded at a discount to NAV as at the Latest Practicable Date, which was approximately 25.88% and 23.80% 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\$4.61 is still at a discount of approximately 13.02% below the Revised Offer Price, indicating that Unitholders cannot fully divest their Units in the secondary market at or above the Revised Offer Price. In addition, given the Revised Offer Price is at a 14.79% and 12.40% 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 Revised Offer for short-term gain, the Revised 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 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 level of Unit price and trading volume to liquidate all or part of their Units if the market price is trading above the Revised Offer Price, or may consider to accept the Revised Offer. Unitholders are advised to exercise extreme caution when dealing in the Spring REIT Units during the Offer Period as the Revised Offer may lapse under the Conditions as set out in the Revised Offer Document, and there is no certainty that the Unit price will remain at the current level irrespective of whether the Revised Offer is declared unconditional or not.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below in the table are the average daily trading volume of the Spring REIT Units, the percentage of the average daily trading volume to the total issued Units of Spring REIT and the percentage of the average daily trading volume to 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 November 2018 up to and including the Latest Practicable Date	499,500	0.04%	0.05%
October 2018	3,266,286	0.26%	0.30%
September 2018	2,944,737	0.23%	0.27%
August 2018	162,178	0.01%	0.02%
July 2018	184,718	0.01%	0.02%
June 2018	196,083	0.02%	0.02%
May 2018	204,619	0.02%	0.02%
April 2018	468,713	0.04%	0.04%
March 2018	407,021	0.03%	0.04%
February 2018	548,325	0.04%	0.05%
January 2018	913,722	0.07%	0.09%
December 2017	645,158	0.05%	0.06%
November 2017	562,589	0.04%	0.05%
October 2017	510,325	0.04%	0.05%

Source: Stock Exchange website

Notes:

- Based on the total of 1,254,419,551 Units for October 2017, 1,257,705,732 Units for November 2017 to February 2018, 1,261,411,963 Units for March 2018, 1,265,180,645 Units for April 2018 to July 2018, 1,268,972,532 Units for August 2018 to October 2018, and up to the Latest Practicable Date, in issue of Spring REIT.
- Based on the total of 1,066,388,151 Units for October 2017, 1,069,674,332 Units for November 2017 to February 2018, 1,073,380,563 Units for March 2018, 1,077,149,245 Units for April 2018 to July 2018, 1,080,941,132 Units for August 2018 to October 2018, 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 as disclosed in the Offer Document).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table above shows that the average daily trading volume increased significantly from approximately 162,178 Units in August 2018 to the average daily trading volume of approximately 2,944,737 Units and 3,266,286 Units in September 2018 and October 2018 respectively, and decreased to approximately 499,500 Units in November 2018 up to the Latest Practicable Date. The sharp rise in trading volume in September and October 2018 was due to the commencement of the Offer Period, which accounted for an average daily trading volume of approximately 0.27% and 0.30% of the total number of Units of Spring REIT held by the Independent Unitholders respectively, and the trading volume decreased during the period from 1 November 2018 up to and including the Latest Practicable Date which accounted for an average trading volume of approximately 0.05% of the total number of Units of Spring REIT held by the Independent Unitholders. Based on the above table, the average daily trading volume of the Units during 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 increase in the average daily trading volume since September 2018 due to the commencement of the Offer Period, the highest average daily trading volume was approximately 913,722 Units in January 2018. Nonetheless, Unitholders should exercise extreme caution when dealing in Spring REIT Units during the Offer Period as the Revised Offer may lapse under the Conditions as set out in the Revised Offer Document and there is no certainty that the recent increase in trading liquidity will maintain irrespective of whether the Revised Offer is declared unconditional or not. Unitholders are advised to refer to Recommendation Section below with regards to whether or not to accept the Revised 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 TDI ratio (A)/(B)	Price to book ratio/Price to NAV ratio (A)/(C)	Distribution yield (%)
1426	Spring REIT (note 6)	4.61 3.00	5,850 3,807	261 261	7,695 7,695	6.05 6.05	22.41 14.59	0.76 0.50	5.21 8.00
823	Link REIT	72.00	152,063	5,281	178,594	84.56	28.79	0.85	3.56
405	Yuexiu REIT	4.93	14,984	939	16,274	5.35	15.96	0.92	6.52
87001	Hui Xian REIT	3.48	20,020	1,692	30,435	5.29	11.83	0.66	9.24
2778	Champion REIT	5.39	31,516	1,487	60,351	10.32	21.19	0.52	4.64
778	Fortune REIT	8.70	16,680	971	26,888	14.02	17.18	0.62	6.06
808	Prosperity REIT	2.82	4,190	262	8,054	5.44	15.99	0.52	6.52
435	Sunlight REIT	4.85	7,992	451	14,857	9.02	17.72	0.54	5.73
1881	Regal REIT	2.20	7,166	473	15,485	4.75	15.15	0.46	6.73
625	RREEF CCT (note 1)	4.35	2,019	N/A	(100)	N/A	N/A	N/A	N/A
1275	New Century REIT	1.66	1,598	194	2,732	2.84	8.24	0.58	7.19
	MAXIMUM (note 1, 6)						28.79	0.92	9.24
	MEDIAN (note 1, 6)						16.59	0.60	6.29
	MEAN (note 1, 6)						17.45	0.64	6.14
	MINIMUM (note 1, 6)						8.24	0.46	3.56
	Revised Offer Price (note 5)	5.30	6,726	261	7,695	6.05	25.77	0.88	4.53

