Briefing to Unitholders on Extraordinary General Meeting

November 2017

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WHY IS THERE AN EGM?

SpringREIT

- **PAG Unitholders sent an EGM Request Letter to the Board with the following Resolutions:**
  1. The proposed removal of the Manager
  2. The internalisation of the REIT management function
  3. The appointment of a PAG representative to the board of any manager of Spring REIT and adoption of certain corporate governance principles regarding board composition
  4. The appointment of independent experts to review the strategy, performance and governance of Spring REIT

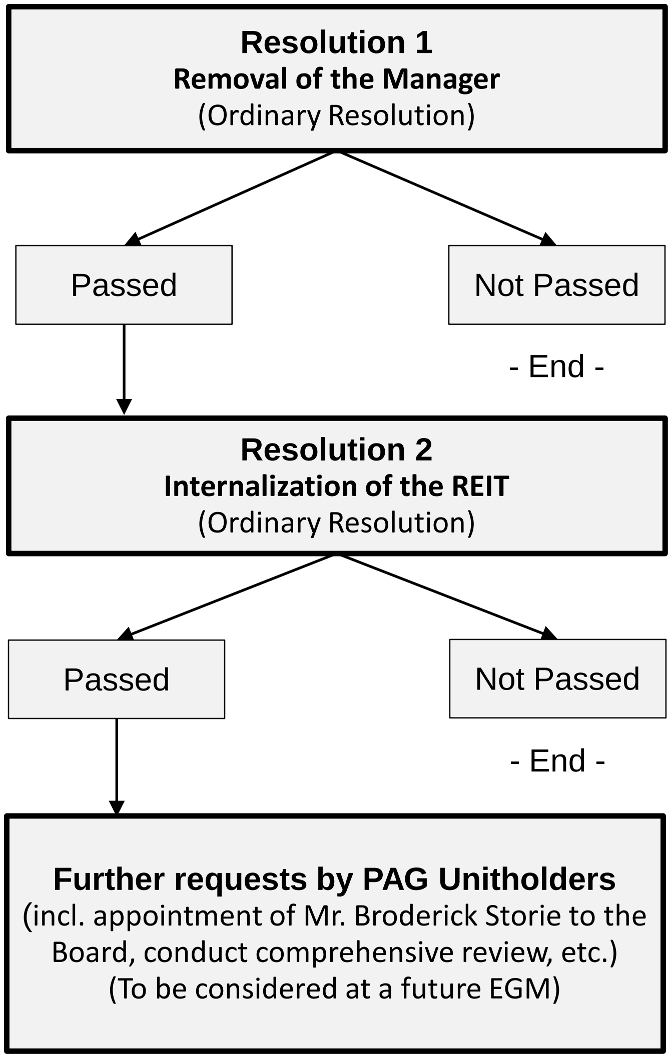
- **The Manager is convening an EGM to consider the first two Resolutions, of which Resolution 2 is conditional upon the passing of Resolution 1**
  - Resolution 3 and Resolution 4 shall be tabled and considered at a future EGM only if Resolution 2 is passed (i.e. to internalise the REIT management function)

The Board unanimously recommends unitholders to vote AGAINST both Resolution 1 & Resolution 2, which are NOT in the interests of Spring REIT and unitholders as a whole.

The Manager has received confirmations from certain unitholders (representing above 50% of the voting rights) that they are satisfied with the performance of the Manager and intend to vote AGAINST proposal to remove the Manager.

STRUCTURE OF EGM RESOLUTIONS

SpringREIT



Note: This flowchart is for illustrative purposes only. For details of the Resolutions and further requests by PAG Unitholders, please refer to the EGM Circular by Spring REIT dated 25 October 2017.

