

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all of your units in Spring Real Estate Investment Trust, you should at once hand this Circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This Circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities, nor is it calculated to invite any such invitation or offer.

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

CIRCULAR TO UNITHOLDERS IN RELATION TO

- (1) PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT REGARDING PROPERTY DEVELOPMENT AND RELATED ACTIVITIES**
- (2) PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT REGARDING RELEVANT INVESTMENTS**
- (3) PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT REGARDING PROPERTY TYPES**
- (4) PROPOSED EXPANSION OF THE GEOGRAPHIC SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT**
- (5) PROPOSED AMENDMENTS TO THE DISTRIBUTION FORMULA**
- (6) OTHER PROPOSED AMENDMENTS TO THE TRUST DEED**
- (7) PROPOSED EXTENSION OF PERIOD OF WAIVER IN RESPECT OF EXISTING CONTINUING CONNECTED PARTY TRANSACTIONS AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTION**
- (8) NOTICE OF EXTRAORDINARY GENERAL MEETING OF UNITHOLDERS AND CLOSURE OF REGISTER OF UNITHOLDERS**

Independent Financial Adviser to the Independent Board Committee of the Manager, the Independent Unitholders and the Trustee in relation to the proposed extension of period of waiver in respect of existing continuing connected party transactions and proposed new annual caps for certain continuing connected party transaction



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 12 to 72 of this Circular.

A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 73 to 74 of this Circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, Independent Unitholders and the Trustee is set out on pages 75 to 86 of this Circular.

A notice convening the EGM to be held at 11:00 a.m. on Wednesday, 20 May 2015 at The Tian & Di Room, 7th Floor, The Landmark Mandarin Oriental Hong Kong, 15 Queen's Road Central, The Landmark, Central, Hong Kong (or soon thereafter as the annual general meeting of Unitholders convened to be held at 10:00 a.m. on the same date and at the same place shall have been concluded or adjourned) is set out on pages N-1 to N-5 of this Circular. A form of proxy for use by the Unitholders at the EGM is enclosed with this Circular. Such form of proxy are also published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

Whether or not you intend to attend and vote at the EGM, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and return the form of proxy to the branch Unit Registrar of Spring REIT in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjourned meeting, should you so wish.

16 April 2015

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CORPORATE INFORMATION

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| Spring REIT | Spring Real Estate Investment Trust (春泉產業信託), a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time |
| The Manager | Spring Asset Management Limited Room 2801, 28/F, Man Yee Building 68 Des Voeux Road Central Hong Kong |
| Directors of the Manager | |
| <i>Executive Directors:</i> | Mr. Lau Jin Tin, Don Mr. Nobumasa Saeki |
| <i>Non-executive Directors:</i> | Mr. Toshihiro Toyoshima Mr. Hideya Ishino |
| <i>Independent Non-executive Directors:</i> | Mr. Simon Murray Mr. Liping Qiu Mr. Lam Yiu Kin |
| Trustee | DB Trustees (Hong Kong) Limited <i>(in its capacity as the trustee of Spring Real Estate Investment Trust)</i> 52/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong |
| Unit Registrar and Transfer Office | Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F, Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong |
| Legal Adviser to the Manager | DLA Piper Hong Kong 17th Floor, Edinburgh Tower The Landmark 15 Queen’s Road Central Hong Kong |
| Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee | Somerley Capital Limited 20th Floor, China Building 29 Queen’s Road Central Hong Kong |

DEFINITIONS

In this Circular, the following expressions have the following meanings, unless the context otherwise requires:

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| “2015 Waiver Extension” | the proposed extension of the Initial Waiver, for a further period of three full financial years up to and including 31 December 2017 (if approved by the Independent Unitholders at the EGM), for the Relevant Connected Party Transactions (including the setting of the New Annual Caps) as described in this Circular. |
| “Aggregate Development Costs” | the property development costs means (i) the aggregate investments in all Property Development and Related Activities (which, for such purpose, shall not include refurbishment, retrofitting and renovations) undertaken by Spring REIT together with (ii) the aggregate contract value of uncompleted units of real estate acquired by Spring REIT. |
| “Amendments Not Requiring Unitholders’ Approval” | the proposed amendments to the Trust Deed which are not subject to approval of Unitholders, the details of which are set out in Appendix VI to this Circular. |
| “Announcement” | the announcement dated 16 April 2015 made by the Manager in relation to, among other things, the proposed expansion of the scope of the investment policy and objective of Spring REIT, the proposed Expanded Investment Scope regarding Geographical Scope and Geographical Scope Amendments, the proposed Distribution Formula Amendments, the proposed expansion of the scope of Spring REIT regarding Property Development and Related Activities, the proposed expansion of Spring REIT regarding Relevant Investments, the other miscellaneous proposed amendments to the Trust Deed and the proposed 2015 Waiver Extension and proposed New Annual Caps. |
| “Annual Report” | the annual report of Spring REIT for the year ended 31 December 2014. |
| “associate” | has the meaning ascribed to this term in the REIT Code. |
| “Audit Committee” | the audit committee of the Manager. |
| “Authorisation” | authorisation of Spring REIT by the SFC under section 104 of the SFO. |
| “Authorised Investments” | the authorised investments of Spring REIT as prescribed in the Trust Deed. |

DEFINITIONS

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| “Base Fee” | the base fee payable to the Manager pursuant to the Trust Deed by reference to the value of the deposited property of Spring REIT. |
| “Board” | the board of directors of the Manager. |
| “Circular” | this circular is issued on the date hereof and dispatched to the Unitholders, containing, among other things, (1) a letter from the Board to the Unitholders detailing the proposed expansion of the scope of the investment policy and objective of Spring REIT so that it shall have the flexibility to invest in industrial properties, warehouses, commercial shopping malls, hotels and serviced apartments, details of the proposed expansion of Spring REIT’s investment policy and objective to include investments in Property Development and Related Activities and Relevant Investments, details of the proposed expansion of the geographical scope of the investment policy and objective of Spring REIT, the proposed amendments to the Trust Deed (including the amendments to the distribution formula), the other miscellaneous amendments to the Trust Deed, and the 2015 Waiver Extension (including the New Annual Caps), (2) a letter from the Independent Board Committee to the Independent Unitholders, (3) a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee, and (4) the EGM Notice. |
| “Compliance Manual” | the compliance manual adopted by the Manager for governing the management and operation of Spring REIT, as amended, supplemented and/or otherwise modified from time to time. |
| “connected person(s)” | has the meaning ascribed to this term in the REIT Code. |
| “Connected Persons Group” | any person who is a connected person of Spring REIT by virtue of its relationship (including but not limited to a director, controlling entity, holding company, subsidiary or associated company) with the Significant Holder and the Manager. |
| “Director(s)” | the director(s) of the Manager. |

DEFINITIONS

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| “Distribution Formula Amendments” | the proposed amendments to the Trust Deed in connection with the distribution formula, the details of which are set out in Appendix IV to this Circular, which are to be considered, and if thought fit, approved by Unitholders by the proposed Special Resolution no. 5 set out in the EGM Notice. |
| “EGM” | the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice to consider and, if thought fit, approve, among other things, the proposed Expanded Investment Scope regarding Property Types and the Property Types Amendments; the proposed Expanded Investment Scope regarding Property Development and Related Activities and the Property Development Activities Amendments, the proposed Expanded Investment Scope regarding Relevant Investments and the Relevant Investments Amendments; proposed amendments to Trust Deed relating to the Manager’s proxies and voting arrangements; proposed amendments to the Trust Deed relating to the Manager’s power to buy-back Units and to redeem certain entitlements in the case of rights issue and limitation of liability of the Manager and the Trustee in respect of distribution entitlement; the proposed Expanded Investment Scope regarding Geographical Scope and Geographical Scope Amendments; the proposed Distribution Formula Amendments, and the proposed 2015 Waiver Extension and proposed New Annual Caps, or any adjournment thereof. |
| “EGM Notice” | the notice included in this Circular in respect of the EGM to consider, and if thought fit, approve the EGM Resolutions. |
| “EGM Resolutions” | the Special Resolutions and the Ordinary Resolution to be passed at the EGM, as set out in the EGM Notice and explained in this Circular. |
| “Expanded Investment Scope regarding Geographical Scope” | the proposed expansion of the geographical scope of Spring REIT’s investment policy and objective beyond mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia, so that Spring REIT shall have the flexibility to invest in all classes of income-producing non-residential properties, in any part of the world, including but not limited to mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia which is to be considered, and if thought fit, approved by Unitholders by the proposed Special Resolution no. 4 set out in the EGM Notice. |

DEFINITIONS

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| “Expanded Investment Scope regarding Property Development and Related Activities” | the proposed expansion of the scope of Spring REIT’s investment policy and objective so that it shall have the flexibility to engage in or undertake Property Development and Related Activities (subject to restrictions in the REIT Code and the Trust Deed), which is to be considered, and if thought fit, approved by Unitholders as part of the proposed Special Resolution no. 1 set out in the EGM Notice. |
| “Expanded Investment Scope regarding Property Types” | the proposed expansion of the scope of Spring REIT’s investment policy and objective so that it shall have the flexibility to invest in industrial properties, warehouses, commercial shopping malls, hotels and serviced apartments (subject to restrictions in the REIT Code and the Trust Deed), which is to be considered, and if thought fit, approved by Unitholders as part of the proposed Special Resolution no. 3 set out in the EGM Notice. |
| “Expanded Investment Scope regarding Relevant Investments” | the proposed expansion of the scope of Spring REIT’s investment policy and objective so that it shall have the flexibility to invest in Relevant Investments (subject to restrictions in the REIT Code and the Trust Deed), which is to be considered, and if thought fit, approved by Unitholders as part of the proposed Special Resolution no. 2 set out in the EGM Notice. |
| “GAV Cap” | 10% of the Gross Asset Value, being the threshold limit of the Aggregate Development Costs. |
| “Geographical Scope Amendments” | means the proposed amendments to the Trust Deed in connection with the Expanded Investment Scope regarding Geographical Scope, the details of which are set out in the Appendix III to this Circular, which are to be considered, and if thought fit, approved by Unitholders as part of the proposed Special Resolution no. 4 set out in the EGM Notice. |
| “Gross Asset Value” | for the purpose of calculating the denominator to be used for the purpose of the GAV Cap, the total gross asset value of all the assets of Spring REIT calculated by reference to the latest published accounts of Spring REIT, as adjusted for any distribution declared and any published valuation (as further described in this Circular below), but excluding the value of any investments in properties under development (which for the avoidance of doubt, shall not include the value of existing properties under redevelopment). |

DEFINITIONS

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC. |
| “Independent Board Committee” | the independent committee established by the Board to advise the Independent Unitholders on the 2015 Waiver Extension and the New Annual Caps, comprising Mr. Simon Murray, Mr. Liping Qiu and Mr. Lam Yiu Kin, being all of the INEDs. |
| “Independent Financial Adviser” | Somerley Capital Limited, which is licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and appointed as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the 2015 Waiver Extension and the New Annual Caps. |
| “Independent Unitholders” | Unitholders other than those who have a material interest in the relevant resolutions, within the meaning of paragraph 8.11 of the REIT Code, and who are entitled to vote at the EGM. |
| “INED” | independent non-executive Director. |
| “Initial Waiver” | the waiver from strict compliance with the requirements of Chapter 8 of the REIT Code granted by the SFC on 21 November 2013, which is more fully described in the Offering Circular dated 25 November 2013 issued by Spring REIT to the Unitholders. |
| “Interim Report” | the interim report of Spring REIT for the six months ended 30 June 2014. |
| “Latest Practicable Date” | 10 April 2015, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular. |
| “Listing Date” | the initial listing date of the Units, being 5 December 2013. |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange. |
| “Manager” | Spring Asset Management Limited, (in its capacity as the manager of Spring REIT), a company incorporated under the laws of Hong Kong. |

DEFINITIONS

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| “Manager Connected Persons Group” | the Manager as well as controlling entities, holding companies, subsidiaries and associated companies of the Manager within the meaning of the REIT Code and the Directors, senior executives and officers of the Manager and the respective associates (as defined in the REIT Code), as defined in the Offering Circular. |
| “New Annual Caps” | the proposed new annual caps for the Relevant Connected Party Transactions for the years ending 31 December 2015, 31 December 2016 and 31 December 2017 respectively, as set out in this Circular. |
| “Offering Circular” | the offering circular of Spring REIT dated 25 November 2013 issued to the Unitholders in connection with the initial public offering of the Units. |
| “Ordinary Resolution” | a resolution of Unitholders passed by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue. |
| “Other Amendments Requiring Unitholders’ Approval” | other proposed amendments to the Trust Deed which require Unitholders’ approval, being amendments: (i) relating to the maximum number and validity of proxies; (ii) to allow for flexibility in the Trust Deed in relation to buy-back or redemption of Units to the extent that the applicable requirements by the SFC are complied with; and (iii) to the Trust Deed to include a framework to allow for the issue of Units, options over Units, convertible instruments or otherwise pursuant to Incentive Schemes; the details of which are set out in Appendix V to this Circular, which are to be considered, and if thought fit, approved by Unitholders as part of the proposed Special Resolution nos. 6 and 7 set out in the EGM Notice. |
| “PRC” | the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this Circular. |

DEFINITIONS

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| “Property“ | the real estate property comprises all of the office floors of Office Tower 1, China Central Place, Beijing, PRC (including Levels 4 to 28, and the equipment and emergency shelter floor on Level 16, which contains no lettable space) and Office Tower 2, China Central Place, Beijing, PRC (including Levels 4 to 32, and the equipment and emergency shelter floor on Level 20, which contains no lettable space) and a total of approximately 600 car parking spaces located in the underground levels of the two office buildings. The Property is located at No. 79 and No. 81, Jianguo Road, Chaoyang District, Beijing, PRC. |
| “Property Development Activities Amendments” | the proposed amendments to the Trust Deed in connection with the Expanded Investment Scope regarding Property Development and Related Activities, the details of which are set out in Appendix I to this Circular, which are to be considered, and if thought fit, approved by Unitholders as part of the proposed Special Resolution no. 1 set out in the EGM Notice. |
| “Property Development and Related Activities” | the acquisition of or an interest in uncompleted units in a building and property developments (including both new development projects and re-development of existing properties) undertaken in accordance with the REIT Code. |
| “Property Management Agreement” | the agreement dated 30 August 2011 entered into between RCA01 and the Property Manager (and subsequently acceded to by the property holding companies within Spring REIT) relating to the provision of certain property management and lease management as well as marketing services in respect of the property of Spring REIT, being the Property. |
| “Property Management Transactions” | the types of transactions entered into by, or by others on behalf of, the Spring REIT Group on one part and the Connected Persons Group and/or the Manager Connected Persons Group on the other part. |
| “Property Manager” | Beijing Hua-re Real Estate Consultancy Co., Ltd., as the property manager of Spring REIT, or such other person as may from time to time be appointed as the property manager of Spring REIT. |

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| “Property Types Amendments” | the proposed amendments to the Trust Deed in connection with the Expanded Investment Scope regarding Property Types, the details of which are set out in Appendix III to this Circular, which are to be considered, and if thought fit, approved by Unitholders as part of the proposed Special Resolution no. 3 set out in the EGM Notice. |
| “RCA01” | a company incorporated as an exempted company with limited liability in the Cayman Islands and is a special purpose vehicle wholly owned by Spring REIT. |
| “Real Estate” | any land, and any interest, option or other right in or over any land (for the purposes of this definition, “land” includes land of any tenure, whether or not held apart from the surface, and buildings or parts thereof (whether completed or otherwise and whether divided horizontally, vertically or in any other manner) and tenements and hereditaments, corporeal and incorporeal, and any estate or interest therein). |
| “Record Date” | 19 May 2015. |
| “Register” | the register of Unitholders. |
| “REIT” | real estate investment trust. |
| “REIT Code” | the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being. |
| “REIT Code Amendments” | the amendments to the REIT Code set out in the final consultation conclusions on amendments to the REIT Code issued by the SFC on 22 July 2014 and which become effective on 29 August 2014. |
| “Relevant Connected Party Transactions” | continuing connected party transactions involving: (1) leasing transactions; or (2) property management arrangements; between the Spring REIT Group on one part and the Connected Persons Group and/or the Manager Connected Persons Group on the other part, the details of which are set out in the Offering Circular and this Circular. |
| “Relevant Investments” | the following financial instruments: (1) securities listed on the Stock Exchange or other internationally recognised stock exchanges; (2) unlisted debt securities; (3) government and other public securities; and (4) local or overseas property funds; in accordance with the REIT Code. |

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| “Relevant Investments Amendments” | the proposed amendments to the Trust Deed in connection with the Expanded Investment Scope regarding Relevant Investments, the details of which are set out in Appendix II to this Circular, which are to be considered, and if thought fit, approved by Unitholders as part of the proposed Special Resolution no. 2 set out in the EGM Notice. |
| “SFC” | the Securities and Futures Commission of Hong Kong. |
| “SFC Circular” | the Circular to Management Companies and Trustees of SFC-authorized Hong Kong domiciled funds published by the SFC on 17 April 2014. |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being. |
| “Significant Holder” | RCA Fund 01, L.P., RCAC (being the general partner of RCA Fund 01, L.P. and with the exclusive right to manage, control and operate RCA Fund 01, L.P.), each being a significant holder of Spring REIT holding more than 10% of the total issued Units of Spring REIT. |
| “Special Resolution” | a resolution of Unitholders passed by a majority consisting of 75% or more of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with a quorum of two or more Unitholders holding 25% of Units in issue. |
| “Spring REIT” | Spring Real Estate Investment Trust (春泉產業信託), a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO. |
| “Spring REIT Group” | means the Manager, Spring REIT and other companies or entities held or controlled by Spring REIT. |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited. |
| “Takeovers Code” | The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented and/or otherwise modified from time to time. |
| “Trust Deed” | the trust deed constituting Spring REIT dated 14 November 2013 and entered into between the Trustee and the Manager, as the same may be amended and supplemented from time to time by any supplemental deed. |

DEFINITIONS

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| “Trustee” | DB Trustees (Hong Kong) Limited (in its capacity as the trustee of Spring REIT), a company incorporated under the laws of Hong Kong, in its capacity as trustee of Spring REIT. |
| “Trustee Ordinance” | the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being. |
| “Trustee Ordinance Clarification Amendments” | the proposed amendments to the Trust Deed in line with the SFC Circular, the details of which are set out in this Circular. |
| “Unit” | one undivided unit in Spring REIT. |
| “Unit Registrar” | Computershare Hong Kong Investor Services Limited, or if the context requires, such other person as may from time to time be appointed to keep and maintain the Register. |
| “Unitholder(s)” | any person registered as holding a Unit on the Register. |
| “Variable Fee” | the variable fee payable to the Manager pursuant to the Trust Deed, by reference to the net property income of Spring REIT. |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong. |
| “%” | per cent. |

References to persons shall include corporations. Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.

SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

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

(Stock Code: 01426)

Managed by
Spring Asset Management Limited

Directors of the Manager:

Chairman and Non-Executive Director:

Mr. Toshihiro Toyoshima

Executive Directors:

Mr. Lau Jin Tin, Don

Mr. Nobumasa Saeki

Non-Executive Director:

Mr. Hideya Ishino

Independent Non-Executive Directors:

Mr. Simon Murray

Mr. Liping Qiu

Mr. Lam Yiu Kin

Registered Office of the Manager:

Room 2801, 28/F, Man Yee Building

68 Des Voeux Road Central

Hong Kong

16 April 2015

To the Unitholders of Spring REIT

Dear Sir or Madam,

CIRCULAR TO UNITHOLDERS IN RELATION TO

- (1) PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT REGARDING PROPERTY DEVELOPMENT AND RELATED ACTIVITIES**
- (2) PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT REGARDING RELEVANT INVESTMENTS**
- (3) PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT REGARDING PROPERTY TYPES**
- (4) PROPOSED EXPANSION OF THE GEOGRAPHIC SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT**
- (5) PROPOSED AMENDMENTS TO THE DISTRIBUTION FORMULA**
- (6) OTHER PROPOSED AMENDMENTS TO THE TRUST DEED**
- (7) PROPOSED EXTENSION OF PERIOD OF WAIVER IN RESPECT OF EXISTING CONTINUING CONNECTED PARTY TRANSACTIONS AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTION**
- (8) NOTICE OF EXTRAORDINARY GENERAL MEETING OF UNITHOLDERS**

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the Announcement. The purpose of this Circular is: (a) to provide you with further information regarding: (i) the proposed expansion of the scope of the investment policy and objective of Spring REIT regarding property types which includes the Expanded Investment Scope regarding Property Types, the Expanded Investment Scope regarding Property Development and Related Activities and the Expanded Investment Scope regarding Relevant Investments; (ii) the proposed Expanded Investment Scope regarding Geographical Scope; (iii) the proposed Distribution Formula Amendments; (iv) the proposed amendments to the Trust Deed (namely, the Property Types Amendments, the Property Development Activities Amendments, the Relevant Investments Amendments, the Geographical Scope Amendments, the Other Amendments Requiring Unitholders' Approval and the Amendments Not Requiring Unitholders' Approval); (v) the 2015 Waiver Extension and New Annual Caps; (vi) other miscellaneous proposed amendments to the Trust Deed, including (1) certain minor miscellaneous amendments; and (2) amendments in line with the SFC Circular in connection with the disapplication of certain provisions in the Trustee Ordinance which was revised with effect from 1 December 2013; and (vii) the resolutions to be proposed at the EGM; (b) to set out the recommendations of the Independent Board Committee to the Independent Unitholders in relation to the Relevant Connected Party Transactions, the 2015 Waiver Extension and the New Annual Caps; (c) to set out the recommendations of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the Relevant Connected Party Transactions, the 2015 Waiver Extension and the New Annual Caps; and (d) to give you the EGM Notice.

2. PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT REGARDING PROPERTY DEVELOPMENT AND RELATED ACTIVITIES

I. Background

On 27 January 2014, the SFC issued a consultation paper on Amendments to the Code on Real Estate Investment Trusts inviting public comments on proposed amendments to the REIT Code to allow REITs to undertake property development activities and invest in certain financial instruments. In the SFC's consultation conclusions released on 22 July 2014, the SFC concluded that the proposals gained majority support, and the REIT Code Amendments became effective on 29 August 2014.

As a result of the REIT Code Amendments in August 2014, greater flexibility has been introduced to REITs with respect to their investment in properties under development or engagement in property development activities, subject to, among other things, obtaining the approval of Unitholders for the necessary trust deed amendments. The REIT Code Amendments include the following:

- (a) REITs are required to primarily invest in real estate. At least 75% of the gross asset value of the REIT shall be invested in real estate that generates recurrent rental income at all times;

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- (b) flexibility to invest in properties under development or engage in property development activities (including both new development projects and re-development of existing properties) and to invest in vacant land, subject to certain requirements and limitations, are introduced for REITs. In the case of investments in properties under development undertaken by a REIT, such properties shall be held by the REIT for a period of at least two years from the completion of the properties, unless otherwise approved by Unitholders.

In view of the investment relaxation and flexibility introduced by the REIT Code Amendments, the Manager proposes to reflect such changes in the Trust Deed so that Spring REIT may engage in or undertake Property Development and Related Activities.

II. Reasons for the Expanded Investment Scope regarding Property Development and Related Activities

The reasons and benefits for the Expanded Investment Scope regarding Property Development and Related Activities are set out below:

- (a) Spring REIT could acquire development projects at an earlier stage at lower acquisition costs, which could lead to more attractive return and/or greater capital appreciation potential;
- (b) early investment in a property development project is expected to allow the Manager to have input and control over the final product it wishes to acquire. This “design-and-build” model of property development could facilitate and enhance Spring REIT’s long term strategic and organic growth prospects, particularly in terms of cost savings relating to design modifications or specifications that may arise after the acquisition; and
- (c) where an existing property held by Spring REIT has become worn out and the cost of repair is substantial, Spring REIT could redevelop the property and obtain better investment return for Unitholders instead of a major overhaul or disposal in a dilapidated condition at a less than optimal price.

Therefore, the Manager is of the view that the greater flexibility in respect of investments in the Property Development and Related Activities, and thus the Property Development Activities Amendments are beneficial to the Unitholders as a whole.

The Manager will ensure that before engaging in any Property Development and Related Activities, it will have competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party under its oversight, to manage the Property Development and Related Activities.

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III. Compliance with the REIT Code and the Compliance Manual

(a) Requirements under the REIT Code

If the Expanded Investment Scope regarding Property Development and Related Activities is approved by the Unitholders at the EGM, any investment by Spring REIT in Property Development and Related Activities will be subject to the restrictions and limitations under the REIT Code from time to time. The relevant existing restrictions and limitations under the REIT Code are summarised below:

- (i) At least 75% of Spring REIT's Gross Asset Value shall be invested in real estate that generates recurrent rental income at all times;
- (ii) Investment in vacant land is prohibited unless it can be demonstrated that such investment is "part-and-parcel" of Property Development and Related Activities and within the investment policy and objective of Spring REIT;
- (iii) The Aggregate Development Costs shall not exceed the GAV Cap (being 10% of the Gross Asset Value, which, for the purpose of calculating the denominator to be used for the purpose of the GAV Cap, shall exclude the value of any investments in properties under development (which for the avoidance of doubt, shall not include the value of existing properties undergoing redevelopment)) at any time; and
- (iv) Spring REIT shall hold properties developed under the Property Development and Related Activities undertaken by it for a minimum of two years from the completion of the properties, unless Spring REIT has clearly communicated to the Unitholders the rationale for disposal prior to the expiry of such two-year period, and the Unitholders approve the disposal of such investment by Special Resolution at a general meeting.

(b) Corporate governance

The REIT Code sets out certain requirements which are expected to be complied with by the management company if it undertakes Property Development and Related Activities. In view of such requirements, the Manager will revise the Compliance Manual to include the following corporate governance provisions if the Expanded Investment Scope regarding Property Development and Related Activities and Property Development Activities Amendments are approved by the Unitholders:

- (i) the upfront calculation of the estimated total project costs borne and to be borne by Spring REIT, inclusive of the costs for the acquisition of land (if any), and the development or construction costs and financing costs and where necessary any subsequent increase should be based on a fair estimate made by the Manager in good faith and supported by the opinion of an independent expert acceptable to the SFC;

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- (ii) the Manager should include a prudent buffer when preparing budgets in line with best industry standards and practice to cater for cost overruns that may arise during the course of development (and where the Property Development and Related Activities are conducted overseas, the Manager should also take into account any currency impact in the calculation);
- (iii) any decision made by the Manager to invest in Property Development and Related Activities must be made solely in the best interest of Unitholders;
- (iv) investments in Property Development and Related Activities should not result in a material change in the overall risk profile of Spring REIT;
- (v) the Manager must have the requisite resources, competence, expertise, effective internal controls and risk management system for conducting Property Development and Related Activities;
- (vi) the Manager should consult the Trustee and issue an announcement to inform Unitholders upon Spring REIT entering into a contract to invest in Property Development and Related Activities, which should include all material information concerning the Property Development and Related Activities (including a summary of the key terms and conditions, the estimated total project costs borne and to be borne by Spring REIT, inclusive of the costs for the acquisition of land (if any), and the development or construction costs and financing costs and the risks involved); and
- (vii) the Manager should also ensure that all material information concerning the Property Development and Related Activities is set out in periodic updates (namely, the annual and interim reports) which should include the development progress, the extent (in percentage terms) to which the GAV Cap has been applied and the costs incurred. Such disclosure in the periodic updates shall be reviewed by the Audit Committee of the Manager.

The Manager will revise the Compliance Manual to contain the measures set out in this Section 2. III (b).

IV. Risks relating to Property Development and Related Activities

Engaging in Property Development and Related Activities may involve certain risks, including, without limitation, the following:

- (a) **Lack of track record.** The Manager has not previously engaged in Property Development and Related Activities. The Manager was incorporated specifically for the purpose of managing Spring REIT which, to date, has only held the Property, which is a developed property. Accordingly, the Manager has no experience in engaging in Property Development and Related Activities. If the Manager is unable to successfully manage Property Development and Related Activities, this may

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adversely impact the return from its investment in that project and the financial and business conditions of Spring REIT, as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

- (b) **Construction risk.** The progress of Property Development and Related Activities and the costs in relation thereto may be affected by factors such as labour disputes, construction accidents, shortage of materials, equipment, contractors and skilled labour, natural catastrophes and adverse weather conditions. By undertaking Property Development and Related Activities, Spring REIT will be exposed to the risk of increased labour and construction costs during different stages of a property development. If there is a significant increase in labour costs or construction costs, and Spring REIT cannot negate such increase by reducing other costs associated with the project, this may adversely impact the return from its investment in that project and the financial and business conditions of Spring REIT, as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.
- (c) **Risk of default of project counterparties.** The work of third party contractors (including sub-contractors) engaged to carry out work in relation to Property Development and Related Activities, may not always be satisfactory or match the expectations of Spring REIT in terms of quality, timing and safety standards. Any such contractors may undertake projects for other development companies, thereby diverting resources, or may encounter financial or other difficulties, which may cause unforeseen delays in the completion of Spring REIT's property developments, leading to an increase in the cost of construction. This in turn may adversely impact the return from its investment in that project and the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.
- (d) **Risk of failure or delays in obtaining governmental approvals.** In order to develop and complete a property development, various governmental permits, licences, certificates and other regulatory approvals at various stages of the property development process are required. Each approval is dependent on the satisfaction of certain conditions. Spring REIT may encounter problems or delays in obtaining the requisite approval or in fulfilling the conditions required for obtaining such approval. In the event that Spring REIT fails to obtain the requisite approval or to fulfill the conditions of such approval for its property developments in a timely manner, or at all, these property developments may not be able to proceed as planned. In addition, should there be any change in local legislation, rules and regulations relating to property development, Spring REIT may need to revise its original property development plan, and this may lead to the incurrence of additional costs and time needed for completion. This in turn may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

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- (e) **Risk of project financing.** A substantial amount of capital is generally required for property development projects prior to and during the construction period. Spring REIT may have to obtain debt facilities in order to finance the construction project and is subject to the relevant borrowing limitations specified in the REIT Code. Spring REIT may not be able to source and secure adequate and timely financing to complete a development project. Further, fluctuations in interest rates may increase the financing costs incurred and may have an adverse impact on the level of distributions to Unitholders. Changes in the business environment during the construction period, such as fluctuations in the prospective rental yield and property value, may result in rising financing costs of the project that may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.
- (f) **Risk of disputes with partners.** Spring REIT may undertake Property Development and Related Activities through joint ventures or in collaboration with third parties, subject to the REIT Code. Such joint venture arrangements or collaborations may involve a number of risks, including disputes with its partners stemming from the performance of their obligations under the relevant project, joint venture or cooperative property development agreements, disputes in connection with the scope of each party's responsibilities under those arrangements, financial difficulties encountered by such partners affecting their ability to perform their obligations, or conflicts between the policies or objectives adopted by such partners and those adopted by Spring REIT. These disputes may lead to legal proceedings, damage to Spring REIT's reputation, the incurrence of substantial costs and the diversion of resources and management's attention. The occurrence of any of the foregoing and other related factors could adversely affect the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.
- (g) **Risk of delay and impact on income.** Spring REIT may receive reduced or no income from the underlying real estate when Property Development and Related Activities are being undertaken. Such period may be extended if, for the reasons noted above, completion of the Property Development and Related Activities is delayed. This in turn may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders. There is no guarantee of a return from any investment in Property Development and Related Activities.

In order to minimise and mitigate the above risks, the Manager will include appropriate measures and procedures in the Compliance Manual for the Manager to:

- (a) prepare detailed budgets and manage budgets effectively and efficiently;
- (b) ensure that construction contracts are entered into at arm's length and on normal commercial terms and contain adequate risk containment or ring-fencing measures in line with best industry practices (for example, appropriate terms of payment and indemnity) so as to protect investors' interests;

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- (c) monitor the process of application for all relevant governmental and regulatory approvals, and conduct proper due diligence to ensure all such approvals required for Property Development and Related Activities have been duly obtained and all applicable laws and regulations are complied with;
- (d) ensure Spring REIT has sufficient resources to finance the Property Development and Related Activities at all times, having regard to the limitations on borrowing under the REIT Code and any exigencies that may arise in the course of construction;
- (e) ensure it has competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of their in-house skills or by way of outsourcing to a competent external party (e.g. engaging a reputable, suitably qualified and financially sound developer or contractor to undertake the development or construction activities) under the Manager's oversight, to manage the Property Development and Related Activities; and
- (f) ensure that the Property Development and Related Activities would not result in a material change in the overall risk profile of Spring REIT.

V. Proposed Property Development Activities Amendments

In connection with the proposed Expanded Investment Scope regarding Property Development and Related Activities, the Manager proposes consequential amendments to the Trust Deed (being the Property Development Activities Amendments) and certain ancillary amendments relating to investments by Spring REIT as summarized below, the full text of which is set out in Appendix I to this Circular.

(a) Engagement or participation in Property Development and Related Activities

Under the existing Clause 15.2.1 of the Trust Deed, Spring REIT may acquire real estate in mainland China, although future acquisitions may also be made in Hong Kong, Macau, Taiwan, Japan and other areas of Asia and other Authorised Investments. Under the existing Clause 15.3.3 of the Trust Deed, Spring REIT shall not engage or participate in any property development activities (excluding, for the avoidance of doubt, refurbishment, retrofitting and renovations).

The Manager proposes to amend Clause 15.2 of the Trust Deed to allow Spring REIT to undertake Property Development and Related Activities, provided that the Aggregate Development Costs shall not exceed the GAV Cap at any time. Consequentially, the Manager proposed to: (i) amend and expand the definition of "Authorised Investments" to expressly include Property Development and Related Activities, and (ii) insert a new Clause 15.2A into the Trust Deed providing further details as to the calculation of Gross Asset Value for the purposes of the GAV Cap.

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In line with the above proposed amendments, the Manager also proposes to remove the restriction in Clause 15.3.3 of the Trust Deed from engaging or participating in any property development activities and insert the definitions of “Aggregate Development Costs”, “Property Development and Related Activities”, “Gross Asset Value” and “GAV Cap” in Clause 1.1 of the Trust Deed.

(b) Vacant land restrictions

In line with the above proposed amendments, the Manager proposes to qualify the investment restriction in Clause 15.3.3 of the Trust Deed on investment in vacant land such that the restriction will not extend to any investment in vacant land which is part-and-parcel of Property Development and Related Activities undertaken in accordance with the relevant provision in the Trust Deed and within the investment objective and policy of Spring REIT.

(c) Minimum holding period

Further, in line with the amendment to the REIT Code, the Manager proposes to amend the requirement in Clauses 15.3.6 and 24.4.1.3 of the Trust Deed in relation to the minimum investment holding period so that investments in relation to Property Development and Related Activities undertaken by Spring REIT shall be held for a period of at least two years from the completion of the relevant Property Development and Related Activities unless Spring REIT has clearly communicated to the Unitholders the rationale for disposal prior to the expiry of such two-year period and that the Unitholders approve such disposal by way of a Special Resolution at a general meeting.

(d) Investment in income-generating Real Estate

Under the existing Clause 15.2.1 of the Trust Deed, the Manager must manage the property of Spring REIT so that the principal investments of Spring REIT are Real Estate which shall be generally income producing.

The Manager proposes that Clause 15.2.1 of the Trust Deed be amended to specify the value of the investments by Spring REIT in Real Estate that generates recurrent rental income shall at all times be at least 75% of the gross asset value of Spring REIT. The Manager proposes to insert a new Clause 15.2A into the Trust Deed to set out the meaning of “Gross Asset Value” for the purpose of calculating the denominator to be used for the purpose of the GAV Cap.

Please refer to Sections 5.III and 5.IV of this Circular for details of approvals required for the proposed amendments for the Expanded Investment Scope regarding Property Development and Related Activities, and recommendation of the Board and view of the Trustee thereof.

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3. PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT REGARDING RELEVANT INVESTMENTS

I. Background

In addition to the above amendments to the REIT Code regarding Property Development and Related Activities, the amendments to the REIT Code in August 2014 have also introduced flexibility for REITs to invest in listed securities, unlisted debt securities, government and other public securities and property funds, subject to certain limitations.

II. Reasons for the Relevant Investments Amendments

The Expanded Investment Scope regarding Relevant Investments, if included in the Trust Deed, would provide Spring REIT with more flexibility to manage its cash position with a view to enhancing returns to Unitholders, especially in times of low cash deposit rates or when there are limited suitable property investment opportunities.

The Manager will ensure that before engaging in any Relevant Investments, it will have competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party under its oversight, to manage the Relevant Investments.

III. Compliance with the REIT Code and the Compliance Manual

(a) Requirements under the REIT Code

The REIT Code imposes certain restrictions regarding investments in Relevant Investments, as summarised below:

- (i) The Relevant Investments should be sufficiently liquid, could be readily acquired or disposed of under normal market conditions and in the absence of trading restrictions, and have transparent pricing.
- (ii) A REIT shall not invest in any high risk, speculative, or complex financial instruments, structured products or enter into any securities lending, repurchase transactions or other similar over-the-counter transactions.
- (iii) The total sum of: (1) the Aggregate Development Costs, (2) the combined value of the Relevant Investments and (3) other non-real estate assets shall not exceed 25% of the gross asset value of the REIT at any time.
- (iv) The value of the holding of the Relevant Investments issued by any single group of companies shall not exceed 5% of a REIT's gross asset value.

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When determining whether the 25% threshold limit in (iii) above is exceeded:

- (i) Real estate related assets (including plant, machinery and equipment, fixtures and fittings) which could be considered as part-and-parcel of the properties of Spring REIT may be disregarded as “other non-real estate assets”, provided that they are included as part of the real estate of Spring REIT in its valuation and accounted for as such in accordance with requisite accounting standards.
- (ii) Plain vanilla hedging instruments in the nature of treasury tools for Spring REIT to manage interest rate and currency exposures may also be disregarded as “other non-real estate assets”. However, such exclusion would be strictly limited to those instruments to the extent used for genuine hedging purpose in connection with the ordinary course of business of Spring REIT and not with the intention of yield enhancement.

(b) *Corporate governance*

The REIT Code sets out certain requirements which are expected to be complied with by the management company if investment is made in regard to the Relevant Investments. Having considered such requirements, the Manager will revise the Compliance Manual to include the following corporate governance provisions if the Expanded Investment Scope regarding Relevant Investments and Relevant Investments Amendments are approved by the Unitholders:

- (i) any decision made by the Manager to invest in Relevant Investments must be made solely in the best interest of Unitholders;
- (ii) the investments in Relevant Investments should not result in a material change in the overall risk profile of Spring REIT. In assessing the risks involved, the Manager should take into account all relevant factors including but not limited to the creditworthiness of the issuer of the Relevant Investments. The Manager should monitor these investments on an ongoing basis to ensure compliance with all applicable requirements;
- (iii) the Manager must ensure that the Relevant Investments are independently and fairly valued on a regular basis in accordance with the Trust Deed and in consultation with the Trustee. The valuation should be made in accordance with the applicable accounting standards adopted for preparing Spring REIT’s financial statements as well as best industry standards and practice. For example, there should be a daily marked-to-market valuation wherever practicable;
- (iv) the Manager shall manage the Relevant Investments and monitor them on an ongoing basis to ensure that the aforementioned 25% gross asset value limit is observed;

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- (v) the Manager shall publish the full investment portfolio of the Relevant Investments with key information, such as credit ratings of the instruments invested, if applicable, on Spring REIT's website on an ongoing basis which shall be updated monthly within five business days of each calendar month end;
- (vi) the Manager shall also ensure that all material information concerning the Relevant Investments is set out in periodic updates (namely, the annual and interim reports of Spring REIT) which should include the extent (in percentage terms) to which the 25% gross asset value limit has been applied. The relevant disclosure in the periodic updates shall be reviewed by the Audit Committee of the Manager; and
- (vii) the Manager must have the requisite resources, competence, expertise, effective internal controls and risk management system for conducting the investments in Relevant Investments.