Source: Stock Exchange website, respective annual reports

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 income (TDI) and net assets attributable to unitholders (NAV) are extracted from the REIT comparables' 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\$5.30 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 22.41 and 14.59 and a price to book ratio of 0.76 and 0.50, as at the Latest Practicable Date and as at the Last Trading Day respectively. Based on the Revised Offer Price, the price to TDI ratio and price to book ratio of Spring REIT is 25.77 and 0.88 respectively. The price to TDI ratio and price to book ratio of Spring REIT as at the Latest Practicable Date was approximately 28.42% and 18.75% 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 16.39% and 21.88% 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 Revised 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 3.56% to 9.24% with an average of 6.14% and the distribution yield of Spring REIT of 5.21%, as at the Latest Practicable Date, is lower 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 Revised Offer Price, the distribution yield of Spring REIT is 4.53%, 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	3.81 <i>(note 2)</i>	3.00	(0.81)	(21.26%)
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 <i>(note 1)</i>	4.35	4.35	N/A	N/A
1275	New Century REIT	3.63	1.88	(1.75)	(48.21%)
	MAXIMUM <i>(note 1)</i>				93.95%
	MEDIAN <i>(note 1)</i>				34.52%
	MEAN <i>(note 1)</i>				25.25%
	MINIMUM <i>(note 1)</i>				(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%

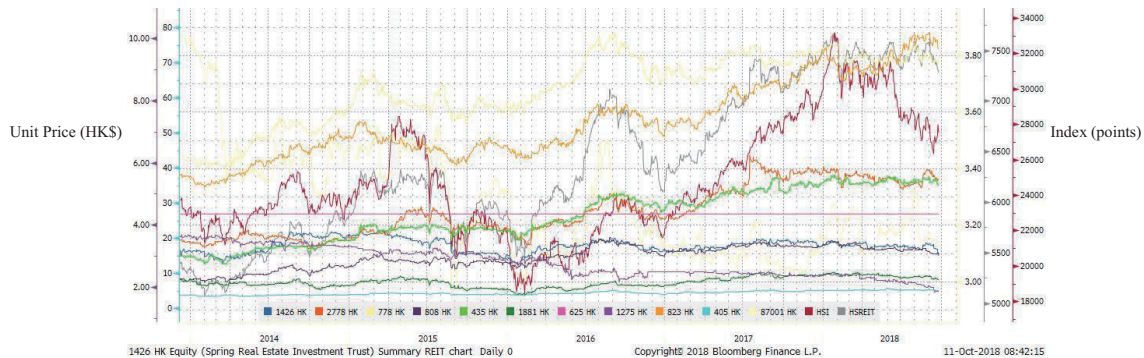
Source: Bloomberg

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.
- Being the IPO price of Spring REIT.

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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 21.26%, which was below the mean and median of the unit price performance of all REITs listed in Hong Kong, yet still performed better than 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, 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 distributions.

O. Comparable transaction analysis 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 represents an exhaustive list of comparable transactions for REITs listed in Hong Kong involving privatisation or general offer for cash 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 distributions. Also, given that the structure of REITs and its objectives are significantly different from listed property companies, we do not consider that an analysis of transactions for listed property companies has any bearing on the terms and the Revised Offer herein.

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The offer price of HK\$2.5011 for New Century REIT 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 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 New Century REIT transaction did not involve a possible disposal of assets nor 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 14.79% and 12.40% respectively for the Revised 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 in Singapore, which is in respect of units of Croesus Retail Trust (“CRT”) listed on the Singapore Stock Exchange, for which we consider relevant to the Revised 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 represents an exhaustive list of comparable transactions for REITs listed in Singapore involving privatisation or general offer for cash 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 managed 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 of CRT respectively.

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Since both the above CRT transaction and the intention of the Offeror in the Revised Offer includes the possibility of a termination and delisting of the REIT, and the CRT scheme consideration was at a 19.9% premium to adjusted NAV while the Revised Offer Price herein is at a discount of 14.79% and 12.40% to the audited NAV per Unit as at 31 December 2017 and the unaudited NAV as at 30 June 2018 of Spring REIT respectively, the Revised 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) given the main property portfolio of Spring REIT currently includes the CCP Property that comprises of all the office floors of Office Tower 1 and 2 in a prime mixed-use development complex located in the CBD of Beijing with shopping centres and well-recognised brand hotels including The Ritz-Carlton Hotel Beijing and JW Marriott Hotel Beijing, the Unitholders who adopt a long-term investment strategy or seeking long-term steady distributions based on the quality of Spring REIT's portfolio which represents an opportunity that offers investment exposure to two premium grade office buildings through Spring REIT, should not accept the Revised Offer;
- (4) despite the Revised Offer Price is 76.67% higher than the Unit Price as at the Last Trading Day and 14.97% higher than the Unit price as at the Latest Practicable Date, and also represents the highest price per Unit since the listing of Spring REIT, the Revised Offer Price is still at a discount of (i) 14.79% to the audited NAV per Unit as at 31 December 2017 of HK\$6.22 per Unit and (ii) 12.40% to the unaudited NAV per Unit as at 30 June 2018 of HK\$6.05 per Unit;
- (5) in absolute terms, the discount between the Revised Offer Price and the audited NAV per Unit as at 31 December 2017 and the unaudited NAV per Unit as at 30 June 2018 is HK\$0.92 and HK\$0.75 respectively. Based on the total number of Units outstanding as at the Latest Practicable Date of 1,268,972,532 Units, the discount is approximately HK\$1.1 billion and HK\$900 million respectively;