Why only propose Resolution 1 and Resolution 2

The Manager is accountable to all unitholders. Hence, the structure of the resolutions was determined with carefully consideration by the Board in consultation with the trustee and regulator to be in the best interest of Spring REIT and all Unitholders

- Resolution 1 is legitimately requested in accordance with Trust Deed.
- Resolution 2 is included in agenda as it relates to internalisation of Manager, which goes hand-in-hand with Resolution 1.
- Further requests by PAG Unitholders are matters governed by Manager's articles of association and Trust Deed. Hence, they fall under the discretion of the Manager.
- The REIT Code does not contemplate Unitholders having an active role in the REIT’s management. Such principles are reflected in the Trust Deed, stating that Unitholders are prohibited from giving directions to the Manager.
- Accordingly, these further requests shall be tabled and considered at a future EGM if Resolution 2 is approved.

SPRING REIT HAS A CLEAR AND CONSISTENT STRATEGY

SpringREIT

What is a REIT?

- Hong Kong REITs are **highly regulated under the REIT Code**
- Invest primarily in real estate **to provide returns from rental income**
- **At least 90% of distributable income** is to be distributed to Unitholders as dividends
- **Active trading of real estate is restricted** by regulation

Manager's Objective for Spring REIT

To provides **stable distribution** to Unitholders with **sustainable growth potential** and enhancement in portfolio value through long-term strategies:

- Maximising long-term value of the portfolio through proactive leasing and property management strategies
- Continuously optimising and ensuring an efficient and well-managed capital structure
- Capitalising on accretive acquisition opportunities as and when they arise

WHAT DOES SPRING REIT INVEST IN?

SpringREIT

A quality real estate portfolio that delivers

China Central Place – Tower 1 & Tower 2 (office floors)

- **Premium assets**: Premium Grade office properties in Beijing
- **Prime location**: In the heart of Central Business District.
- **Quality tenants**: Deutsche Bank, Condé Nast, EPSON, NBA, Richemont, Pandora Jewelry, Johnson & Johnson Group, and many others
- **High occupancy with positive rental reversion:** Net passing rent increased at 7.6% CAGR between 2013 and June 2017 while maintaining high occupancy of above 94% throughout the same period.

Approx. 93% of REIT portfolio in terms of value

Retail Portfolio in the UK

- **Diversified locations:** 84 separate retail properties across the UK
- **Quality tenant:** Leased to Kwik-Fit, a market-leading car servicing provider in the UK
- **Long lease term:** Expires in year 2032
- **Defensive cash flow:** Future rents are guaranteed by tenant's parent
- **Growth Potential:** Mark-to-market rental review every 5 years, and rent adjustment is upward-only

Approx. 7% of REIT portfolio in terms of value

SPRING REIT'S STRONG OPERATING TRACK RECORD

SpringREIT

TRACK RECORD OF MAINTAINING HIGH OCCUPANCY RATE

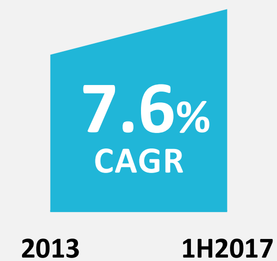
Above

94%

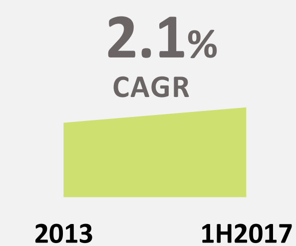
average occupancy since IPO

POSITIVE RENTAL REVERSION

Increased net passing rent per sqm RMB274 to **RMB 354**



Outperforming Beijing CBD office rent index



❖according to JLL Beijing Office Index

EXTENSION OF LEASE TENURES TO ENHANCE RESILIENCE AND STABILITY OF RENTAL INCOME

+11.1%

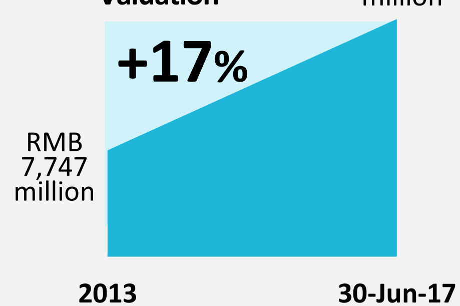
from 1.8 years as at **31 December 2013**