IV. Risks relating to investments in Relevant Investments

Investments in Relevant Investments may involve, without limitation, the following characteristics and risks:

- (a) **Market risk.** If Spring REIT invests in Relevant Investments in the nature of equity securities, debt securities or property funds, it will be susceptible to the risk of all or certain parts of the market in which it has invested. The market value of stocks, debt securities and property funds will fluctuate in response to (but not limited to) general market and economic conditions, and will also be exposed to changes in commodity prices, foreign exchange rates and interest rates. In particular, since the Hong Kong Dollar is pegged to the US Dollar, interest rate movements in Hong Kong will be directly and heavily influenced by interest rate movements in the United States. In addition, there is the risk of inflation, as the return on debt securities such as bond investments may lose purchasing power if there is an increase in consumer prices. Such market fluctuations and uncertainties may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders.
- (b) **Default/Credit risk.** Spring REIT may face financial loss if an issuer or counterparty to the Relevant Investments defaults in payment, or experiences a decline in its payment capacity. A corporate event such as a merger or takeover may have an adverse impact on the financial position and thus the credit rating of the issuer. Any decline in the creditworthiness of an issuer may have a major impact on the value of the Relevant Investments.

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- (c) **Price volatility risk.** Substantial fluctuations in the price of a financial instrument may negatively affect the investment. In the case of equity securities, stock prices may be highly volatile and unpredictable subject to different local and international market and economic factors. The price volatility of the stock may also increase due to speculations in the market and changes in business risk of the underlying operations. Moreover, a stock may be suspended from trading on the relevant stock exchange or market, during which time, Spring REIT would not be able to buy or sell such stock on such stock exchange or market. The price of the stock may fluctuate after its resumption of trading due to changes in market and/or business risks during the period of suspension. These fluctuations can be unpredictable, and such occurrences could adversely affect Spring REIT's financial conditions and results of operations.
- (d) **Liquidity risk.** Spring REIT may not be able to sell a sufficient amount of the Relevant Investments at a desired time and at a satisfactory price because demand in Relevant Investments may become low during certain periods of time, notwithstanding the Relevant Investments being relatively liquid when they were acquired and transparently priced. In such circumstances, Spring REIT may be forced to sell the Relevant Investments on unfavourable terms.
- (e) **Management and policy risk.** Spring REIT may unintentionally invest in companies with improper management practices, which conduct transactions that are detrimental to Spring REIT's interests as an investor or, in the case of property funds, the risk of poor performance by fund managers. Such improper actions or practices may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders. Meanwhile, changes in local and/or international government policies and regulations may have a profound impact on the pricing of equity securities in the relevant sectors or industries.
- (f) **Risks in relation to property funds.** Investments in local or overseas property funds may involve additional risks. There is no assurance that a property fund will achieve its investment objective and strategy. A property fund is highly susceptible to the relevant real estate market conditions if it concentrates its investment in a single property or asset class. In the case of overseas property funds, changes in exchange rates may have an adverse effect on the value of the fund's assets. Further, investing overseas will entail regional as well as political risks.

The Manager will minimise and mitigate the above risks by: (a) analysing the financials of any issuer before an investment is made and on a regular basis so long as it is part of Spring REIT's portfolio; (b) ensuring that the proportion of Spring REIT's assets exposed to such risks will be small and diversified across multiple investments; and (c) adhering to the restrictions and adopting the corporate governance measures set out above in this section.

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V. Proposed Relevant Investments Amendments

In connection with the proposed Expanded Investment Scope regarding Relevant Investments, the Manager proposes amendments to the Trust Deed (being the Relevant Investments Amendments) and certain ancillary amendments relating to investments by Spring REIT as summarised below, the full text of which is set out in Appendix II to this Circular.

(a) Investments in Relevant Investments

To allow Spring REIT to invest in financial instruments permitted by the REIT Code, the Manager proposes to expand the definition of “Authorised Investments” to expressly include the “Relevant Investments”. The Manager also proposes that the Trust Deed be amended by: (i) inserting a new definitions for “Relevant Investments”; (ii) inserting a new Clause 15.2.4 to expressly permit Spring REIT to invest in Relevant Investments; and (iii) inserting a new Clause 15.3.7 into the Trust Deed providing further details as to calculation of Gross Asset Value.

(b) Threshold requirement

As proposed under the Property Development Activities Amendments described above, the Manager proposes that Clause 15.2.1 is amended, in order to specify the value of the investments by Spring REIT in Real Estate that generates recurrent rental income shall at all times be at least 75% of the Gross Asset Value of Spring REIT. As described above, the Manager also proposes to insert a new Clause 15.2A into the Trust Deed to set out the meaning of “Gross Asset Value” for the purpose of calculating the denominator to be used for the purpose of the GAV Cap.

A new Clause 15.3.7 is proposed to be inserted into the Trust Deed to provide that the combined value of the Relevant Investments, together with other non-real estate assets of Spring REIT when aggregated with the Aggregate Development Costs of Spring REIT, shall not exceed 25% of the Gross Asset Value of Spring REIT at any time.

(c) Diversification of Relevant Investments

A new Clause 15.3.8 is proposed to be inserted into the Trust Deed to provide that the value of the Relevant Investments held by Spring REIT issued by any single group of companies shall not exceed 5% of the Gross Asset Value of Spring REIT at any time.

(d) Valuation of Relevant Investments

The Manager proposes to amend Clause 18.3.4 of the Trust Deed (which currently only applies to derivative instruments used for hedging of efficient portfolio management purposes) so that it will also apply to the valuation of Relevant Investments. Such valuation shall also be subject to the existing Trust Deed proviso that requires all valuations to be in accordance with International Financial Reporting Standards.

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Please refer to Sections 5.III and 5.IV of this Circular for details of approvals required for the proposed amendments for the Expanded Investment Scope regarding Relevant Investments, and recommendation of the Board and view of the Trustee thereof.

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4. PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT REGARDING PROPERTY TYPES

I. Background

As stated in the Offering Circular, the investment policy and objective of Spring REIT is to invest primarily in high quality income-producing Real Estate in mainland China, although future acquisitions may also be made in Hong Kong, Macau, Taiwan, Japan and other areas of Asia and other Authorised Investments.

The Manager proposes to expand the types of properties in which Spring REIT may invest to specifically include industrial properties, warehouses, commercial shopping malls, hotels and serviced apartments.

II. Reasons for the Expanded Investment Scope regarding Property Types

The proposed changes will, among other things, allow Spring REIT to have greater flexibility with respect to investment in properties, including investing in industrial properties, warehouses, commercial shopping malls, hotels and serviced apartments, of which the Manager considers to offer good investment potential based on the prevailing market conditions.

A more diverse investment scope will allow Spring REIT to capture investment opportunities across properties of different types when available and appropriate, with the ultimate objective of enhancing the competitiveness of Spring REIT and improving return on assets for Unitholders.

The broadening of investment scope would allow the Manager to contemplate activities including but not limited to the acquisition of industrial properties and warehouses for revitalisation and the conversion of existing office properties (if any) of Spring REIT into commercial shopping malls, hotels or serviced apartments (subject to relevant legal and regulatory requirements (including requirements under the REIT Code) and any necessary disclosure to and approval from the Unitholders), which become feasible options as a result of the changes in market conditions, government policies and regulations. For the purpose of clarity, the Manager currently has no conversion and/or revitalisation plans with respect to the Property.

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Upon approval of the Expanded Investment Scope regarding Properties Types from the Unitholders as set out above in this section, the Manager will continue to adopt the initial investment policy and objective of Spring REIT in relation to property types as stated in the Offering Circular. The Manager has no present intention for Spring REIT to invest in property that falls within the Expanded Investment Scope regarding Property Types.

III. Compliance with the REIT Code and the Compliance Manual and manner in holding any hotel and serviced apartment properties, commercial shopping malls, warehouses and industrial properties

(a) Requirements under the REIT Code

Investments by a REIT in properties (including hotels and industrial properties) are subject to the compliance with the relevant requirements of the REIT Code and other relevant legal and regulatory requirements. For example, the REIT Code requires the real estate that a REIT invests in shall generally be income-generating and in particular, at least 75% of the gross asset value of a REIT shall be invested in real estate that generates recurrent rental income at all times.

Moreover, pursuant to the REIT Code, where a REIT invests in hotels or serviced apartments, such investments shall be held by special purpose vehicles. It is observed that the existing Hong Kong listed REITs that solely or primarily invest in hotels have in general leased the hotels to external parties and external hotel managers have been engaged to manage and operate the hotels. Pursuant to such arrangement, the relevant lessee would pay to the REITs (as owners) fixed base rent and variable rent based on the performance of the relevant hotel, and in certain cases, the relevant external hotel manager would receive a management fee from either the REIT group or the external lessee. Alternatively, in the case where the hotels and/or serviced apartments do not constitute the majority of the property portfolio, it is observed that such assets are managed and operated by external hotel operators which receive remuneration as calculated by reference to gross receipts, and that the REITs (as owners) are entitled to all the income generated from operations, and be responsible for all the costs of the operation of the hotels and therefore have significantly more exposure to the results of operations compared to leasing arrangements.

If Spring REIT is to invest in any hotels and/or serviced apartments, it will enter into an arrangement similar to either of the alternatives as aforementioned or such other arrangement(s) as the Manager considers appropriate, subject to the applicable legal and regulatory requirements (including the requirements under the REIT Code). The Manager is aware of the cyclical and transient nature of the hospitality business, and shall ensure that investment in any hotel or serviced apartment property would fulfill the requirement of generating recurrent rental income at all times regardless of the nature of the lease arrangement. Any such hotels and serviced apartments will be held by Spring REIT through special purpose vehicles. On the other hand, it is expected that any investment by Spring REIT in industrial properties will generate recurrent rental income and be held in a manner similar to the existing properties of Spring REIT.

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(b) Corporate governance

Pursuant to paragraph 5.2(ca) of the REIT Code, the Manager is required to implement appropriate policies and conduct due diligence such that investments are made only after careful and diligent investigations by the Manager. The Compliance Manual sets out, among other things, the procedures relating to the identification, evaluation and decision-making for potential acquisition of properties by the Manager on behalf of Spring REIT.

In view of such requirements, the Manager will revise the Compliance Manual to include the following corporate governance provisions if the Property Types Amendments (which relate to the Expanded Investment Scope regarding Property Types) are approved by the Unitholders:

- investments are made only after careful and diligent investigations by the Manager;
- where Spring REIT invests in hotels or serviced apartments, such investments shall be held by special purpose vehicles;
- at least 75% of the gross asset value of Spring REIT shall be invested in real estate that generates recurrent rental income at all times;
- investments made as a result of the Expanded Investment Scope regarding Property Types should not result in a material change in the overall risk profile of Spring REIT; and
- the Manager must have the requisite resources, competence, expertise, effective internal controls and risk management system for conducting those activities falling within the Expanded Investment Scope regarding Property Types.

IV. Risks relating to the investments in the additional property types and Risk Mitigation Measures

Risks relating to the investments in the additional property types

Investments in industrial properties, warehouses, commercial shopping malls, hotels and serviced apartments may involve, without limitation, the following characteristics and risks:

(a) in relation to investments in industrial properties:

Industry risks

- *Industrial property sector is competitive*

The industrial property sector is competitive given the substantial amount of existing property stock in the market. In addition, success in the industrial property sector depends on a number of factors, such as design, construction quality, and

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management of the industrial property and the level of rental fees offered to potential tenants. Failure to successfully secure prospective tenants may impact on the results of operations and the financial condition of the owner.

- *Declining needs of workshops in industrial properties*

Due to the decline in demand for workshops in industrial properties, it may be difficult to secure tenants for such vacant space. Further, any future increase in the supply of vacant industrial properties will increase the competition for tenants. Rental rates may therefore be adversely affected, while additional costs may have to be incurred in order to renovate the properties to maintain their competitiveness in attracting tenants.

Operational risks

- *Use of industrial properties*

Although owners of industrial properties may submit applications to have their buildings revitalised and rejuvenated, any such proposal will be subject to approval by relevant governmental authorities and there is no guarantee that such applications will be approved. Moreover, revitalisation and rejuvenation work may not be profitable as the cost of conversion can be substantial.

(b) *in relation to investments in hotel and serviced apartment properties:*

Industry risks

- *The highly competitive hospitality industry*

The hospitality industry is highly competitive and the ongoing completion of new hotels or renovations of competing hotel properties is expected to further increase competition in the market. The success of a hotel or serviced apartment property principally depends on its ability to compete with regard to room rates, quality of accommodation, brand recognition, location, proximity to transportation systems, quality of service and maintenance, and provision of additional amenities such as food, beverage, and meeting and recreational facilities. More favourable terms offered by competing hotels or serviced apartments may adversely affect the operation results of any hotel or serviced apartment properties acquired by Spring REIT.

- *The hospitality industry is susceptible to crises such as the outbreak of any epidemic or pandemic, political unrest and other unforeseen events beyond the control of Spring REIT*

Factors such as acts of God, wars, natural disasters, terrorist attacks, riots, public disorder, communicable diseases and other unforeseen events beyond the control of Spring REIT may have an adverse effect on the hospitality industry. The outbreak of an infectious disease such as human swine flu, human avian flu, Severe

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Acute Respiratory Syndrome (SARS) or Ebola (together with any resulting restrictions on travel and/or imposition of quarantines), or the onset of any global or regional economic recession, or political campaigns, movements or changes in law, regulations or orders restricting the visits by mainland and/or other visitors, could have an adverse effect on the business performance and operation of the hospitality industry.

- *Hotel and serviced apartment operations require a higher level of capital expenditure to maintain and greater depreciation and renovation costs are involved*

Hotel and serviced apartment properties typically require substantial cost and expenditure on, among other things, maintenance and renovation. The cost-to-income ratio of such property type may be lower than that of a typical office property, while more stringent funding requirements for capital expenditure are expected from time to time.

- *Lack of alternative uses of hotel and serviced apartment properties*

Since hotel and serviced apartment properties may not readily be converted to alternative uses should they become unprofitable due to competition, aging, decreased demand or other factors, a substantial amount of capital expenditure would generally be required for the conversion of a hotel or serviced apartment to alternative uses. Such factors may affect the ability of the owner to dispose of such properties when required or considered desirable to do so.

Market risks

- *The hospitality industry is highly susceptible to economic cyclicality*

The hospitality business is cyclical and sensitive to any changes that may arise in the economy, be it global, regional or local. Any global, regional or local recession could lead to a downturn in business. Further, due to the transient nature of the hospitality business, occupancy rates, room rates and revenue per available room are subject to seasonal factors.

- *The illiquidity of real estate investments could significantly limit the ability of Spring REIT to sell its properties in a timely manner*

As real estate investments have traditionally been relatively illiquid, the ability of Spring REIT to promptly sell any of its hotels or serviced apartments or to vary its investment portfolio in response to changing economic, financial and investment conditions may be limited. The market for acquiring and disposing of hotel and serviced apartment properties has conventionally and relatively been less active or liquid (as compared to commercial properties) and is affected by a number of factors, such as general economic conditions, the availability of financing, interest rates and other factors, including supply and demand, that are beyond the control of Spring REIT.

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Operational risks

- *Expertise is required for operation of properties in hospitality industry*

The management of hotels and serviced apartments requires a different set of skills from office and retail property management and there is no assurance that the services rendered by any hotel/serviced apartment management company engaged by Spring REIT will always be satisfactory or match the expectation of Spring REIT in terms of quality and standards.

- *The requirement of licences for operations in the hospitality industry*

The operation of hotels and serviced apartments is customarily subject to various local laws and regulations, which may require various licences and other relevant approvals to be obtained with respect to the ownership, operation and the leasing of hotel properties. The withdrawal, suspension or non-renewal of any such approval and/or licences, or the imposition of any penalties, as a result of any infringement or non-compliance with any laws, rules or regulations applicable to the hotel properties, would have a detrimental impact on the business and the profitability of the hotel operations.

Further, any changes in the applicable laws, rules and regulations may also affect operation and may result in higher costs of compliance. Any failure to comply with new or revised laws, rules and regulations could result in the imposition of fines or other penalties by the relevant authorities. This could have a negative impact on the revenue and profitability of the properties or otherwise adversely affect their operations.

- *If occupancy rates decline, operating costs and expenses may not decrease to the same extent*

A substantial amount of the costs involved in the running and operation of a hotel or serviced apartment are fixed and do not usually highly correlate with and/or depend on occupancy rates. Operating a hotel or serviced apartment therefore involves a significant sum of fixed costs which limits the ability of the operator to respond swiftly to unexpected and adverse market conditions and such limitations may impact on the profitability particularly when the hotel/serviced apartment market is weak. Further, unlike the office leasing market where the typical lease period is more than two years and where rent is typically not linked to turnover, revenue from owning hotels and serviced apartments tend to be more strongly linked to its results of operation. In addition, where there is no lease in place, occupancies of hotel rooms and serviced apartments can be for as little as one night. This, in turn, may lead to a more volatile income and cash flow profile.

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- *The need for renovation work, repair and maintenance*

The quality and design of hotels and serviced apartments are likely to have an impact on room rates and the demand for rooms. Renovation works may be required from time to time to retain the attractiveness of the hotels and serviced apartments to customers and ad hoc maintenance or repair works may also be required to meet legal and regulatory requirements. The costs of maintenance and the risk of any unforeseen maintenance or repair requirements tend to increase over time with the aging of hotels and serviced apartments. The business and operations of the hotels and serviced apartments may be disrupted as a result of renovation works and may cause reduction in rental income.

Physical damage to the hotels or serviced apartments in the event of unforeseen events such as fire or other causes may lead to a significant disruption to the business and operation of the hotels or serviced apartments and impose unbudgeted costs on Spring REIT and may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

- *Additional costs or liability related to environmental matters*

The operation of hotels or serviced apartments is subject to various environmental laws and regulations and additional capital expenditure may be incurred to comply with such laws and regulations from time to time. Any non-compliance with the same may lead to exposure to liability or negative effects on the reputation of the hotel or serviced apartment properties.

- *Material losses which are uninsurable or uninsured*

Certain types of risk, such as acts of God, terrorism, risk of war, losses caused by the withholding of supply of utilities by a supply authority and contamination or other environmental breaches may be or become uninsurable in certain jurisdictions or the scope of insurance may be restricted and not compatible with the level of risk to which the subject property is exposed.

In the event of an uninsurable or uninsured loss, Spring REIT may be required to pay compensation and/or lose capital invested in the hotels or serviced apartments as well as anticipated future revenue from the hotels or serviced apartments.

- *The hospitality business is capital intensive and it may be difficult to obtain financing on favourable terms or at all*

Investment in hotel and serviced apartment properties will require periodic capital expenditure for refurbishment, renovation and improvements. Acquisitions or development of hospitality and/or hospitality-related assets may also require significant funding. There is no assurance that Spring REIT will have sufficient

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funds to meet capital requirements solely from cash provided from its operating activities. Additional equity or debt financing is subject to prevailing conditions in the equity and debt markets and may not be available on favourable terms or at all.

(c) *in relation to investments in commercial shopping malls:*

Industry risks

- *Performance Risk*

There is a risk that the commercial shopping mall sector will not outperform the industrial and/or office sector.

- *The highly competitive commercial shopping mall industry*

The commercial shopping mall industry is highly competitive and the ongoing completion of new shopping malls or the renovation of competing shopping malls is expected to further increase competition in the market. The success of a commercial shopping mall principally depends on its ability to compete with regard to quality and range of retail tenants, customer recognition, location, proximity to transportation systems, quality of service and maintenance, and provision of additional amenities such as food, beverage, and meeting and leisure and lifestyle facilities. More favourable terms offered by competing commercial shopping malls may adversely affect the operation results of any commercial shopping mall properties acquired by Spring REIT.

- *Commercial shopping mall operations require a higher level of capital expenditure to maintain and greater depreciation and renovation costs are involved*

Commercial shopping mall type properties typically require substantial cost and expenditure on, among other things, maintenance and renovation. The cost-to-income ratio of such property type may be lower than that of a typical office property, while more stringent funding requirements for capital expenditure are expected from time to time.

Operational risks

- *Expertise is required for operation of commercial shopping malls*

The management of commercial shopping malls requires a different set of skills from office and retail property management and there is no assurance that the services rendered by any commercial shopping mall management company engaged by Spring REIT will always be satisfactory or match the expectation of Spring REIT in terms of quality and standards.