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- (6) 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 at least 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 Revised Offer;
- (7) 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; and
- (8) based on the comparable transaction of REIT listed in Singapore which relates to the privatisation of CRT, the scheme consideration for such privatisation was priced at a premium of 19.9% above the latest adjusted NAV per unit of CRT,

we are of the opinion that the terms of the Revised 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 Revised Offer.

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 level of Unit price and trading volume to liquidate all or part of their Units if the market price is above the Revised Offer Price, or they may consider to accept the Revised Offer.

In making this recommendation, we also note that Unitholders are at liberty to accept the Revised 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. In addition, as the Revised Offer may lapse according to the terms and conditions set out in the Revised Offer Document, Unitholders can decide whether and what actions they wish to take after the Revised Offer is declared unconditional but prior to the end of the Offer Period. After the end of the Offer Period, the Revised Offer will no longer be open for acceptances.

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However, the Revised Offer may lapse according to the terms and conditions as set out in the Revised 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.

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 SUMMARY

Spring REIT has not published any updated financial information since the issue of the Response Document. Please refer to the paragraphs headed “Financial Information of Spring REIT” and “Information incorporated by Reference” in Appendix I to the Response Document for details.

2. INDEBTEDNESS

As at the Latest Practicable Date, there has been no material change to the information set out in the paragraph headed “3. Indebtedness” in Appendix I to the Response Document, and such information remains valid. Please refer to the Response Document for details.

3. 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 Revised Offer as described in the Revised 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.

1. RESPONSIBILITY STATEMENT

The Manager and the Directors jointly and severally accept full responsibility for the accuracy of information contained in this Response Document to Revised Offer (other than the information relating to the Offeror and parties acting in concert with it, the terms of the Revised 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 Revised Offer Document) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document to Revised Offer have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document to Revised Offer, the omission of which would make any statement in this Response Document to Revised Offer 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 Revised 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 Revised 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 Revised 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, there has been no material change to the information set out under the paragraph headed “3. Disclosure of Interests – (ii) Disclosure of interests in Units of the Manager Associates Group, the Directors and the Trustee” in Appendix III to the Response Document. Please refer to the Response Document for details.

(iii) Dealings in securities of Spring REIT

As at the Latest Practicable Date, there has been no material change to the information set out under the paragraph headed “3. Disclosure of Interests — (iii) Dealings in securities of Spring REIT” in Appendix III to the Response Document. Please refer to the Response Document for details.

(iv) Other interests in Spring REIT

- (a) As at the Latest Practicable Date, there has been no material change to the information set out under the paragraph headed “3. Disclosure of Interests — (iv) Other interests in Spring REIT” in Appendix III to the Response Document. Please refer to the Response Document for details.

4. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date, there has been no material change to the information set out under the paragraph headed “4. Arrangements Affecting and Relating to Directors” in Appendix III to the Response Document. Please refer to the Response Document for details.

5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, there has been no material change to the information set out under the paragraph headed “5. Directors’ Service Contracts” in Appendix III to the Response Document. Please refer to the Response Document for details.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, there has been no material change to the information set out under the paragraph headed “6. Material Litigation” in Appendix III to the Response Document. Please refer to the Response Document for details.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, there has been no change to the information set out under the paragraph headed “7. Material Contracts” in Appendix III to the Response Document. Please refer to the Response Document for details.

8. QUALIFICATION OF EXPERT AND CONSENT

Set out below is the qualification of the expert who has been named in this Response Document to Revised Offer or who has given opinions or advices contained in this Response Document to Revised Offer:

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 to Revised Offer 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. ADDITIONAL DOCUMENTS AVAILABLE FOR INSPECTION

In addition to the documents set out in the section headed “Documents available for inspection” in Appendix III to the Response Document which are still available for inspection and displayed on the websites of the SFC and Spring REIT, copies of the following additional 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 to Revised Offer to the end of the Offer Period:

- (i) the letter from the Board, the text of which is set out on pages 3 to 16 of this Response Document to Revised Offer;
- (ii) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this Response Document to Revised Offer;
- (iii) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 52 of this Response Document to Revised Offer;
- (iv) the written consent from the Independent Financial Adviser as referred to under the section headed “Qualification of Expert and Consent” in this appendix; and
- (v) this Response Document to Revised Offer.

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 to Revised Offer shall prevail over the Chinese text in case of inconsistency.