2.0 years

GFA-weighted average lease expiry as of **30 June 2017**

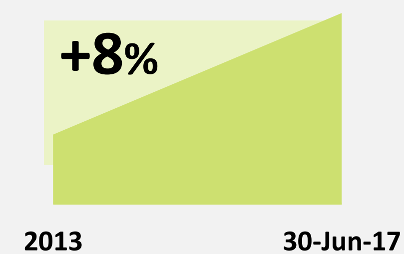
GROWTH IN PROPERTY VALUE BACKED BY SOLID OPERATING PERFORMANCE

CCP Property Valuation



❖according to valuations by independent principal valuers

Outperforming Beijing CBD capital value index



❖according to JLL Beijing Office Index

EFFECTIVE CAPITAL AND RISK MANAGEMENT STRATEGY

SpringREIT

Since 2014, changes in macro environment (particularly RMB depreciation and rising USD interest rate) have presented challenges to Spring REIT.

To mitigate the potential negative effects from these factors, the Manager has implemented the following strategies to optimise Spring REIT's capital structure (while reducing interest burden):

- Entered into the RCA01 Facilities Agreement in 1H 2015 to refinance the then existing loan, also cutting interest margin by 75 basis point while extending loan maturity to 5 years
- Partial repayment of the RCA01 Facilities Agreement in 1H 2017, reducing the principal amount of the USD term loan from USD480m to USD450m
- Successfully negotiated 110 basis points reduction in interest margin of RCA01 Facilities Agreement

Resulted in cash interest savings of approx. **USD9.24m** per annum = **~26%** of total distributable income*

*for year ended 31 December 2016

Healthy gearing ratio

JUNE 30 2017	31.4%	REIT code requires 45% cap

Note: The Manager did not refinance USD loans in RMB as the RMB borrowing cost is much higher. The conversion of the existing USD bank loan to RMB could result in a sharp decline in Spring REIT's distributable income. For illustrative purposes, Spring REIT's borrowing cost would be 57.8% higher than current interest rate of 3.01%, representing additional expense of approx. USD7.8million per year.

IMPLEMENTED ACQUISITION STRATEGY FOR LONG-TERM GROWTH AND PORTFOLIO DIVERSIFICATION

SpringREIT

- The Manager's acquisition strategy for Spring REIT is to capitalise on accretive acquisition opportunities as and when they arise. To achieve this, it is important to keep Spring REIT competitive with other property investors by adding flexibility to the investment scope.
- With Unitholders' approval, Spring REIT expanded its investment scope in 2015 to cover income-producing real estate located in any part of the world.
- Acquisition of UK Portfolio (completed in July 2017) is an initiative to implement this expanded investment scope, and to enhance growth potential and portfolio diversification.

Characteristics of the UK Portfolio

(representing about 7% of Spring REIT's portfolio value)

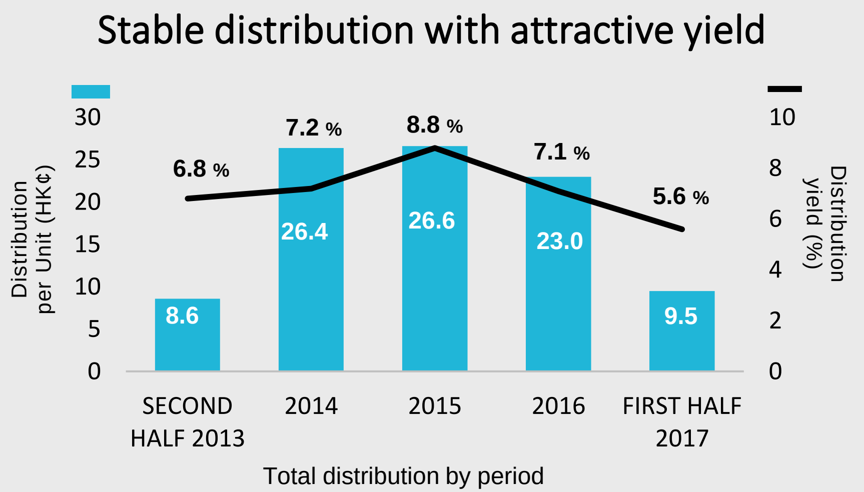
15 years long-term lease with a reputable tenant	**Defensive & attractive cash flow 6.1%** Initial gross yield	**Optimal operating structure** for REIT platform (single tenant & triple-net leases)	**Upward-only rent review mechanism** (mark-to-market every 5 years)

CCP Property represents about 93% of Spring REIT's portfolio value.
Mainland China remains the core geographical focus of Spring REIT's strategy.