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- *The need for renovation work, repair and maintenance*

The quality and design of commercial shopping malls are likely to have an impact on attractiveness to retail tenants and to retail customers. Renovation works may be required from time to time to retain the attractiveness of the commercial shopping malls to both retailers, and to customers, and ad hoc maintenance or repair works may also be required to meet legal and regulatory requirements. The costs of maintenance and the risk of any unforeseen maintenance or repair requirements tend to increase over time with the aging of the commercial shopping mall. The business and operations of commercial shopping malls may be disrupted as a result of renovation works and may cause reduction in rental income.

Physical damage to commercial shopping malls in the event of unforeseen events such as fire or other causes may lead to a significant disruption to the business and operation of the commercial shopping mall and impose unbudgeted costs on Spring REIT and may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.=

- *Additional costs or liability related to environmental matters*

The operation of commercial shopping malls is subject to various environmental laws and regulations and additional capital expenditure may be incurred to comply with such laws and regulations from time to time. Any non-compliance with the same may lead to exposure to liability or negative effects on the reputation of the hotel or serviced apartment properties.

- *Material losses which are uninsurable or uninsured*

Certain types of risk, such as acts of God, terrorism, risk of war, losses caused by the withholding of supply of utilities by a supply authority and contamination or other environmental breaches may be or become uninsurable in certain jurisdictions or the scope of insurance may be restricted and not compatible with the level of risk to which the subject property is exposed.

In the event of an uninsurable or uninsured loss, Spring REIT may be required to pay compensation and/or lose capital invested in the commercial shopping malls as well as anticipated future revenue from the commercial shopping malls.

Market risks

- *Competition from other commercial shopping malls*

The commercial shopping mall sector is highly competitive and commercial shopping malls face pressure from established and new shopping malls located in the geographical vicinity. There is a risk that rival commercial shopping malls will take business away from any commercial shopping mall invested in, leading to lower levels of consumer spending, and in turn to lower levels of footfall in commercial

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shopping malls, which places downward pressure by retail tenants on rental rates. This may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

- *Competitive Risk/Consumer behavior*

There is a risk that the retail consumers will increasingly use other shopping channels, such as online shopping. Increased use of online shopping may lower sales in commercial retail outlets, which may lead to downward pressure by retail tenants on rental rates and may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

- *Consumer Confidence Risk*

There is a risk that consumer confidence, on a seasonal, or economic cyclical basis, will decline, leading to lower levels of consumer spending, and in turn to lower levels of footfall in commercial shopping malls, which places downward pressure by retail tenants on rental rates. This may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

- *The retail industry is highly susceptible to economic cyclical*

The retail business is cyclical and sensitive to any changes that may arise in the economy, be it global, regional or local. Any global, regional or local recession could lead to a downturn in business. Further, due to the transient nature of the retail business and customer demand, rental rates are subject to seasonal factors.

- *Loss of anchor tenant*

Commercial shopping malls seek to achieve a balanced, but complementary blend of retail outlets, covering a range of consumer needs. A commercial shopping mall will commonly secure a big name “anchor tenant” in order to attract other retail tenants, and to attract retail customers. The decision of an anchor tenant to relocate away from a commercial shopping mall may lead to lower footfall in the commercial shopping mall as a whole, and may lead to other tenants considering relocating/closure. This may have a knock-on effect of lowering sales in commercial retail outlets, which may lead to downward pressure by retail tenants on rent and may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

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- *The illiquidity of real estate investments could significantly limit the ability of Spring REIT to sell its properties in a timely manner*

As real estate investments have traditionally been relatively illiquid, the ability of Spring REIT to promptly sell any of its commercial shopping malls or to vary its investment portfolio in response to changing economic, financial and investment conditions may be limited. The market for acquiring and disposing of commercial shopping malls has conventionally and relatively been less active or liquid (as compared to commercial properties) and is affected by a number of factors, such as general economic conditions, the availability of financing, interest rates and other factors, including supply and demand, that are beyond the control of Spring REIT.

(d) in relation to investments in warehouses:

Industry risks

- *Warehouse sector is competitive*

The warehouse sector is competitive. In addition, success in the warehouse sector depends on a number of factors, such as location, transport links, design, construction quality, and management of the warehouse and the level of rental rates offered to potential tenants. Failure to successfully secure prospective tenants may impact on the results of operations and the financial condition of the owner.

Operational risks

- *Single tenant focus*

A warehouse will commonly have only a single tenant. Accordingly, an investment in the warehouse sector has a greater exposure to the financial performance of individual tenants. The decision of a sole tenant to relocate away from a warehouse, and the absence of a landlord to identify and secure a replacement tenant would have a significant impact on the rental yield achievable from the warehouse unit. This may adversely impact the financial and business conditions of Spring REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.

Market risks

- *Development of new transport links*

The attractiveness of a warehouse property will often be driven by its proximity/ease of access to national and international transport links. As new national and international transport links are developed, and government policy changes over time, the attractiveness of a warehouse property may decline, as existing sites benefit from newer/faster transport links, and new sites are developed in more favourable locations. Such changes may adversely affect the operation results of any warehouse properties acquired by Spring REIT.

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Risk Mitigation Measures

In addition to amending its compliance manual and ensuring full compliance with the requirements set out in Sections 4.III(a) (Requirements under REIT Code) and 4.III(b) (Corporate Governance) above, the Manager will also adopt the following measures in managing its investments made as a result of the investments made as a result of the Expanded Investment Scope regarding Property Types:

- prepare detailed budgets and manage budgets effectively and efficiently;
- to ensure that it has competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party under the Manager's oversight, to manage the investments made as a result of the Expanded Investment Scope regarding Property Types;
- with respect to any investment into hotels or serviced apartments made as a result of the Expanded Investment Scope regarding Property Types, the Manager shall enter into a master lease with respect to any hotel property or serviced apartment property; and
- to ensure that the investments made as a result of the Expanded Investment Scope regarding Property Types will not result in a material change in the overall risk profile of Spring REIT.

V. Proposed Property Type Amendments

In connection with the proposed Expanded Investment Scope regarding Property Types, the Manager proposes the following consequential amendments to the Trust Deed (being the Property Types Amendments).

(a) Investments in industrial properties, warehouses, commercial shopping malls, hotels and serviced apartments.

The Manager proposes to expand the definition of "Real Estate" in the Trust Deed to clarify that the scope of this definition includes investment into industrial properties, warehouses, commercial shopping malls, hotels and serviced apartments.

(b) Restrictions on holding investments into industrial properties, warehouses, commercial shopping malls, hotels and serviced apartments.

On the basis of the proposed Expanded Investment Scope regarding Property Types, the Manager proposes to amend Clause 15.2.1 of the Trust Deed in compliance with: (i) the REIT Code requirement stating that where a scheme invests in hotels or serviced apartments, such investments shall be held through special purpose vehicles; and (ii) the general requirement that at least 75% of the gross asset value of a scheme shall be invested in real estate that generates recurrent rental income at all times.

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The Manager intends to seek to ensure that Spring REIT is able to meet the general requirement that at least 75% of the gross asset value of a scheme shall be invested in real estate that generates recurrent rental income at all times by entering into a master lease with respect to any hotel property or serviced apartment property.

The full text of the proposed amendments for the Expanded Investment Scope regarding Property Types will be set out in Appendix III to this Circular.

Please refer to Sections 5.III and 5.IV of this Circular for details of approvals required for the proposed amendments for the Expanded Investment Scope regarding Property Types, and recommendation of the Board and view of the Trustee thereof.

5. PROPOSED EXPANSION OF THE GEOGRAPHICAL SCOPE OF THE INVESTMENT POLICY AND OBJECTIVE OF SPRING REIT

I. Existing Investment Policy and Objective of Spring REIT

As stated in the Offering Circular, the investment policy and objective of Spring REIT is to invest primarily in high quality income-producing Real Estate in mainland China, although future acquisitions may also be made in Hong Kong, Macau, Taiwan, Japan and other areas of Asia and other Authorised Investments.

At the time of the listing of Spring REIT, the property portfolio of Spring REIT comprised only of the Property, which is situated in Beijing, the PRC. Accordingly, the geographical scope of the investment policy and objective of Spring REIT is currently limited to China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia under the Trust Deed.

II. Proposed Expanded Investment Scope regarding Geographical Scope

In connection with Expanded Investment Scope regarding Geographical Scope, the Manager proposes to expand the geographical scope of the investment policy and objective of Spring REIT such that the investment policy and objective of Spring REIT will no longer be limited to high quality income-producing Real Estate in mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia, and that Spring REIT may invest in high quality income-producing Real Estate located in any part of the world. In connection with Expanded Investment Scope regarding Geographical Scope, the Manager intends to retain the same investment policy and objective as stated in the Offering Circular except with the above proposed expansion of the geographical scope of the investment policy and objective, and as otherwise stated in this Circular, notwithstanding the other expansions to the investment policy and objective of Spring REIT as set out in this Circular.

The Manager proposes to make amendments to the Trust Deed relating to the investment policy and objective of Spring REIT, so as not to contain any geographical restrictions, and for Clause 15.2.1 of the Trust Deed to be amended by replacing the words “*in mainland China, although future acquisitions may also be made in Hong Kong, Macau, Taiwan, Japan and other areas of Asia*” with the words “*in any part of the world, including but not limited to mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia*”.

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Subject to the prior approval of the Unitholders, and comply with, all applicable legal and regulatory requirements, including but not limited to the requirements prescribed under the Practice Note on Overseas Investments by the SFC-authorized REITs contained in the REIT Code for the proposed Expanded Investment Scope regarding Geographical Scope and the corresponding amendment to the Trust Deed and after entering into the supplemental deed effecting the same, the Compliance Manual will be revised accordingly to reflect the change in such geographical scope of Spring REIT's investment policy and objective and the relevant matters set out in the section "General Considerations when Investing in Real Estate Assets outside of Asia", below.

Reasons for the proposed expansion of the geographical scope

The reason for the proposed expansion of the geographical scope are as follows:

(a) Stay competitive with other property investors

The existing geographical scope of the investment policy and objective of Spring REIT allows the Manager to invest in high-quality income-producing Real Estate located only in mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia.

In the past, the Manager has been approached by external parties for potential quality investments outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia, however, the Manager could not consider those opportunities because of the restrictions in the Trust Deed. The Manager proposes to remove the geographical restrictions of the investment policy and objective to add flexibility and widen the investment scope so that in case an investment opportunity which involves properties outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia and provides attractive long-term cash flows and yields, as well as the potential for net asset value growth arises, the Manager can capture the opportunity to enhance the return on the portfolio for the Unitholders.

The Manager considers that such proposed change will, among other things, keep Spring REIT competitive with other property investors by adding flexibility and widen the investment scope so that in case an investment opportunity which involves property outside of Mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia and provides attractive long-term cash flows and yields, as well as the potential for net asset value growth arises, the Manager can capture the opportunity to enhance the return on the portfolio for the Unitholders. Further details regarding the Expanded Investment Scope regarding Geographical Scope and its reasons and considerations when evaluating acquisition opportunities outside of Mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia will be set out in the Circular.

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(b) Greater investment opportunities

A geographically diverse investment strategy will provide Spring REIT with more investment opportunities which could bring attractive yields and/or greater capital appreciation potential than in mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia. The ability to capture investment opportunities in fast-growing economies, will also provide Spring REIT with long-term growth potential. To facilitate this, Spring REIT would require the flexibility to opportunistically invest in markets outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia.

(c) Enhancement of stability in rental revenue level and ability to make stable distributions

As real estate markets in different jurisdictions experience different vacancy rates and rental growth cycles, a geographically diverse portfolio will provide Spring REIT with a more stable rental revenue level and this, in turn, will enhance Spring REIT's ability to make stable and sustainable distributions to Unitholders. A geographically diverse portfolio will also be less susceptible to any adverse changes which may occur due to the political and economic conditions in any particular market

(d) Flexibility to maximize returns

Generally, a geographically diverse investment strategy would allow Spring REIT to tap the domestic capital market in which the real estate is located for favourable funding while capitalization rates in those overseas real estate markets may be higher than those in mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia. The flexibility for the Manager to select appropriate markets and leverage on different funding costs and yields will enable Spring REIT to enhance financial returns on its investments and Unitholders' returns in the long term.

(e) The trend for cross-border investments

The Manager notes that it is also a common and growing market trend in the other regional REIT markets for REITs to have investments outside of Asia. Many REITs listed in Hong Kong have geographically diverse investment strategies which facilitate cross border investments in other countries, or the Asia region generally. There are more opportunities for growth if the REIT has flexibility to invest outside of Asia.

(f) Investor expectations

The Manager has received feedback from existing investors that REITs with geographically diverse portfolios are preferred so that the REIT's portfolio is not tied to one economic cycle in a single jurisdiction. Spring REIT's portfolio can benefit

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from the different growth rate of different markets and at the same time, market risks are spread and minimized if the portfolio (being illiquid investment such as real estate) is exposed to different economic cycles.

(g) Enhancement of Unitholders' base

By enabling the Manager to capitalize on investment opportunities outside Hong Kong, Spring REIT will have a greater opportunity to attract investors with different investment appetites thereby enlarging the universe of investors investing in Spring REIT.

General Considerations when Investing in Real Estate Assets outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia

In selecting appropriate investments in jurisdictions outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia, the Manager will proceed in a disciplined manner with considerations primarily being given to the management team's expertise and experience, resources and capability in the relevant jurisdiction. General external factors which the Manager will also consider (without limitation) include:

(a) Investor confidence in the market

The existing geographical scope of the investment policy and objective of Spring REIT allows the Manager to invest in high-quality income-producing Real Estate located only in mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia.

(b) Stability of the market

The Manager will assess the economic, political and social conditions of a potential market (outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia) in order to assess the risks related to such conditions and evaluate the feasibility of an investment in such a market.

(c) Maturity and development of the market

The Manager will consider whether a particular country of investment has a well-planned and developed infrastructure network along with high accessibility for properties, as such factors enhance the value of the properties located in that country. The legislative and regulatory regime impacting on the legal structure of an investment include, without limitation, the certainty of interpretation of the relevant legislation and regulations in that overseas country, and the ease of enforcement of judgements and relevant law in that country will also be considered.

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(d) Growth potential of the market

The Manager will assess the growth potential of an market outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia, including consideration of whether there is a high and rising demand for the type of properties which Spring REIT intends to invest in and whether such demand is offset by an excessive supply or rising costs and expenses related to property management.

(e) Availability of reliable market information and reputable service providers

The Manager will consider investing in overseas markets in which there are reputable service providers and reliable market information for the assessment of investment opportunities, implementation of the investment and management of the properties.

(f) Laws and taxation

The Manager will consider the relevant laws and regulations of a potential overseas market (particularly in respect of property ownership), as well as its taxation regime, in evaluating the feasibility of an investment in such a market.

Compliance with Laws and Regulations

In considering any investment opportunity, the Manager will have regard to, and comply with, all applicable legal and regulatory requirements, including but not limited to the requirements prescribed under the REIT Code. The Manager will further have regard to, and comply with, the Practice Note on Overseas Investments by SFC-authorized REITs contained in the REIT Code.

Risks Relating to Investments outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia

Investment outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia may involve, without limitation, the following characteristics and risks in relation to the financial aspects and operational matters:

- (a) Fluctuations in the exchange rate of the Hong Kong Dollar may increase finance costs and have a material adverse impact on the level of distributions to Unitholders.
- (b) Spring REIT may engage in hedging transactions, which will limit gains and increase exposure to losses, and not offer full protection against interest rate and exchange rate fluctuations.
- (c) Spring REIT may be subject to extensive regulatory controls on foreign investment in the real estate sector in the relevant overseas jurisdiction.

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- (d) The Manager has no experience in managing investments outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia. The Manager was incorporated specifically for the purpose of managing Spring REIT which, to date, has only held the Property located in the mainland China.
- (e) The taxation and property laws and, in particular, the laws relevant to the rights of foreign investors and the entities through which they may invest are often unclear in other jurisdictions and are subject to change from time to time.
- (f) The property market in an overseas jurisdiction may be volatile and may experience oversupply and property price fluctuations. National and local governments adjust monetary and other economic policies from time to time to prevent and curtail the overheating of national and local economies, and such adjustments may affect the property market in an overseas jurisdiction.
- (g) An overseas government may have the power to resume compulsorily any land or property in such jurisdiction pursuant to the provisions of applicable legislation. If Spring REIT acquires any property in an overseas jurisdiction which is subsequently resumed by the relevant national government, the level of compensation that may be paid to Spring REIT pursuant to this basis of calculation may be less than the price which Spring REIT would have paid for such properties.

To safeguard against and mitigate the risks associated with investment in any overseas property market, the Manager will pursue vigorous internal control and risk management standards which call for:

- (a) The setting and periodic review of Spring REIT's business strategy in an overseas property market by the Board to ensure that it is in accordance with the requirements of the applicable laws, the REIT Code, and the Trust Deed and that it is in the interests of the Unitholders as a whole.
- (b) Overseeing the implementation of such strategy by the Advisory Committee of the Manager to ensure that a particular investment opportunity fits the investment and financial criteria (for example, the gearing ratio as permitted under the REIT Code) and the investment objective as set forth above.
- (c) Overseeing and monitoring of compliance issues (including connected party transactions, if arising out of any investment in an overseas property market) and internal control and risk management issues by the Audit Committee of the Manager, with the support of the internal audit function of the Manager.
- (d) The Audit Committee of the Manager is chaired by an independent non-executive Director, and is entitled to seek advice and assistance from external professional advisers.

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- (e) The making of all investment decisions, the setting of capital expenditure and operating budgets only at the corporate, and not regional (if any), level of the Manager.
- (f) Strict compliance by regional operations staff with the specific guidelines set by corporate level management and the various policy and procedures set by the risk management function of the Manager on key operational areas such as human resources, accounting and financial reporting, treasury and capital management, insurance of assets, bank account operation, legal document custody and record keeping, to ensure full compliance with applicable law, the requirements of the REIT Code, the Trust Deed and the Manager's Compliance Manual.
- (g) The establishment of written contingency procedures to aid in the early detection and management of certain contingency events identified by the head of the Manager's risk management function from time to time.
- (h) The updating of the compliance manual of the Manager to ensure full compliance at all times with the requirements of the Practice Note on Overseas Investments by SFC-authorized REITs.

Some considerations when evaluating acquisition opportunities outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia

In evaluating acquisition opportunities outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia, the Manager will take into account all relevant factors, including without limitation the following:

- (a) Similar to acquisitions in mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia, the Manager will acquire properties outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia that provide stable cash flow and the potential for long term capital appreciation.
- (b) The Manager will also consider:
 - (i) whether the acquisition plan is consistent with Spring REIT's strategy to hold and invest in high quality income-producing Real Estate;
 - (ii) the strength of existing, and the potential to improve in the future, occupancy and tenant mix relative to competing properties in the respective markets; and
 - (iii) the potential to improve value through active property management. The Manager will also assess opportunities to add value through selective renovation or other enhancements.

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- (c) The Manager will evaluate existing and potential yields, general market condition, local risks and benefits, macro-economy, property market condition and other relevant considerations.
- (d) The Manager will have regard to, and comply with, all applicable legal and regulatory requirements, including without limitation the requirements prescribed under the Practice Note on Overseas Investments by SFC-authorized REITs contained in the REIT Code.

Currently, the Manager has no plan for Spring REIT to enter into any investment property markets outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia.

III. Approval Required

Clause 15.2.3 of the Trust Deed states that the Manager may from time to time change the investment policy for Spring REIT, provided that it has notified the Unitholders of the proposed change by way of an announcement and a circular in accordance with the requirements of the REIT Code and obtain the prior approval of the Unitholders for the change by way of a Special Resolution at a meeting of Unitholders duly convened.

Additionally, in connection with Expanded Investment Scope regarding Geographical Scope, Paragraph 10.7 of the REIT Code provides that a circular shall be issued for a proposal to change the general character or nature of the scheme, such as the investment objective and/or policy of the scheme. The Manager notes that in the circular to management companies of SFC-authorized REITs dated 12 October 2007 issued by the SFC, the SFC has (among other things) clarified that in acquiring overseas and/or new types of properties, REIT managers do not have to seek re-approval of their licences or reauthorisation of the relevant REIT by the SFC before proceeding to make such acquisitions.

Accordingly, the Manager proposes to seek the necessary Unitholders' approval as required for the (a) Expanded Investment Scope regarding Property Development and Related Activities together with the Property Development Activities Amendments; (b) Expanded Investment Scope regarding Relevant Investments together with the Relevant Investments Amendments; (c) Expanded Investment Scope regarding Property Types together with the Property Types Amendments; and (d) Expanded Investment Scope regarding Geographical Scope together with the Geographical Scope Amendments, by way of Special Resolutions to be proposed at the EGM.

IV. Recommendation of the Board and View of the Trustee

The Board considers that the (a) Expanded Investment Scope regarding Property Development and Related Activities together with the Property Development Activities Amendments; (b) Expanded Investment Scope regarding Relevant Investments together with the Relevant Investments Amendments; (c) Expanded Investment Scope Regarding Property Types together with the Property Types Amendments, and (d) Expanded Investment Scope regarding Geographical Scope together with the Geographical Scope Amendments, set out in the sections headed "Proposed Expansion of the Scope of the Investment Policy and Objective

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of Spring REIT regarding Property Development and Related Activities”, “Proposed Expansion of the Scope of the Investment Policy and Objective of Spring REIT regarding Relevant Investments”, “Proposed Expansion of the Scope of the Investment Policy and Objective of Spring REIT regarding Property Types”, and “Proposed Expansion of the Geographical Scope of the Investment Policy and Objective of Spring REIT” in the Letter from the Board of this Circular are in the interests of Spring REIT and the Unitholders as a whole. Accordingly, the Board recommends all Unitholders to vote in favour of Special Resolution nos. 1 to 4 relating to, among other things, such investment scope expansion and amendments to the Trust Deed to be proposed at the EGM.

Based and in sole reliance on the information and assurances provided by the Manager and the opinion of the Board, and taking into account its duties under the REIT Code and the Trust Deed the Trustee has no objection to the Manager submitting the (a) Expanded Investment Scope regarding Property Development and Related Activities together with the Property Development Activities Amendments, (b) Expanded Investment Scope regarding Relevant Investments together with the Relevant Investments Amendments, (c) Expanded Investment Scope regarding Property Types together with the Property Types Amendments, and (d) Expanded Investment Scope regarding Geographical Scope together with the Geographical Scope Amendments, for Unitholders’ approval.

On the basis of the Manager’s corporate governance in relation to Property Development and Related Activities set out in the Section 2.III(b), in relation to Relevant Investments set out in the Section 3.III(b), and in relation to Properties Types set out in Section 4.III(b), and the applicable provisions of the REIT Code, the Trustee is satisfied that: (i) the Property Development Activities Amendments (when they come into effect as contemplated herein) and the Property Development and Related Activities; (ii) the Expanded Investment Scope regarding Relevant Investments together with the Relevant Investments Amendments; (iii) Expanded Investment Scope Regarding Property Types together with the Property Types Amendments; and (iv) Expanded Investment Scope regarding Geographical Scope together with the Geographical Scope Amendments (each, when undertaken in accordance with such corporate governance, the Property Development Activities Amendments, Relevant Investments Amendments, Property Types Amendments and/or Geographical Scope Amendments (as applicable), the other provisions of the Trust Deed and the REIT Code) will be in compliance with the REIT Code.

Pursuant to paragraph 7.2A of the REIT Code, the Trustee will, at the time of each acquisition, provide its view on whether such acquisition to be made is in line with Spring REIT’s investment objective and policy.

V. Initial Focus of the Expanded Investment Scope regarding Geographical Scope

The Manager does not currently have any plans to make investments outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia.

While expanding the geographical scope of its investment strategy, the Manager intends to invest in high-quality income-producing Real Estate located in Asia, which is the same asset classes as stated in the Offering Circular, subject to extension in accordance with the proposed aspects subject to approval by the Unitholders.

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The Manager will ensure that it has sufficient resources and experienced personnel to oversee and monitor the asset investment and asset management strategies for its future overseas investments.

Business Strategy of the Manager

Asset enhancement, asset management, and asset acquisition remain the core business strategies of the Manager in the drive to add value to Spring REIT's portfolio of assets and enhance the returns to Unitholders.

The Manager intends to continue to invest in high-quality income-producing Real Estate located in Asia as stated in the Offering Circular, subject to extension in accordance with the proposed: (i) the Property Development Activities Amendments and the Property Development and Related Activities (subject to approval by the Unitholders); (ii) Expanded Investment Scope Regarding Property Types together with the Property Types Amendments (subject to approval by the Unitholders); (iii) Expanded Investment Scope regarding Geographical Scope together with the Geographical Scope Amendments; and (iv) the Expanded Investment Scope regarding Relevant Investments together with the Relevant Investments Amendments (subject to approval by the Unitholders), although future acquisitions may also be made in accordance to the Expanded Investment Scope regarding Geographical Scope (subject to approval by the Unitholders of the Expanded Investment Scope regarding Geographical Scope).

The broadened investment scope, upon the Unitholders' approval of the proposed expansion of the geographical scope, would allow Spring REIT to invest in high-quality income-producing Real Estate in any part of the world, including but not limited to mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia.

Upon approval of the Expanded Investment Scope regarding Geographical Scope from the Unitholders, the Manager will continue to adopt the initial investment policy and objective of Spring REIT in relation to geographical scope as stated in the Offering Circular. The Manager has no present plan for Spring REIT to invest in property located outside of mainland China, Hong Kong, Macau, Taiwan, Japan and other areas of Asia.

The Manager will also follow the same acquisition strategy as stated in the Offering Circular to focus on the following key considerations in evaluating acquisition opportunities.

- **Long-term investment.** The Manager will seek to invest in properties for the long term.
- **Sustainable-income producing properties.** The Manager will focus on sustainable-income producing properties with potential for long-term income and capital growth.
- **Yield accretion.** The Manager will seek to acquire properties with the potential to provide long-term yield-accretion to Unitholders.

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- **Acquisition price.** The Manager will seek to acquire properties with an attractive acquisition price vis-à-vis their cash flows, current performance and sustainable future potential.
- **Economic conditions.** The Manager will consider economic conditions and market outlook, for example, in the context of financing for acquisitions.
- **Complement the existing portfolio.** The Manager will seek to acquire properties which complement the existing portfolio and strengthen Spring REIT's market share vis-à-vis competition in the relevant area.
- **Value-adding opportunities.** The Manager will seek to acquire properties with enhancement opportunities to increase investment returns and create value.

VI. Restrictions on Voting

The note to paragraph 8.11 of the REIT Code provides that where a unitholder has a material interest in the transaction tabled for approval, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting at the general meeting.

Further, under Paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his Units at, or being counted in the quorum for, such meeting.

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief after having made reasonable enquiries, the Manager is not aware of any Unitholder who is required to abstain from voting in respect of the Special Resolution to expand the geographical scope of the investment policy and objective of Spring REIT.

6. PROPOSED AMENDMENTS TO THE DISTRIBUTION FORMULA

I. Background

The REIT Code requires that a REIT shall distribute to unitholders each year an amount of not less than 90% of its audited annual net income after tax (subject to permitted adjustments).

The amount of annual distribution required to be made by Spring REIT under the year-end distribution formula of Spring REIT set out in the Trust Deed currently exceeds the minimum annual distribution requirement under the REIT Code by approximately 5% of Spring REIT's adjusted audited net income after tax.

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Accordingly, the Manager proposes to amend that formula to reflect the formula regarding the minimum annual distribution requirement under the REIT Code (subject to permitted adjustments) with effect from immediately after the financial year ending 31 December 2014. The Manager confirms that, the distribution formula of Spring REIT as currently stated in Clause 20.4.2 of the Trust Deed and as proposed are both in compliance with the REIT Code requirement. For the avoidance of doubt, the calculation of distributions for the financial years prior to and including the financial year ending 31 December 2014 remains unchanged and shall not be affected by the proposed amendments.

II. Proposed Distribution Formula Amendments

Below is a summary of the proposed changes to the year-end distribution formula that will take effect from the financial year ending 31 December 2014. Please refer to Appendix IV to this Circular for the full text of the proposed Distribution Formula Amendments.

Current year-end distribution formula

$$DA = (90\% \text{ of ADI}) + C$$

Where:

DA is the Distribution Amount (as defined in the Trust Deed) for that Distribution Period (as defined in the Trust Deed);

ADI is the amount (if any) by which the Annual Distributable Income (as defined in Clause 20.5.2 of the Trust Deed) for that Financial Year exceeds the aggregate of the Distribution Amount(s) (as defined in the Trust Deed) for the previous Distribution Period(s) (as defined in the Trust Deed) of that Financial Year; and

C is any additional amount (including capital), which the Manager has determined is to be distributed

Proposed year-end distribution formula (effective from and including the financial year ending 31 December 2014)

$$DA = (90\% \text{ of ADI}) + C - D$$

Where:

DA is the Distribution Amount (as defined in the Trust Deed) for that Distribution Period (as defined in the Trust Deed);

ADI is the Annual Distributable Income (as defined in Clause 20.5.2 of the Trust Deed) for that Financial Year;

C is any additional amount (including capital), which the Manager has determined is to be distributed; and

D is the aggregate of the Distribution Amount(s) (as defined in the Trust Deed) for the previous Distribution Period(s) (as defined in the Trust Deed) of that Financial Year.

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III. Reasons and Benefits for Distribution Formula Amendments

As the current minimum annual distribution amount required under the Trust Deed exceeds the amount required under the REIT Code, the Manager considers it prudent to reconcile the minimum annual distribution stated in the Trust Deed with the minimum annual distribution required under the REIT Code, in order to provide the Manager with maximum flexibility to manage cash and achieve its key objectives for Spring REIT (being the provision of stable and sustainable distributions per Unit and the achievement of long-term growth in net asset value per Unit).

The Manager will also continue to evaluate its distribution policy from time-to-time and may, in its discretion, declare distributions in excess of the minimum required under the Trust Deed and the REIT Code if and to the extent Spring REIT has funds surplus to its business requirements.

IV. Approvals Required

Save for certain limited circumstances, amendments to the Trust Deed require the approval of Unitholders by Special Resolution. Accordingly, the Manager proposes to seek Unitholders' approval of Special Resolution no. 5 as set out in the EGM Notice approving the Distribution Formula Amendments. Such a Special Resolution will be decided on a poll at the EGM pursuant to the Trust Deed.

V. Recommendation of the Board and View of the Trustee

The Board considers that the proposed Distribution Formula Amendments are in the interests of Spring REIT and the Unitholders as a whole and accordingly recommends Unitholders to vote in favour of Special Resolution no. 5 to be proposed at the EGM.

Provided that Spring REIT distributes to Unitholders each year an amount of not less than 90% of its audited annual net income after tax (subject to permitted adjustments) as a result of the Distribution Formula Amendments in accordance with the REIT Code and based and in sole reliance in the opinion of the Board, and taking into account its duties under the REIT Code and the Trust Deed the Trustee has no objection to the Distribution Formula Amendments, and subject to the proposed Special Resolution no. 5 being passed by Unitholders, a supplemental deed will be entered into between the Manager and the Trustee to effect the Distribution Formula Amendments.

7. OTHER PROPOSED AMENDMENTS TO THE TRUST DEED REQUIRING UNITHOLDERS' APPROVAL

In addition to the amendments to the scope of Spring REIT's investment policy and objective and the distribution formula described above, the Manager proposes the Other Amendments Requiring Unitholders' Approval (which are described below and the full text of which is set out in Appendix V to this Circular) (the "**Other Amendments Requiring Unitholders' Approval**").

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A. AMENDMENTS RELATING TO PROXIES

I. Maximum number and validity period of proxies

Currently, the Trust Deed does not set out the maximum number of proxies which may be appointed by a Unitholder. For meeting administrative reasons, the Manager proposes to amend Paragraph 3.1 of Schedule 1 to the Trust Deed such that a Unitholder may have the right to appoint separate proxies, provided that the number of proxies appointed by a Unitholder shall not exceed two, but where the Unitholder is a recognised clearing house (within the meaning of the SFO) or its nominee or where the Unitholder is HKSCC Nominees Limited or its successor thereto, the limitation on the number of proxies shall not apply.

In addition, the Manager proposes to amend Paragraph 3.8 of Schedule 1 to the Trust Deed to provide that the existing provision that the instrument appointing a proxy shall not be valid after the expiry of 12 months from the execution date, shall not apply to a proxy for an adjourned meeting which is an adjournment of an original meeting held within 12 months from such date, or for a poll demanded at such original meeting or adjourned meeting. Such proposed amendment is intended to avoid situations whereby the instrument appointing a proxy for the purpose of a general meeting will become invalid with respect to the adjournment thereof or the poll demanded at such original meeting or the adjournment thereof solely because the adjourned meeting or the poll is held or taken more than 12 months from the execution date of such instrument.

B. AMENDMENTS RELATING TO POWERS OF THE MANAGER AND LIMITATION OF LIABILITY OF THE MANAGER AND TRUSTEE IN RESPECT OF DISTRIBUTION ENTITLEMENT

I. Buy-back or Redemption of Units and Rights Issue or pro Rata Issue

(a) In relation to buy-back or redemption of Units

Pursuant to Clause 8.2 of the Trust Deed, the Manager is authorised to buy-back or redeem Units on the Stock Exchange on behalf of Spring REIT to the extent permitted by, and in accordance with, the relevant codes and guidelines issued by the SFC from time to time. The Manager proposes to amend Clause 8.2 of the Trust Deed to allow the Manager to buy-back or redeem Units both on and off market and to clarify that buy-back or redemption of Units may be carried out to the extent permitted by, and in accordance with the REIT Code, the Takeovers Code and the other relevant codes and guidelines issued by the SFC from time to time or any waiver or exemption which may be granted by the SFC.

The proposed amendment will allow for flexibility in the Trust Deed in relation to buy-back or redemption of Units to the extent that the applicable requirements by the SFC are complied with.

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(b) In relation to rights issue or pro rata issue

As set out in Clause 7.1.5(iv) of the Trust Deed, in case of a rights issue, the Manager may determine not to extend the offer of Units and/or convertible instruments to those Unitholders whose addresses are outside Hong Kong. Also, in relation to fractional entitlements, the Manager may determine to provide for exclusions or adjustments if, among other things, such exclusions or adjustments are considered by the Manager to be necessary or expedient.

In line with market practice and for the benefit of Unitholders who may otherwise be adversely effected by the existing provision, the Manager proposes that the Trust Deed be amended to provide the Manager with the discretion not to extend an offer of Units and/or convertible instruments pursuant to a rights issue to Unitholders whose addresses are outside Hong Kong, provided that the Manager considers such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. If the Manager determines at its discretion not to extend the offer, the proposed amendment would allow (i) (in the case of an exclusion based on the aforesaid legal restrictions or requirements in places outside Hong Kong) the Manager, at its discretion, to offer for sale the rights or entitlements to such Units and/or convertible instruments in the market, and authorise the Manager to pay to the relevant Unitholders who would otherwise be entitled to such rights or entitlement but for the aforesaid exclusion the net proceeds (after deduction of the costs of sale) of any such sale, if successful, and (ii) (in the case of an exclusion in relation to fractional entitlements) the Manager to sell such fractional entitlements for the benefits of Spring REIT, and in each case in compliance with the relevant provisions of the Listing Rules (as if they were applicable to Spring REIT) to the extent not inconsistent with any applicable rules and guidance issued by the SFC. Where necessary, the Trustee shall have the discretion to impose such other terms and conditions in connection with such sale.

Similar amendments to Clause 7.1.5(iv) of the Trust Deed are proposed so that an issue or offer of Units and/or convertible instruments shall be considered to be made on a pro rata basis notwithstanding the exclusion of any overseas Unitholders based on the aforesaid legal restrictions or requirements in the relevant places, or exclusion in relation to fractional entitlements, in each case, in compliance with the relevant provisions of the Listing Rules (as if they were applicable to Spring REIT) to the extent not inconsistent with any applicable rules and guidance issued by the SFC.

II. Limitation of liability of the Manager and the Trustee in respect of distribution entitlement

The Manager is allowed to deduct from each Unitholder's Distribution Entitlement (as defined in the Trust Deed) all amounts which are required to be deducted by law or by the Trust Deed under Clause 20.6.4.3 of the Trust Deed.

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The Manager proposes to amend Clause 20.6.4.3 of the Trust Deed so as to clarify that in the event of the abovementioned deduction, the Manager and the Trustee shall not be liable to account to any Unitholder or otherwise for any such deduction made or suffered by the Manager or the Trustee (as the case may be) in good faith and in the absence of fraud, negligence, willful default, breach of the Trust Deed or breach of any applicable laws or regulations, notwithstanding that any such deduction ought not to be or need not have been made or suffered. Such proposed amendment will not alleviate the duties and obligations of the Manager (including those set out in paragraph 5.2 of the REIT Code) and of the Trustee (including those set out in paragraph 4.1A of the REIT Code).

C. AMENDMENTS RELATING TO ISSUE OF UNITS PURSUANT TO INCENTIVE SCHEME

The Manager proposes that the Trust Deed be amended to include a framework to allow for the issue of Units, options over Units, convertible instruments or otherwise pursuant to Incentive Schemes as it believes that the introduction of such incentive schemes may achieve the following principal purposes:

- (a) to align the interests of participants of the Incentive Scheme with the achievement of the strategic long-term goals of the Manager and with the interests of the Unitholders as a whole;
- (b) to enhance Spring REIT's and the Manager's ability to attract, retain and motivate talented personnel whose contributions are essential to the long-term growth and prosperity of Spring REIT and the creation of value for Unitholders; and
- (c) to provide Spring REIT and the Manager with the ability to incentivize and/or reward personnel and eligible participants so as to motivate them to achieve superior performance, which will contribute towards the long-term growth and prosperity of Spring REIT.

The Trust Deed currently does not provide for the issue of Units pursuant to any Incentive Schemes. As such, the Manager proposes to insert a new Clause 7.4 to the Trust Deed, to insert the definition of "Incentive Scheme" under Clause 1.1 of the Trust Deed, and to amend Clauses 2.4.35, 2.4.36, 9.4.4.13 and Paragraph 2 of Appendix 2 to the Trust Deed for the following purposes:

- (a) Currently, the Trust Deed does not provide for the flexibility to issue Units at nil consideration, and also contains provisions in Clause 7.2.2 which restrict the price at which Units may be issued. Accordingly, the new Clause 7.4 of the Trust Deed provides for Incentive Schemes to be adopted with the prior approval of the Unitholders by way of an Ordinary Resolution and for new Units to be issued pursuant to any Incentive Scheme at an issue price determined in accordance with such relevant Incentive Scheme (which in the case of certain awards granted thereunder may be for nil consideration).

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- (b) Currently, Clauses 2.4.1 to 2.4.35 provides that the Manager or the Trustee shall be entitled to receive reimbursement of costs and expenses properly suffered or incurred in the proper performance of its obligations or the proper exercise of its powers under the Trust Deed. As the costs and expenses incurred in relation to Incentive Schemes (if any) forms part of the cost of proper performance of the Manager's and the Trustee's obligations, for the avoidance of doubt the new Clause 2.4.36 will expressly provide for reimbursement of costs and expenses incurred by the Manager in relation to any Incentive Scheme, such as the expenses relating to the adoption of the Incentive Scheme and the costs associated with the issue of Units pursuant to the Incentive Scheme.
- (c) Currently, Clause 9.4.4.13 of the Trust Deed and Paragraph 2 of Appendix 2 to the Trust Deed provide that the Trustee is to issue and/or deliver Certificates (as defined in the Trust Deed) (if any) only against payment, transfer or receipt of subscription monies. Clarificatory amendments will be made to Clause 9.4.4.13 of the Trust Deed and Paragraph 2 of Appendix 2 to the Trust Deed to take into account, among other things, Units which may be issued under an Incentive Scheme for nil consideration.
- (d) Clause 1.1 of the Trust Deed will be amended to include the definition of "Incentive Scheme" immediately after the definition of "Hong Kong".