DILIGENTLY PROVIDING DISTRIBUTIONS TO UNITHOLDERS

SpringREIT

- REITs are not designed to deliver short term capital gain (through disposal of assets) but to provide long-term stable distributions.
- The Manager is of the view that distribution is the most important parameter in assessing a REITs' performance, not discount to net asset value ("NAV"), which is commonly observed in Hong Kong listed property investment companies and REITs.



Between IPO and June 2017, Spring REIT paid out 104% of its distributable income

104%

Cumulative DPU

HK94.1 cents

equivalent to ~24.7% of listing price

The Manager believes Spring REIT presents an attractive investment option to Unitholders seeking long-term cash flow backed by quality assets

Management structure and fees conform to well-established market standards

SpringREIT

- In Hong Kong, **9 out of the 10 REITs use the external manager structure**
- Of the externally managed REITs, **8 out of 9 REITs has a similar management fee structure** *(which is calculated based on the REIT's asset value and its net property income)*
- Under this common fee structure, the external manager is incentivised to enhance the market value of the underlying real estate assets (primarily through strengthening the prospect of future rental income) and the net property income, thus **aligning the interests of the REIT manager and unitholders**.
- At the time of Spring REIT's IPO, the manager determined the fee formula with reference to established market standards. **The Manager's fee level is in line with its peers.**

The Manager's fee level is in-line with peers

0.4%
of total assets of the REIT

3%
of net property income

Compared to peers' fee ranges of base fee of 0.3-0.4% and variable fee of 3%-4%

The Manager has elected to receive substantial portion of fees in units

72%
average portion paid in units since listing of Spring REIT

Such election enhances internal cash resources and further aligns Manager's interests with Unitholders

WHY DID 1H 2017 DISTRIBUTABLE INCOME DECLINE YOY?