"Incentive Scheme" is to be defined in the Trust Deed as "any scheme which may be adopted by the Manager from time to time pursuant to Clause 7.4 for the purpose of providing equity or equity-linked incentives (whether in the form of options over Units, Convertible Instruments or otherwise) to management, executives and/or employees of the Manager or any Special Purpose Vehicle (provided that such Special Purpose Vehicle is owned and controlled by the Trust) or to other specified participants, with all fees, charges and expenses in connection with the adoption, implementation, administration, operation and maintenance of Incentive Scheme(s) (including but not limited to those related to the issue of new Units and/or Convertible Instruments pursuant to Incentive Scheme(s)) to be borne by the Trust".

The Manager has no present intention of adopting an Incentive Scheme but believes that it is in the best interests of Spring REIT and the Unitholders as a whole to amend the Trust Deed in order to include a framework to allow for the issue of Units pursuant to incentive schemes. In the event that the Manager proposes to adopt an incentive scheme, it will make an announcement and dispatch a unitholders' circular, as required, to provide Unitholders with further details.

The adoption of the Incentive Scheme, the grant of awards to Connected Persons and the issue of Units pursuant to the Incentive Scheme require the prior approval of Unitholders by Ordinary Resolution. In addition, the Incentive Scheme would have to be authorised by the SFC and comply with the relevant regulatory requirements (including those set out in Chapter 17 of the Listing Rules, as if the Listing Rules were applicable to Spring REIT and the Incentive Scheme).

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D. RESTRICTIONS ON VOTING

The note to paragraph 8.11 of the REIT Code provides that where a unitholder has a material interest in the transaction tabled for approval, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting at the general meeting.

Further, under Paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his Units at, or being counted in the quorum for, such meeting.

Pursuant to the REIT Code and the Trust Deed, by virtue of the Manager's interest, which may be regarded as material in the amendments to the Trust Deed in relation to the limitation of liability of the Manager and the Trustee in respect of distribution entitlement and the issuance of Units pursuant to Incentive Scheme, the Manager shall abstain from voting on Special Resolution no. 7 and Special Resolution no. 8 to approve the relevant amendments. So far as the Manager is aware, as at the Latest Practicable Date, the Manager held 10,916,677 Units, representing approximately 0.98% of the Units in issue.

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief after having made reasonable enquiries, save as disclosed above, the Manager is not aware of any Unitholder who is required to abstain from voting in respect of any of the Special Resolution nos. 1 to 6.

E. APPROVALS REQUIRED

Clause 31.1 of the Trust Deed provides that any amendment, variation, modification, alteration or addition to the Trust Deed must not impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof and, save for certain limited exceptions as certified by the Trustee in writing, must be made with the sanction of a Special Resolution.

Given the nature of the amendments contemplated as the Other Amendments Requiring Unitholders' Approval, such amendments must be made with the sanction of a Special Resolution.

F. RECOMMENDATION OF THE BOARD AND VIEW OF THE TRUSTEE

The Board considers that the proposed Other Amendments Requiring Unitholders' Approval are in the interests of Spring REIT and the Unitholders as a whole. Accordingly, the Board recommends all Unitholders to vote in favour of Special Resolution no. 6, Special Resolution no. 7 and Special Resolution no. 8, relating to Other Amendments Requiring Unitholders' Approval to be proposed at the EGM.

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Based and in sole reliance on the information provided by, and assurances from, the Manager, and the opinion of the Board, the Trustee has no objection to the Other Amendments Requiring Unitholders' Approval, and subject to the Unitholders' approval of such amendments, the Trustee will enter into a supplemental trust deed with the Manager to effect, among others, such amendments.

8. OTHER PROPOSED AMENDMENTS TO THE TRUST DEED NOT REQUIRING UNITHOLDERS' APPROVAL

A. INTRODUCTION

To enhance the clarity and consistency of the Trust Deed and to update the Trust Deed as a result of terminology updates in statutes and the Takeovers Code and other information updates, the Manager proposes to effect the Amendments Not Requiring Unitholders' Approval, which include some minor corrections, updates and amendments to the Trust Deed. The Amendments Not Requiring Unitholders' Approval are set out in Appendix VI to this Circular, which include, without limitation, amendments to align with the current provisions of the REIT Code regarding the qualification of the property valuer and the valuation standards used.

Furthermore, in compliance with the SFC Circular, the Manager would like to take this opportunity to adopt the Trustee Ordinance Clarification Amendments. For reference, the proposed Trustee Ordinance Clarification Amendments are set out in item 8 of Appendix VI to this Circular.

Pursuant to Clause 31.1 of the Trust Deed and paragraph 9.6 of the REIT Code, the Trustee has certified that, in its opinion, the Amendments Not Requiring Unitholders' Approval:

- (i) are necessary in order to comply with the applicable fiscal, statutory or official requirements (whether or not having the force of law);
- (ii) do not materially prejudice holders' interests, does not to any material extent release the trustee, management company or any other person from any liability to holders and does not increase the costs and charges payable from the scheme property; or
- (iii) are necessary in order to correct manifest errors.

The Trustee will enter into a supplemental trust deed with the Manager to effect, among others, such amendments.

B. APPROVALS NOT REQUIRED

Pursuant to Clause 31.1 of the Trust Deed and/or paragraph 9.6 of the REIT Code, no specific approval from Unitholders is required for the Amendments Not Requiring Unitholders' Approval, as none of such amendments imposes upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof and the Trustee has provided the certification as mentioned in the immediately preceding section.

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9. PROPOSED EXTENSION OF PERIOD OF WAIVER IN RESPECT OF EXISTING CONTINUING CONNECTED PARTY TRANSACTIONS AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

A. INITIAL WAIVER GRANTED

I. Background to Initial Waiver

As disclosed in the Offering Circular, subject to certain conditions, on 21 November 2013, the SFC granted a waiver from strict compliance with the requirements for disclosure and, where applicable, due approval by Unitholders other than those who have a material interest in the Relevant Connected Party Transactions within the meaning of paragraph 8.11 of the REIT Code (“**Independent Unitholders**”) for a period up to and including 31 December 2015 (being the Initial Waiver).

Details of the Relevant Connected Party Transactions and the Initial Waiver are more particularly set out in the section “Connected Party Transactions — Waivers for Certain Connected Transactions Between Spring REIT Group and the REIT Manager Connected Persons Group” (pages 190 to 194) in the Offering Circular.

II. Expiration of the Initial Waiver

The Initial Waiver is for an initial duration commencing on the Listing Date and ending on 31 December 2015. In accordance with the waiver conditions of the Initial Waiver, it may be extended beyond 31 December 2015, and/or the terms and conditions of the Initial Waiver may be modified from time to time, provided that:

- (i) the approval of Independent Unitholders (see the voting restrictions at paragraph C(II) below) is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- (ii) disclosure of details of the proposed extension and/or modification, as the case may be, shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year end date of Spring REIT after the date on which the approval referred to in (i) above is obtained.

III. Reasons for Extension of the Initial Waiver

On 24 March 2015, AD Capital Co. Ltd. (“**AD Capital**”), the “controlling entity” (as defined in the REIT Code) of the Manager entered into a share subscription agreement (the “**Share Subscription Agreement**”) with ITOCHU Corporation (“**ITOCHU**”), an independent third party to Spring REIT, pursuant to which ITOCHU agreed to subscribe for 266 shares in

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AD Capital, representing approximately 14.3% of the issued share capital in AD Capital after completion of the transactions contemplated under the Share Subscription Agreement, subject to the terms and conditions of the Share Subscription Agreement.

The Manager also received a notice from AD Capital that on 24 March 2015, ASUKA Holdings Co., Ltd. (“**ASUKA Holdings**”) and ITOCHU entered into a share purchase agreement (the “**Share Purchase Agreement**”) pursuant to which ASUKA Holdings agreed to sell and ITOCHU agreed to purchase 260 shares in AD Capital, representing approximately 14.0% of the issued share capital in AD Capital after completion of the transactions contemplated under the Share Purchase Agreement, subject to the terms and conditions of the Share Purchase Agreement.

Pursuant to paragraph 8.1 of the REIT Code, “connected person” of Spring REIT includes, among others, any “associated company” (as defined in the REIT Code) of the Manager.

As disclosed in an announcement of Spring REIT dated 26 March 2015, ITOCHU will acquire approximately 28.3% of the issued share capital in AD Capital and will thus indirectly hold approximately 28.3% of the total issued share capital of the Manager. Accordingly, ITOCHU will become an associated company of the Manager under the REIT Code upon completion of the transactions contemplated under the Share Subscription Agreement and Share Purchase Agreement. As a result, ITOCHU will become a connected person of the Spring REIT Group under the REIT Code.

Paragraph 8.14 of the REIT Code provides that all Connected Party Transactions should be announced, other than Connected Party Transactions falling within paragraphs 8.9 or 8.10 of the REIT Code if the value of such transactions does not exceed HK\$1 million.

ITOCHU is an existing tenant in the Property, holding a lease with a duration of three years, commencing on 1 April 2013 and expiring on 31 March 2016 in respect of certain areas in Office Tower 2 of the Property (“**ITOCHU Lease Transaction**”). ITOCHU was an independent third party of Spring REIT when the ITOCHU Lease Transaction was entered into. The ITOCHU Lease Transaction was entered into in the ordinary and usual course of business of Spring REIT, on normal commercial terms and was based on prevailing market pricing. The aggregate amount of annual rent paid by ITOCHU to Spring REIT concerning the ITOCHU Lease Transaction during a financial year exceeds HK\$1 million.

The Manager has obtained a confirmation from the Principal Valuer (within the meaning ascribed to it under the REIT Code) that the rental pursuant to the ITOCHU Lease Transaction and all other connected lease transactions were at the prevailing market level at the time when the tenancy agreements were entered into and the other commercial terms in the tenancy agreements for the ITOCHU Lease Transaction and all other connected lease transactions (such as rent free period) were normal commercial terms. If the ITOCHU Lease Transaction and all other connected lease transactions are renewed in the future, the Manager will, prior to such renewal, obtain a confirmation from the Principal Valuer as to whether: (i) the renewed rental will be at market level, and (ii) the other terms of the tenancy are normal commercial terms.

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Following completion of the transactions contemplated under the Share Subscription Agreement and the Share Purchase Agreement, ITOCHU will become an “associated company” of the Manager, and therefore, a “connected person” of Spring REIT pursuant to paragraph 8.1 of the REIT Code. Accordingly, the ITOCHU Lease Transaction will be deemed as a connected party transaction within the category of leasing transactions between Spring REIT and ITOCHU. Taking into account the ITOCHU Lease Transaction, the existing annual cap for the financial years ended 31 December 2015 for leasing transactions would exceed the annual monetary limits of the Initial Waiver. Accordingly, the Manager considers the existing annual cap for leasing transactions should be renewed. Besides, in view of the existing annual cap for leasing transactions will expire on 31 December 2015, the Manager proposes to extend the existing annual cap for leasing transactions for a further period of three full financial years ending 31 December 2017.

In view of the modification of the existing annual cap for leasing transactions and the extension of such annual cap for a further period of three full financial years ending 31 December 2017, the Manager also proposes to revise and extend the corresponding annual caps of the property management arrangements for a further period of three full financial years ending 31 December 2017.

IV. Extension of the Initial Waiver

The Manager has made a submission to the SFC to seek an extension of the Initial Waiver so that it applies for the three full financial years ending 31 December 2017 (the “**2015 Waiver Extension**”). As part of its submission, the Manager has also proposed New Annual Caps for the Relevant Connected Party Transactions for the years ending 31 December 2015, 31 December 2016 and 31 December 2017 respectively. Save as disclosed in this Circular and save for the existing annual caps for the year ending 31 December 2015, the Manager confirms that the waiver conditions of the Initial Waiver will continue to apply to Spring REIT until 31 December 2017.

Other than the change to the Annual Caps, the waiver conditions of and the categories of transactions covered by the 2015 Waiver Extension are the same as the waiver conditions of and the categories of transactions covered by the Initial Waiver. The categories of connected party transactions under the 2015 Waiver Extension consist of leasing transactions and property management arrangements.

In order to safeguard the interests of Unitholders, the 2015 Waiver Extension will be subject to the following waiver conditions:

(a) Approval by Independent Unitholders

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution set out in the EGM Notice, included in this Circular in respect of the EGM of Unitholders to be held to consider and, if thought fit, approve, among other things, the 2015 Waiver Extension and the New Annual Caps.

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(b) Duration and extensions or modifications

The waiver for the connected party transactions listed above shall be for a period which will expire on 31 December 2017. The waiver may be extended beyond 31 December 2017, and/or the terms and conditions of the waiver may be modified from time to time, provided that:

- (i) the approval of Independent Unitholders is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- (ii) disclosure of details of the proposed extension and/or modification, as the case may be, shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year end date of Spring REIT after the date on which the approval referred to in (i) above is obtained.

For avoidance of doubt, any material change to the transactions covered by the waiver (including but not limited to the scope or nature of transactions) as set out in this Circular based on which the waiver is sought and granted must be approved by the Independent Unitholders as referred to in (i) above and details of the proposed changes shall be disclosed in the manner as referred to in (ii) above.

(c) Annual caps

The annual value of Relevant Connected Party Transactions shall not exceed the respective annual monetary limited set out in the section headed “Net Annual Caps” below.

(d) Disclosure in semi-annual and annual report

Details of the Relevant Connected Party Transactions shall be disclosed in Spring REIT’s semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

(e) Auditors’ review procedures

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

- (i) have received the approval of the board of directors of the Manager (including the approval of all of the independent non-executive directors);

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- (ii) are in accordance with the pricing policies of Spring REIT;
- (iii) have been entered into in accordance with the terms of the agreements; and
- (iv) the total value in respect of which has not exceeded the respective annual limits where applicable.

(f) Review by the independent non-executive directors of the Manager

The independent non-executive directors of the Manager shall review the Relevant Connected Party Transactions annually and confirm in Spring REIT's annual report for the relevant financial period that such transactions have been entered into:

- (i) in the ordinary and usual course of business of Spring REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Spring REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

(g) Auditors' access to books and records

The Manager shall allow, and shall procure the counterparty to the Relevant Connected Party Transaction to allow, the auditors of Spring REIT sufficient access to their records for the purpose of reporting on the transactions.

(h) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors of Spring REIT and/or the independent non-executive directors of the Manager will not be able to confirm the matters set out in paragraphs (e) and/or (f) above.

(i) Subsequent increases in annual caps with Independent Unitholders' approval

If necessary, for example, where there are further asset acquisitions by Spring REIT thereby increasing the scale of its operations generally, or where there are changes in market or operating conditions, the Manager may, from time to time in the future, seek to increase one or more of the annual caps set out in the above, provided that:

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

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- (ii) disclosure of details of the proposal to increase the cap amounts shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) the requirements referred to in paragraphs (c) to (h) above shall continue to apply to the Relevant Connected Party Transactions, save that the increased annual caps shall apply.

(j) *Paragraph 8.14 of the REIT Code*

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

Details of the Relevant Connected Party Transactions will be disclosed in the semi-annual and annual report of Spring REIT as required under paragraph 8.14 of the REIT Code.

The independent non-executive Directors of the Manager shall review the Relevant Connected Party Transactions annually and confirm whether such transactions are carried out in the ordinary and usual course of business of Spring REIT based on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders.

(k) *Paragraph 8.11 of the REIT Code*

Paragraph 8.11 of the REIT Code provides that where a unitholder has a material interest in the transaction tabled for approval, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting. Pursuant to the Trust Deed and the REIT Code, the Connected Persons Group and the Manager Connected Persons Group, including the Manager, RCA Fund 01, L.P. and AD Capital shall abstain from voting on the ordinary resolution to approve the 2015 Waiver Extension and the New Annual Caps, except for voting pursuant to a proxy by the Independent Unitholders where a specific direction as to voting is given.

B. NEW ANNUAL CAPS

Subject to the completion of the Share Subscription Agreement and the Share Purchase Agreement as described above, the Manager now proposes to seek the Independent Unitholders' approval, by way of an Ordinary Resolution at the EGM:

- (a) to extend the Initial Waiver for the three full financial years ending 31 December 2017, and

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- (b) to set the New Annual Caps for the Relevant Connected Party Transactions for the years ending 31 December 2015, 31 December 2016 and 31 December 2017 respectively.

The Relevant Connected Party Transactions with respect to which the 2015 Waiver Extension is sought are within the same categories as those described in the section headed “Connected Party Transactions — Waivers for Certain Connected Transactions Between Spring REIT Group and the REIT Manager Connected Persons Group — Waiver Conditions” (pages 190 to 194) in the Offering Circular.

Save as disclosed in this Circular and save for the annual caps of the Relevant Connected Party Transactions set out in the section headed “Connected Party Transactions — Waivers for Certain Connected Transactions Between Spring REIT Group and the REIT Manager Connected Persons Group — Waiver Conditions” (pages 190 to 194) in the Offering Circular in connection with the Initial Waiver, the Manager confirms that the waiver conditions therein will continue to apply to Spring REIT in respect of the Relevant Connected Party Transactions for the three full financial years ending 31 December 2017. The relevant annual caps for the Relevant Connected Party Transactions for the three full financial years ending 31 December 2017 as proposed by the Manager are described below.

I. Leasing transactions

Historical transaction amounts

For the 27 days period from 5 December 2013 (the Listing Date) to 31 December 2013, for the year ended 31 December 2014 and for the 1 month period ending 31 January 2015, the transaction amounts in respect of the leasing transactions were approximately RMB137,338, RMB1,481,079 and RMB82,124 respectively. There was only one lease in January 2015 and the transaction amount in respect of the leasing transactions for January 2015 does not cover the Itochu Lease Transaction, which is in the amount of RMB695,413.1 for January 2015.

The historical annual caps for leasing transactions were as follows:

| For the period from 5 December 2013 (the Listing Date) to 31 December 2013 | For the year ending 31 December 2014 | For the year ending 31 December 2015 |
|---|---|---|
| RMB2,079,000 | RMB2,136,000 | RMB3,169,000 |

Proposed new annual caps

It is proposed that the New Annual Caps for the financial years ended 31 December 2015, 31 December 2016, and 31 December 2017 for the leasing transactions shall not exceed the respective annual monetary limits set out in the following table. The New

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Annual Caps for the leasing transactions, rounded up to the nearest thousand, proposed by the Manager for the three full financial years ending 31 December 2017 will be as follows:

| For the year ending 31 December 2015 | For the year ending 31 December 2016 | For the year ending 31 December 2017 |
|---|---|---|
| RMB10,986,000 | RMB14,831,000 | RMB16,104,000 |

Basis of proposed New Annual Caps for leasing transactions

Lease terms for the lease agreements relating to the Property are generally of a duration of approximately three years, which is in line with the general practice in the Beijing property market for office leases.

After entering into a lease, each tenant is required to provide a security deposit which amounts to the sum of approximately three months' rent and three months' building management fees. Tenants are generally required to pay their monthly rent in advance. In addition, rent-free periods, typically one to three months for a lease term of three years, are commonly granted on leases. Rent for the additional term is determined through negotiation between the tenant and the Property Manager (on behalf of Spring REIT) and in accordance with the then prevailing market standard.

A tenant generally has an option to renew the existing lease for an additional term by providing, within the required time period, at least six months' prior written notice to the Property Manager (on behalf of Spring REIT) that they wish to exercise the option to extend the lease term.

The Manager confirms that all the connected leasing transactions subsisting are entered into in the ordinary and usual course of business of Spring REIT, are on normal arm's length commercial terms and at the then prevailing market level when the leases were entered into, and are fair and reasonable and in the interest of Spring REIT and the Independent Unitholders as a whole.

The above proposed New Annual Caps for the leasing transactions mainly consist of rental payable by the Manager Connected Persons Group.

The above proposed New Annual Caps for the leasing transactions for the three full financial years ending 31 December 2017 have been determined with general reference to the latest available data as at 31 January 2015 and are based on the anticipated aggregated value of such leasing transactions during the relevant financial year (including income from ITOCHU Lease Transaction). The ITOCHU Lease Transaction (value RMB695,413.1 for January 2015) covers an entire floor of the Property. The actual transaction amount in respect of the leasing transactions for January 2015 is RMB82,124; whilst the leasing transaction amount for January 2015 after including the ITOCHU Lease Transaction totals RMB777,537.1. The proposed New Annual Caps for the leasing transactions for the year ending 31 December 2015 is 14.1 times of the leasing transactions amount (with ITOCHU Lease Transaction) for January 2015.

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The above proposed New Annual Caps for the leasing transactions have also been determined by taking into account the current lease expiry profile, the ITOCHU Lease Transaction and possible growth in rental, expected market conditions in the future, and potential new tenancies which the Manager Connected Persons Group may enter into with the Spring REIT Group during the relevant financial periods, supplemented by a buffer of 20% for contingencies, in the event of unforeseen market fluctuations. The Manager considers that the buffer of 20% is necessary to accommodate possible fluctuations in rental rate upon renewal resulted from any changes in rental or other market conditions and the unexpected additional lease of office space.

II. Property management arrangements

Historical transaction amounts

For the 27 days period from 5 December 2013 (the Listing Date) to 31 December 2013, for the year ended 31 December 2014 and for the 1 month period ending 31 January 2015, the transaction amounts in respect of the property management arrangements were approximately RMB779,333, RMB10,080,608 and RMB873,895 respectively.

The historical annual caps for property management transactions were as follows:

| For the 27 days period from 5 December 2013 (the Listing Date) to 31 December 2013 | For the year ending 31 December 2014 | For the year ending 31 December 2015 |
|---|---|---|
| RMB8,895,000 | RMB10,940,000 | RMB12,581,000 |

Proposed New Annual Caps for property management arrangements

Pursuant to the Property Management Agreement, RCA01 is required to pay a property management fee to the Property Manager based on 2% on the total revenues. The term of the appointment of the Property Manager under the Property Management Agreement will expire on 31 August 2015 and will be automatically renewed on the same term for another two years upon expiry on the preceding term. The current two year term will expire on 31 August 2015.

The Manager confirms that there has been no variation to the terms and conditions governing the property management arrangements during the term of the Property Management Agreement. Upon any renewal of the Property Management Agreement, the Principal Valuer of Spring REIT will issue an opinion as to whether the terms and conditions of such renewed property management arrangements are on normal commercial terms and the relevant property management fee is based on prevailing market pricing.

The Manager confirms that the connected property management arrangements subsisting are each entered into in the ordinary and usual course of business of Spring REIT, are each on normal arm's length commercial terms and at the then prevailing

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market level as at the commencement date and the dates of renewal, as appropriate, of the connected property management arrangement, and are each fair and reasonable and in the interest of Spring REIT and the Independent Unitholders as a whole.

It is proposed that the New Annual Caps for the financial years ended 31 December 2015, 31 December 2016, and 31 December 2017 for the property management arrangements shall not exceed the respective annual monetary limits set out in the following table.

The New Annual Caps for the property management arrangements, rounded up to the nearest thousand, proposed by the Manager for the three full financial years ending 31 December 2017, will be as follows:

| For the year ending 31 December 2015 | For the year ending 31 December 2016 | For the year ending 31 December 2017 |
|---|---|---|
| RMB13,855,000 | RMB15,933,000 | RMB18,323,000 |

Basis of proposed New Annual Caps for property management arrangements

The above proposed New Annual Caps for the property management arrangements mainly consist of 2% property management fee payable to the Manager Connected Persons Group.

The above proposed New Annual Caps for the leasing transactions for the three full financial years ending 31 December 2017 have been determined with reference to the projected total expenditures payable to the Property Manager assuming:

- (i) the annual growth rate for the total revenues of the Property remains constant at 15% for the relevant financial years;
- (ii) property management fee for the Property will be projected at 2% of total revenues throughout the three full financial years ending 31 December 2017; and
- (iii) a buffer of 20% has been included in the proposed New Annual Caps for the property management arrangements for contingencies such as changes in market conditions, which the Manager believes to be necessary to accommodate possible fluctuations in rental rate upon renewal resulted from any changes in rental or other market conditions and the unexpected additional lease of office space.

(See Ordinary Resolution no. 9 in the EGM Notice).

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C. APPROVALS REQUIRED

I. Approval by Ordinary Resolution

Pursuant to the Initial Waiver, the Manager is required to issue an announcement and to issue a circular and notice to Unitholders in relation to the 2015 Waiver Extension in accordance with Chapter 10 of the REIT Code, and to seek Independent Unitholders' approval to extend the Initial Waiver for a period which shall expire not later than the third full financial year-end date of Spring REIT after the date on which the Independent Unitholders' approval is obtained.

Accordingly, the Manager wishes to obtain the approval of the Independent Unitholders for the 2015 Waiver Extension and the New Annual Caps by way of an Ordinary Resolution.

II. Restrictions on voting

The note to paragraph 8.11 of the REIT Code provides that where a unitholder has a material interest in the transaction tabled for approval, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting at the general meeting.

Further, under Paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his Units at, or being counted in the quorum for, such meeting.

Certain members of the Manager Connected Persons Group are parties to the Relevant Connected Party Transactions, and as such, have a material interest in the resolutions relating to the 2015 Waiver Extension and the New Annual Caps. Pursuant to the REIT Code and the Trust Deed, by virtue of their material interest in the Initial Waiver Extension, the Manager Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the 2015 Waiver Extension and the New Annual Caps (except for voting pursuant to a proxy under a specific direction given by Independent Unitholder(s) to vote for or against the Ordinary Resolution on his or their behalf).

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So far as the Manager is aware, as at the Latest Practicable Date, holdings of Units of the Manager Connected Persons Group were as follows:

| Name | Number of Units held | Approximate Percentage of Unit holding |
|-------------------------|-------------------------|--|
| RCA Fund 01, L.P. | 345,204,000 | 31.03% |
| The Manager | 10,916,677 | 0.98% |
| AD Capital Co., Ltd. | 3,500,000 | 0.31% |
| Mr. Toshihiro Toyoshima | 500,000 | 0.04% |
| Mr. Lau Jin Tin, Don | 200,000 | 0.02% |
| Mr. Nobumasa Saeki | 200,000 | 0.02% |
| Mr. Hideya Ishino | 49,000 | 0.00% |
| Mr. Simon Murray | 47,000 | 0.00% |
| Mr. Liping Qiu | 47,000 | 0.00% |
| Mr. Lam Yiu Kin | 20,000 | 0.00% |

Please refer to the paragraph headed “Conflict of Interests and Business Competitions” in the Corporate Governance section in Spring REIT’s 2014 Interim Report (which was published on 27 August 2014) for details of the conflicts or potential conflicts of interests involving certain members of the Manager Connected Persons Group.

As at the Latest Practicable Date, to the best of the Manager’s knowledge, information and belief after having made reasonable enquiries, save as disclosed above, the Manager is not aware of any Unitholder who is required to abstain from voting on the Ordinary Resolution to approve the 2015 Waiver Extension and the New Annual Caps.

D. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited, being the Independent Financial Adviser, has been appointed as the independent financial adviser to provide an opinion on the 2015 Waiver Extension and the New Annual Caps to the Independent Board Committee, the Independent Unitholders and the Trustee.

Your attention is drawn to the “Letter from the Independent Financial Adviser in relation to the 2015 Waiver Extension and New Annual Caps” set out in this Circular. The Independent Financial Adviser confirms that it is of the view that (a) the ITOCHU Lease Transaction, and all other relevant connected party transactions, is conducted in the ordinary and usual course of business of Spring REIT and the terms of which are at arm’s length and on normal commercial terms, are consistent with the investment objective and strategy of Spring REIT and are fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole; and (b) the 2015 Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole.

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E. OPINION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Simon Murray, Mr. Liping Qiu and Mr. Lam Yiu Kin (being the independent non-executive Directors), has been established by the Board to advise the Independent Unitholders on the 2015 Waiver Extension and the New Annual Caps.

Your attention is drawn to the “Letter from the Independent Board Committee in relation to the 2015 Waiver Extension and New Annual Caps” set out in this Circular. Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that (a) the ITOCHU Lease Transaction, and all other relevant connected party transactions, is entered into at arm’s length and on normal commercial terms, are consistent with the investment objective and strategy of Spring REIT and in the ordinary and usual course of business of Spring REIT; and (b) the 2015 Waiver Extension and the New Annual Caps are fair and reasonable and are in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole. The Independent Board Committee recommends that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the ITOCHU Lease Transaction, the 2015 Waiver Extension and the New Annual Caps at the EGM.

F. RECOMMENDATION OF THE BOARD AND VIEW OF THE TRUSTEE

Having regard to the reasons for, the terms of, the factors and other information in relation to the ITOCHU Lease Transaction, and all other relevant connected party transactions, the 2015 Waiver Extension and the New Annual Caps, the Board considers that:

- (a) the 2015 Waiver Extension and the New Annual Caps, and the basis of the New Annual Caps, are fair and reasonable having regard to the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole; and
- (b) the ITOCHU Lease Transaction, and all other relevant connected party transactions, has been/will be entered into (i) in the ordinary and usual course of business of Spring REIT; and (ii) at arm’s length and on normal commercial terms, are consistent with the investment objective and strategy of Spring REIT and are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Spring REIT and the Independent Unitholders as a whole.

Further, the Board notes that the Relevant Connected Party Transactions will also be subject to the other existing waiver conditions of the Initial Waiver.

The Board therefore recommends that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the 2015 Waiver Extension and the New Annual Caps at the EGM.

LETTER FROM THE BOARD

Based and in sole reliance on (a) the information and assurance provided by the Manager; (b) the opinion of the Independent Financial Adviser; and (c) the “Letter from the Independent Board Committee in relation to the 2015 Waiver Extension and New Annual Caps” set out in this Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the 2015 Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole. This view is being furnished for the sole purpose of complying with paragraph 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the 2015 Waiver Extension and the New Annual Caps. The Trustee has not made any assessment of the merits or impact of the 2015 Waiver Extension and the New Annual Caps, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee reminds all Independent Unitholders who are in any doubt as to the merits or impact of the 2015 Waiver Extension and the New Annual Caps to consider the opinions of the Independent Financial Adviser and the Independent Board Committee addressed to them and to seek their own financial or other professional advice.

10. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 11:00 a.m. on Wednesday, 20 May 2015 at The Tian & Di Room, 7th Floor, The Landmark Mandarin Oriental Hong Kong, 15 Queen’s Road Central, The Landmark, Central, Hong Kong (or soon thereafter as the annual general meeting of Unitholders convened to be held at 10:00 a.m. on the same date and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modifications, the Special Resolutions and the Ordinary Resolution set out in the EGM Notice, which is set out on pages N-1 to N-5 of this Circular.

For the purpose of determining eligibility of Unitholders to attend and vote at the meeting, the Register will be closed from 18 May 2015 to 20 May 2015, both days inclusive, during which period no transfers of Units will be effected. In order to qualify to attend and vote at the EGM, all transfers of Units accompanied by the relevant Unit certificates and the duly completed transfer forms must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 15 May 2015.

If you are a Unitholder on the Register on Tuesday, 19 May 2015 (being the date fixed for the purposes of determining Unitholders’ entitlement to vote at the EGM), you can attend and vote at the EGM. You will find enclosed with this Circular a form of proxy for use for the purpose of the EGM.

Please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed thereon, and return it to the Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours

LETTER FROM THE BOARD

before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The voting on all the proposed Special Resolutions and Ordinary Resolution at the EGM will be taken by poll.

11. MISCELLANEOUS

The Manager is not aware of any material adverse change in the financial or trading position of Spring REIT since 31 December 2014 (being the date to which the latest published audited financial statements of Spring REIT have been made up).

A copy of the Trust Deed and the draft supplemental deed proposed to be entered into by the Manager and the Trustee for effecting the proposed amendments to the Trust Deed as described in this Circular are available for inspection at Room 2801, 28/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong, the registered office of the Manager, at all times during 9:00 a.m. to 5:00 p.m. (Hong Kong time) (“**Business Hours**”) on any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is in effect in Hong Kong at any time during Business Hours) on which licensed banks are open for general business in Hong Kong.

12. RESPONSIBILITY STATEMENT

The Manager and the Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, opinions expressed in this Circular by the Directors have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

13. ADDITIONAL INFORMATION

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

The English text of this Circular shall prevail over the Chinese text.

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

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

16 April 2015

To: The Independent Unitholders

Dear Sir/Madam,

**PROPOSED EXTENSION OF PERIOD OF WAIVER IN RESPECT OF
EXISTING CONTINUING CONNECTED PARTY TRANSACTION
AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN
CONTINUING CONNECTED PARTY TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in connection with the 2015 Waiver Extension and the New Annual Caps, details of which are set out in the “Letter from the Board” in the circular dated 16 April 2015 (the “**Circular**”) from the Manager to the Unitholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Somerley Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee in connection with the 2015 Waiver Extension and the New Annual Caps, in particular as to: (1) whether the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business and the terms of which are at arm’s length and on normal commercial terms; and (2) whether the 2015 Waiver Extension (and the New Annual Caps thereunder) are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole. Details of their opinion, together with the principal factors and reasons taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “*Letter from the Independent Financial Adviser in relation to the 2015 Waiver Extension and New Annual Caps*”, the text of which is contained in the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE IN RELATION
TO THE 2015 WAIVER EXTENSION AND NEW ANNUAL CAPS**

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

- (i) the Relevant Connected Party Transactions are entered into at arm's length and on normal commercial terms and in the ordinary and usual course of business of Spring REIT; and
- (ii) the 2015 Waiver Extension and the New Annual Caps are fair and reasonable and are in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole.

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the 2015 Waiver Extension and the New Annual Caps.

Yours faithfully,
for and on behalf of
the Independent Board Committee of
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Mr. Simon Murray
Independent non-executive director

Mr. Liping Qiu
Independent non-executive director

Mr. Lam Yiu Kin
Independent non-executive director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee, the Trustee and the Independent Unitholders in relation to the 2015 Waiver Extension and New Annual Caps, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

16 April 2015

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

Dear Sirs,

PROPOSED EXTENSION OF PERIOD OF WAIVER IN RESPECT OF EXISTING CONTINUING CONNECTED PARTY TRANSACTIONS AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Trustee and the Independent Unitholders with respect to the continuing connected party transactions between the Spring REIT Group and the Manager Connected Persons Group, including (i) leasing arrangements (the “**Connected Leasing Transactions**”) and (ii) property management and operations (the “**Connected PMA**”), for the three years ending 31 December 2017. Details of the 2015 Waiver Extension and the New Annual Caps are set out in the letter from the Board contained in the circular dated 16 April 2015 to the Unitholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context requires otherwise.

Paragraph 8.11 of the REIT Code provides that where a unitholder has a material interest in the transaction tabled for approval, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting. Pursuant to the Trust Deed and the REIT Code, the Manager Connected Persons Group, including, among others, the Manager, RCA Fund 01, L.P., and AD Capital Co., Ltd. (“**AD Capital**”) shall abstain from voting on the EGM Resolution to approve the 2015 Waiver Extension and the New Annual Caps, except for voting pursuant to a proxy given by the Independent Unitholders where a specific direction as to voting is given.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Simon Murray, Mr. Liping Qiu and Mr. Lam Yiu Kin, has been established to advise the Independent Unitholders on whether (a) the Relevant Connected Party Transactions are entered into at arm's length and on normal commercial terms and in the ordinary and usual course of business of Spring REIT; and (b) the 2015 Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole. We have been appointed to advise the Independent Board Committee, the Trustee and the Independent Unitholders in this regard.

Somerley Capital Limited is independent of, and not associated with, (i) Spring REIT; (ii) the Trustee; (iii) the Manager; (iv) the Manager Connected Persons Group; (v) the Spring REIT Group; (vi) each of the Significant Unitholders of Spring REIT; (vii) each of the relevant connected person(s) with respect to the Relevant Connected Party Transactions; and (viii) their respective associates. Apart from normal professional fees payable to us in connection with this appointment and other similar engagements, no arrangement exists whereby we will receive any fees or benefits from the aforementioned parties.

In formulating our opinion, we have reviewed, amongst others, (i) certain existing leasing agreements and the property management agreement in respect of the Property; (ii) the annual report of Spring REIT for the year ended 31 December 2013 (the “**2013 Annual Report**”); (iii) the interim report of Spring REIT for the six months ended 30 June 2014 and (iv) the 2014 annual results announcement. We have also discussed with Colliers International (Hong Kong) Ltd, the independent property valuer of the Property (the “**Principal Valuer**”) the assumptions and bases for their opinions on the Relevant Connected Party Transactions. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Manager and have assumed that the information, facts and opinions provided to us are true and accurate. We have also sought and received confirmation from the Directors and management of the Manager that no material factors have been omitted from the information supplied and opinions expressed. We have no reason to doubt the truth, accuracy and completeness of the information provided to us or to believe that any material fact or information has been omitted or withheld. We have not, however, conducted an independent investigation into the affairs of the Manager and Spring REIT. We consider that we have been provided with and have reviewed sufficient information to reach an informed view. We have also assumed that the statements and representations made or referred to in the Circular were accurate and not misleading at the time they were made and will continue to be accurate and not misleading up to the time of the EGM.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with regard to the 2015 Waiver Extension and the New Annual Caps, we have taken into account the principal factors and reasons set out below:

1. Information on Spring REIT

Spring REIT was listed on the Stock Exchange on 5 December 2013 (“**the Listing Date**”) as a collective investment scheme constituted as a unit trust by the Trust Deed and authorised under section 104 of the SFO, and is managed by the Manager, Spring Asset Management Limited. Spring REIT currently owns the Property, comprising all the office units in two Premium Grade office buildings, namely Office Tower 1 and Office Tower 2 in China Central Place and approximately 600 car parking spaces, located in the central business district (“**CBD**”) of Beijing. The Property has a total GFA of approximately 120,245 square meters.

As part of its ordinary course of business, Spring REIT has been entering into leasing agreements with tenants belonging to leading multi-national and domestic groups for the office units in the Property in return for rental income. Total revenue of the Group increased by 22.8% year-on-year for the year ended 31 December 2014 to an all-time high of US\$81.46 million. The Property also enjoyed a consistently high occupancy rate, averaging around 96% for the year ended 31 December 2014.

2. Background to and reasons for the Relevant Connected Party Transactions

As disclosed in the Circular, subject to certain conditions, the SFC granted the Initial Waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of the Relevant Connected Party Transactions for an initial duration commencing on the Listing Date and ending on 31 December 2015. In accordance with the waiver conditions of the Initial Waiver, it may be extended beyond 31 December 2015, and/or the terms and conditions of the Initial Waiver may be modified from time to time, provided that, among others, approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of the Independent Unitholders. The background of the Relevant Connected Party Transactions is as follows:

Connected Leasing Transactions

As disclosed in the Offering Circular, as part of the ordinary course of business of the Spring REIT Group, the Property Manager (on behalf of RCA01 as owner of the Property) and the Manager Connected Persons Group entered into lease agreements in respect of certain areas of the Property.

It was disclosed in Spring REIT’s announcement on 26 March 2015 that, ITOCHU Corporation (“**ITOCHU**”), one of the existing tenants of the Property, acquired approximately 28.3% of the issued capital in AD Capital (a controlling entity of the Manager) and will thus indirectly hold approximately 28.3% of the total issued share capital of the Manager. Accordingly, ITOCHU will become an associated company of the Manager under the REIT Code upon completion of the proposed share subscription and share purchase transactions. As a result, ITOCHU will become the connected person of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Spring REIT Group under the REIT Code and the existing leasing agreement entered into between ITOCHU and the Spring REIT Group will constitute a continuing connected party transaction under the REIT Code.

According to the Manager, ITOCHU has been leasing the office units of the Property since 2007 and was an independent third party of Spring REIT when the existing lease was entered into, for a three-year term from 1 April 2013 to 31 March 2016. Based on the leasing agreement, the aggregate amount paid by ITOCHU to Spring REIT for the financial year ending 31 December 2015 is expected to exceed the existing annual cap of the Connected Leasing Transactions. Accordingly, the Manager considers the relevant annual caps should be revised. In view of the expiry of the Connected Leasing Transactions waiver on 31 December 2015, the Manager considers it would be appropriate to extend the Connected Leasing Transactions waiver to 31 December 2017.