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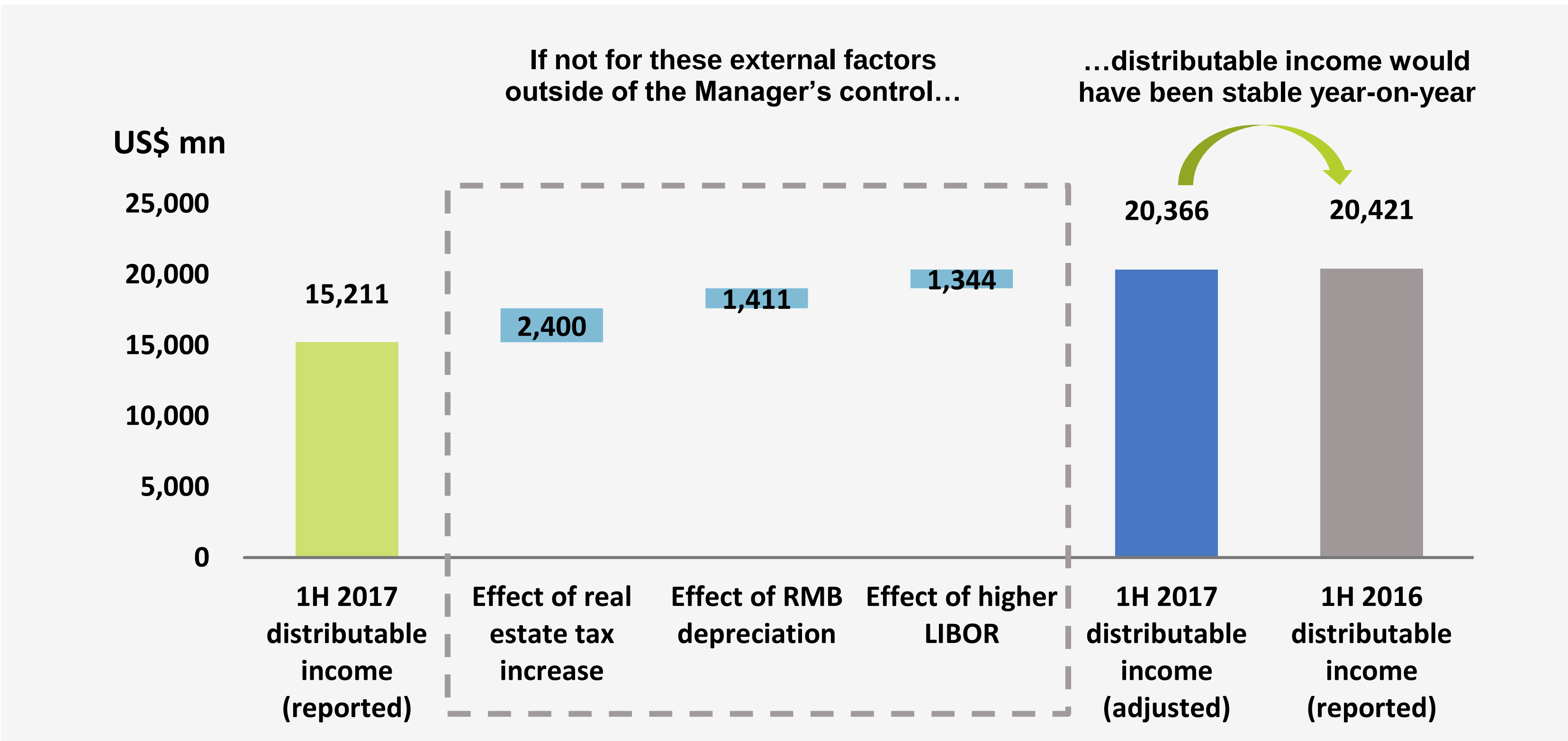
Spring REIT's decline in distribution in 1H 2017 was **primarily caused by external factors outside of the Manager's control**, namely (1) change in real estate tax basis in Beijing, (2) RMB depreciation against USD; (3) and increases in USD LIBOR interest rate.

For illustrative purpose, **if the effect from these external factors are adjusted for**, Spring REIT's distributable income in **1H 2017 would have been stable** compared with 1H 2016.



Note: *Adjusted distributable income for 1H 2017 is estimated based on publicly available historical information. It is included only for the purpose of illustrating the effect of external factors on distributable income for the period.*

WHAT WAS DONE TO MITIGATE EFFECTS FROM EXTERNAL FACTORS?

SpringREIT

Strategic Initiative	Plan	Results
April 2017: **Partial repayment of USD loan with new equity placement**	Capital management exercise to reduce asset-liability mismatch by partial loan repayment with new equity issued at market price	• **Stronger balance sheet** • Annual cash interest savings of USD1.2 mil, with a moderate 5.5% net dilution.
June 2017: **Reduction of interest margin on USD bank loan**	Take advantage of market opportunity to negotiate a 110 basis point reduction in interest margin for USD loan	• **Annual cash interest savings of USD4.95 mil** (i.e. 16.3% of 1H17 distributable income) • Total interest savings more than offset dilution from equity issuance, with ***net positive effect equiv. to 9.8% to 1H17 distributable income***
July 2017: **UK Acquisition**	Acquired a portfolio of 84 retail properties. Attractive and defensive rental income with upward-only rent review mechanism.	• **More diversified portfolio** (93% PRC; 7% UK) • **Income contribution from UK** (to begin after completion of acquisition in Jul 2017)

Hence, the above strategic initiatives brings benefits of : **(i) a stronger balance sheet, (ii) net positive effect to distributable income; and (iii) additional cash flows from a more diversified portfolio**

Note: *The above potential financial impact is estimated with certain assumptions based on publicly available historical information. They are included for illustration purposes only and not a forecast of actual financial results.*

BENCHMARKING SPRING REIT'S PERFORMANCE SINCE IPO

SpringREIT

- **Each REIT is <u>unique</u> given different exposure to different property markets, rental cycles, and external macroeconomic factors, etc.**
- **However, under a comprehensive comparison, <u>Spring REIT's performance is in-line with its peers</u>.**

		Median of other HK REITs (excluding Spring REIT)		
Period since Spring REIT's IPO	**Spring REIT**	**PRC-focused REITs**	**HK-focused REITs**	**Observations**
Payout ratio of distributable income (cumulative)	**104%**	100%	100%	All REITs have been maintaining high payout ratios. SR's payout is slightly higher than median.
Total return (cumulative)	**17%**	8%	89%	SR slightly better than median of PRC-focused REITs. HK-focused REITs, not being affected by the same external factors faced by PRC-focused REITs, have great performance.
Unit price discount to NAV (average)	**45%**	23%	44%	NAV discount is commonly observed among HK REITs. The market generally values REITs based on dividend yield. SR's NAV discount is at par with HK-focused REITs. Per total return comparison, a REIT of higher discount to NAV does not necessarily a poorer performer.

Sources: Bloomberg and company disclosures. Notes: The above comparison is for illustrative purpose only. SR means Spring REIT. HK-focused REITs include all HK-listed REITs with majority of properties located in Hong Kong, whereas PRC-focused REITs are those with majority of properties located in the PRC.

Consequences if Resolution 1 is Approved

SpringREIT

Unitholders are advised to carefully consider the following potentially serious and adverse consequences for Spring REIT if the Manager is removed.

- **Default under Spring REIT's financing arrangements**
  - The removal of Manager would result in a breach and default under financing agreement, unless lenders' consent or waiver is obtained. This may give rise to obligation to immediately repay all amounts outstanding, and may in turn affect Spring REIT's ability to make distributions
- **Spring REIT's property management arrangements**
  - Removal of Manager will terminate Property Management Supervision Agreement. There is no guarantee that Mercuria Parties will agree to continue assist with management of CCP Property
- **Uncertainty for Unitholders during management transitional period**
  - There is no certainty that appointment of internalised REIT manager or alternative external manager can be carried out successfully and expeditiously
  - Manager cannot actively pursue investment opportunities during transition period
  - Several factors have unknown timing and cost implications on the REIT including staffing, obtaining necessary licenses and amendments to Trust Deed

CONSEQUENCES IF RESOLUTION 2 IS APPROVED

SpringREIT

- The REIT Code requires the REIT Trustee and Manager to be independent of each other and internalisation **may not be in strict compliance with paragraph 4.8 of the REIT Code**, and hence, possibly require the SFC to grant a technical waiver from such requirement.
- Resolution 2, if approved, shall remain conditional upon the following (among other things):
  - a) the **staffing and licensing** of the Management Subsidiary
  - b) Unitholders' approval for **necessary amendments to Trust Deed** by way of Special Resolution
- There is no assurance of successful and expeditious implementation of Resolution 2. There is a **risk of a prolonged period of uncertainty** to Spring REIT.
- The **additional resources and costs involved may ultimately affect Spring REIT's ability to make distributions** to Unitholders.

PAG Unitholders have NOT provided any clarity or guidance on how the costs of implementation of Resolution 2 will be covered.

CONSEQUENCES IF RESOLUTION 2 IS PROPOSED BUT NOT APPROVED

- The Manager will be replaced by another external management company. There is no assurance that a company will be readily available to assume the role or what fees it will charge

SpringREIT

The Board considers both Resolution 1 and Resolution 2 to **NOT be in the interests of Spring REIT and the Unitholders as a whole**, and would strongly recommend the Unitholders **to**

VOTE AGAINST BOTH Resolution 1 & Resolution 2