Connected PMA

As disclosed in the Offering Circular, on 30 August 2011, RCA01 entered into the Property Management Agreement with the Property Manager (Beijing Hua-re Real Estate Consultancy Co., Ltd., being a member of the Manager Connected Persons Group) in relation to the provision of certain property management, lease management and marketing services of the Property. Upon the expiry of initial two-year term on 31 August 2013, the Property Management Agreement was automatically renewed for another two years. The current two-year term will expire on 31 August 2015.

In view of the revision of the annual caps of the Connected Leasing Transactions and the extension of such transactions waiver to 31 December 2017, the Manager also proposes to revise the corresponding annual caps of the Connected PMA for the year ending 31 December 2015 and extend the transactions waiver under the Connected PMA to 31 December 2017.

3. Terms of the Relevant Connected Party Transactions

Set out below are the principal terms of the Relevant Connected Party Transactions.

Connected Leasing Transactions

Principal terms:

The lease agreements entered into with the Manager Connected Persons Group for the Property are generally for a term of three years. After entering into a lease, tenants of the Property are required to provide security deposits of approximately three months' rent and three months' building management fees. Tenants are generally required to pay their monthly rent in advance. In addition, rent-free periods, typically one to three months for a lease term of three years, are commonly granted on leases. Rent for the additional term is determined through negotiation between the tenants and the Property Manager (on behalf of RCA01) in accordance with the then prevailing market standard. Tenants generally

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have an option to renew their leases for an additional term by providing at least six months' prior written notice that they wish to exercise the option to the Property Manager (on behalf of RCA01) within the required time.

Analysis:

As confirmed by the Manager, all the Connected Leasing Transactions subsisting are entered into in the ordinary and usual course of business of Spring REIT, are on normal arm's length commercial terms and at the then prevailing market rental level when the leases were entered into, and are fair and reasonable and in the interest of Spring REIT and the Independent Unitholders as a whole. The details of the subsisting Connected Leasing Transactions in respect of the Property are set out in the 2013 Annual Report.

We have reviewed all the subsisting Connected Leasing Transactions, the underlying independent opinion letters prepared by the Principal Valuer and the lease transactions entered into between Spring REIT and the independent third parties (the "**Independent Leases**") in respect of the Property. Based on our review, we note that: (i) the Principal Valuer is of the opinion that the Connected Leasing Transactions subsisting as at the Latest Practicable Date were at the prevailing market rental level at the time when the leases were entered into and that the other terms were normal commercial terms, and (ii) the rental fees of the subsisting Connected Leasing Transactions are generally comparable to those of the Independent Leases. Based on our review of the above, we concur with the Principal Valuer's opinion as set out above.

We have also compared the terms other than the rental fees (including tenure, security deposits, rent-free periods) of all subsisting Connected Leasing Transactions to the Independent Leases, and note that the terms of the subsisting Connected Leasing Transactions are generally comparable to those of the Independent Leases.

Based on the above, we consider the terms of the subsisting Connected Leasing Transactions to be fair and reasonable, on normal arm's length commercial terms and at the prevailing market rental level when the leases were entered into.

Connected PMA

Principal terms:

Pursuant to the Property Management Agreement, RCA01 is required to pay property management fees to the Property Manager based on 2.0% of the total revenue of the Property on a monthly basis. The appointment of the Property Manager under the Property Management Agreement will expire on 31 August 2015 and will be automatically renewed on the same term, for another two years upon expiry.

Analysis:

As confirmed by the Manager, the subsisting Connected PMA was entered into in the ordinary and usual course of business of Spring REIT, are on normal arm's length commercial terms and at the prevailing market rental level as at the commencement date

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and the dates of renewal, as appropriate, of the Connected PMA, and are fair and reasonable and in the interest of Spring REIT and the Independent Unitholders as a whole. The Manager has confirmed that there has been no variation to the terms and conditions governing the property management arrangements during the term of the Property Management Agreement.

We have been provided with and have reviewed the Property Management Agreement entered into with the Property Manager in respect of the Property. We have also reviewed the terms of similar transactions regarding the prevailing property management service fees payable by other REITs listed on the Stock Exchange (the “**Comparable Transactions**”), and noted that the current rate of 2% under the Property Management Agreement is slightly lower than the applicable rates of the Comparable Transactions under which property management fee are based on a percentage of gross property income.

We also note that the Principal Valuer issued an opinion in the Offering Circular that the Property Management Agreement is conducted on normal commercial terms, at arm’s length and on terms consistent with normal business practice for contracts of the relevant type. Upon any renewal of the Property Management Agreement, the Principal Valuer of Spring REIT will issue an opinion as to whether the terms and conditions of such renewed property management arrangements are on normal commercial terms and the relevant property management fee is based on prevailing market pricing.

Based on the above, we consider the terms of the Property Management Agreement to be fair and reasonable and on normal commercial terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The New Annual Caps

Connected Leasing Transactions

Set out below are the historical transaction amounts and the existing annual caps under the Connected Leasing Transactions for the three years ending 31 December 2015, and the proposed annual caps, rounded up to the nearest thousand, for the three financial years ending 31 December 2017:

| | Historical transaction amounts | | | Projected transaction amounts | | |
|--|--|--|--|---|---|---|
| | RMB | | | RMB | | |
| | From 5 December 2013 to 31 December 2013 | For the year ended 31 December 2014 | For the one month ended 31 January 2015 | For the year ending 31 December 2015 | For the year ending 31 December 2016 | For the year ending 31 December 2017 |
| Connected Leasing Transactions | 137,338 | 1,481,079 | 82,124 | 9,154,872 | 12,359,364 | 13,419,759 |
| Buffer (20%) | <u>n.a.⁽¹⁾</u> | <u>n.a.⁽¹⁾</u> | <u>n.a.⁽¹⁾</u> | <u>1,830,974</u> | <u>2,471,873</u> | <u>2,683,952</u> |
| Total | <u>137,338</u> | <u>1,481,079</u> | <u>82,124</u> | <u>10,985,846</u> | <u>14,831,237</u> | <u>16,103,711</u> |
| Existing annual caps/ New Annual Caps | 2,079,000 ⁽²⁾ | 2,136,000 | 3,169,000 ⁽²⁾ | 10,986,000 | 14,831,000 | 16,104,000 |

Notes:

1. A buffer of 10% was included in the existing annual caps for the three years ending 31 December 2015.
2. Historical transactions did not cover the respective full year, whereas the relevant annual caps govern the relevant transactions for the full year.

We have discussed with the Manager the basis of the proposed annual caps of the Connected Leasing Transactions for the three years ending 31 December 2017. As stated in the Letter from the Board in the Circular, the above proposed annual caps have been determined with general reference to the latest available data as at 31 January 2015 and are based on the anticipated aggregated value of such leasing transactions during the relevant financial years (including income from lease arrangement with ITOCHU). In addition, the above proposed annual caps also take into account the current lease expiry profile of the Connected Leasing Transactions, the lease arrangement with ITOCHU which will expire beyond March 2016 and possible growth in rental, expected market conditions in the future, and potential new tenancies which the Manager Connected Persons Group may enter into with the Spring REIT Group during the relevant financial periods, supplemented by a buffer of 20% for contingencies, in the event of unforeseen market fluctuations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the aforesaid proposed annual caps, we have reviewed the terms of all the existing lease agreements entered into between the Spring REIT Group and the Manager Connected Persons Group in respect of the Property. In arriving at the proposed annual caps, we note that the effective rental income is being used, which takes into account the respective rent-free period of aforesaid existing lease agreements. In addition, all of the subsisting Connected Leasing Transactions will expire beyond 2017 and the existing lease agreement with ITOCHU is expected to be renewed upon its expiry in 2016. The new rental rate of such existing lease agreement upon renewal is estimated to be approximately 15% higher, with reference to (i) the compound annual growth rate (“CAGR”) of renewed rental rates of the Property from 2010 to 2014 of approximately 18% and (ii) the current lease expiry profile of the Property for the three years ending 31 December 2017.

We have also reviewed Independent Leases selected by us randomly in respect of the Property which have been renewed in 2013 and 2014, and noted the rental increment upon renewal of the Independent Leases. The above estimated CAGR used in calculating the proposed annual caps falls within the range of the CAGR of renewed rental rates of the Independent Leases of approximately 1% to 29%, and is comparable to the average renewed rental rates of the Independent Leases of approximately 14.7%.

The substantial increase in the proposed annual cap in 2015 to approximately RMB11.0 million compared with the existing annual cap of approximately RMB3.2 million in 2015 is due to the addition of the existing lease agreement with ITOCHU of approximately RMB8.2 million per annum which would be included in the Connected Leasing Transactions, as mentioned in the above section headed “Background to and reasons for the Relevant Connected Party Transactions — Connected Leasing Transactions”.

In determining the proposed annual caps for the three years ending 31 December 2017, the Manager has also applied a buffer of 20% to the estimated rental income arising from the Connected Leasing Transactions. We consider that the additional 20% can provide a contingency to accommodate possible fluctuations in rental rate upon renewal resulting from any changes in rental or other market conditions or the unexpected additional lease of office space of the Property by the Manager Connected Persons Group, such as ITOCHU’s leasing arrangement.

After taking into account (i) a possible unexpected additional lease of office space of the Property by the Manager Connected Persons Group as mentioned above; (ii) an allowance for contingencies to accommodate possible fluctuations resulted from any changes in rental or other market conditions; and (iii) the buffer of 20% is within the range of the buffers between 5% to 33% normally adopted by other REITs listed in Hong Kong for comparable annual caps, we consider the inclusion of a buffer of 20% for the purpose of determining the proposed annual caps of the Connected Leasing Transactions to be reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Connected PMA

Set out below are the historical transaction amounts and the existing annual caps under the Connected PMA for the three years ending 31 December 2015, and the proposed annual caps, rounded up the nearest thousand, for the three full financial years ending 31 December 2017:

| | Historical transaction amounts | | | Projected transaction amounts | | |
|----------------------------|--------------------------------|---------------------------|---------------------------|-------------------------------|-------------------|-------------------|
| | RMB | | | RMB | | |
| | From | | | | | |
| | 5 December | For the | For the one | For the | For the | For the |
| | 2013 to | year ended | month ended | year ending | year ending | year ending |
| | 31 December | 31 December | 31 January | 31 December | 31 December | 31 December |
| | 2013 | 2014 | 2015 | 2015 | 2016 | 2017 |
| Connected PMA | 779,333 | 10,080,608 | 873,985 | 11,545,433 | 13,277,248 | 15,268,836 |
| Buffer (20%) | <u>n.a.⁽¹⁾</u> | <u>n.a.⁽¹⁾</u> | <u>n.a.⁽¹⁾</u> | <u>2,309,087</u> | <u>2,655,450</u> | <u>3,053,767</u> |
| Total | <u>779,333</u> | <u>10,080,608</u> | <u>873,895</u> | <u>13,854,520</u> | <u>15,932,698</u> | <u>18,322,603</u> |
| Existing/New Annual | | | | | | |
| Caps | 8,895,000 ⁽²⁾ | 10,940,000 | 12,581,000 ⁽²⁾ | 13,855,000 | 15,933,000 | 18,323,000 |

Notes:

1. A buffer of 10% was included in the existing annual caps for the three years ending 31 December 2015.
2. Historical transactions did not cover the respective full year, whereas the relevant annual caps govern the relevant transactions for the full year.

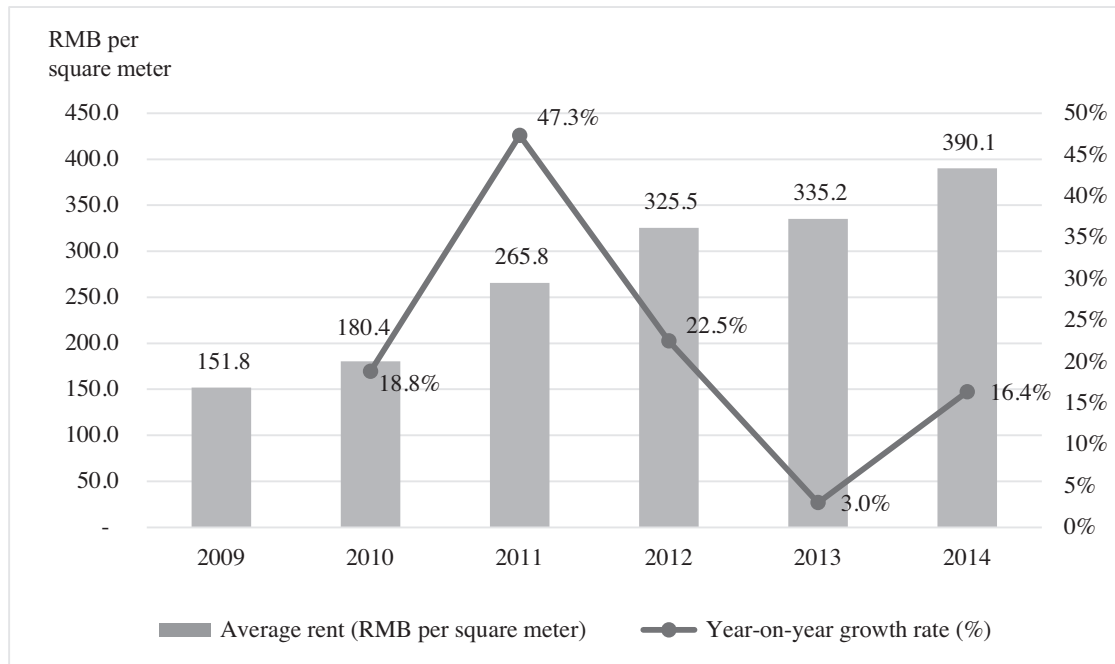
We have discussed with the Manager the bases and assumptions underlying the projections of the proposed annual caps under the Connected PMA for the three years ending 31 December 2017. As stated in the Letter from the Board in the Circular, the proposed annual caps have been determined with reference to the projected total expenditures payable to the Property Manager, assuming (i) the annual growth rate for the total revenues of the Property remains constant at 15% for the relevant financial years, (ii) property management fee for the Property will be projected at 2% of total revenues throughout the three years ending 31 December 2017, and (iii) a buffer of 20% has been included in the proposed annual caps for the property management arrangements for contingencies such as changes in market conditions.

In order to assess the aforesaid proposed annual caps, we have discussed with the Manager their projections of the rental income for the three years ending 31 December 2017. We note that the expected increase in rental income is estimated to be approximately 15%, with reference to (i) the CAGR of renewed rental rates of the Property from 2010 to 2014 of approximately 18% and (ii) the current lease expiry profile of the Property for the three years ending 31 December 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also reviewed research reports titled “Property Times” issued by DTZ Research, an independent research company focusing on real estate markets, which indicates a growing trend of Grade A office rental in Beijing over the six-year period from 2009 to 2014 as illustrated below:

GRADE A OFFICE RENT IN BEIJING



Note: The rental amounts from 2009 to 2014 represent the average rent in the 4th quarter of the respective years.

Source: DTZ Research

According to DTZ Research, the average rent of Grade A offices in Beijing has increased from RMB151.8 per square meter in 2009 to RMB390.1 per square meter in 2014, showing a CAGR of approximately 20.8%. If a three-year period (same as the period of the New Annual Caps) is considered, the CAGR of the average rent from 2011 to 2014 is approximately 13.6%.

We note that the gross rental income of Spring REIT increased by approximately 21.3% from US\$65.7 million in 2013 to US\$79.7 million in 2014, and the average monthly passing rental of the Property has been increasing from approximately RMB201 per square meter in 2011 to approximately RMB352 per square meter in 2014 as disclosed in the 2014 annual results announcement and the 2013 Annual Report, representing a CAGR of approximately 20.6%. Taking into account (i) the increase in average rent of Grade A offices in Beijing by a CAGR of approximately 20.8% from 2009 to 2014, or approximately 13.6% from 2011 to 2014; and (ii) the 1% to 29% rental increment in CAGR and approximately 14.7% average rental increment for Independent Leases of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Property which have been renewed in 2013 and 2014, we consider the CAGR of approximately 15% for the purpose of estimating the annual revenue in deriving the proposed annual caps of Connected PMA for 2015–2017 to be reasonable.

In determining the proposed annual caps for the three years ending 31 December 2017, the Manager has also applied a buffer of 20% to the estimated property management fees as discussed above. We consider that the additional 20% can provide a contingency to accommodate possible fluctuations resulting from any changes in rental or other market conditions or the unexpected additional lease of office, which may lead to a further increase in the total revenue of Spring REIT. In addition, according to the Principal Valuer, it is expected that there will be a gradual shortage of supply in office units in the CBD of Beijing, which may drive the rental rate up further in the future.

After taking into account (i) the allowance for contingencies to accommodate possible fluctuations resulting from any changes in rental or other market conditions; (ii) the possible unexpected additional lease of office space of the Property for the three years ending 31 December 2017; and (iii) the buffer of 20% is within the range of the buffers between 20% to 30% normally adopted by other REITs listed in Hong Kong for comparable annual caps, we consider the inclusion of a buffer of 20% for the purpose of determining the proposed annual caps of the Connected PMA to be reasonable.

5. 2015 Waiver Extension

The Manager has made a submission to the SFC to seek an extension of the Initial Waiver for the three years ending 31 December 2017. As part of its submission, the Manager has also proposed New Annual Caps for the extended period. Accordingly, the Manager seeks the Independent Unitholders' approval of the 2015 Waiver Extension and the New Annual Caps.

The 2015 Waiver Extension will be also subject to standard disclosures in interim and annual reports and review by auditors and independent non-executive Directors as more particularly set out in the letter from the Board. Any subsequent changes to New Annual Caps or material changes to the terms of the Relevant Connected Party Transactions will require approval of the Independent Unitholders and/or notifications to the SFC.

We are of the opinion that (i) the 2015 Waiver Extension and the basis for the 2015 Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole; (ii) the Relevant Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into (i) in the ordinary and usual course of business of Spring REIT; and (ii) on terms which are normal commercial terms, at arm's length and are fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION

Having considered the above reasons and factors, we consider that the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business of Spring REIT, consistent with the investment objective and strategy of Spring REIT, on arm's length and on normal commercial terms, fair and reasonable and in the interests of Spring REIT and the Independent Unitholders as a whole; and that the 2015 Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Spring REIT, the Independent Unitholders as well as the Unitholders as a whole. Consequently, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Unitholders to vote in favour of the EGM resolution to approve the 2015 Waiver Extension and the New Annual Caps at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over seven years of experience in the corporate finance industry.

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix I, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix I are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 1)

1. A new definition of "Property Development and Related Activities" under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

"Property Development and Related Activities" means the acquisition of uncompleted units in a building by the Trust and property developments (including both new development projects and re-development of existing properties) undertaken in accordance with the Code;

2. A new definition of "GAV Cap" under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

"GAV Cap" means 10% of the Gross Asset Value, being the threshold limit of the Aggregate Development Costs

3. A new definition of "Aggregate Development Costs" under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

"Aggregate Development Costs" shall have the meaning set out in clause 15.2.1;

4. A new definition of "Gross Asset Value" under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

"Gross Asset Value" has the meaning set out in clause 15.2A

5. Clause 15.2 of the Trust Deed be amended as follows:

Subject to the provisions of this Deed, the Manager's investment policy and objective for the Trust are as follows:

"[the Trust is established to invest in high quality income-producing Real Estate in any part of the world, including but not limited to mainland China, ~~although future acquisitions may also be made in~~ Hong Kong, Macau, Taiwan, Japan and other areas of Asia]. [Except for investments in hotels and serviced apartments which shall be held through Special Purpose Vehicles, the Trust may hold Real Estate either directly or indirectly] through Special Purpose Vehicles, each of whose primary purpose is to hold or

own Real Estate and other Authorised Investments and/or arrange financing for the Trust, or by direct ownership of Real Estate and other Authorised Investments, and the Manager must manage the Deposited Property so that ~~the principal investments~~ at least 75% of the Gross Asset Value of the Trust ~~are~~ shall be invested in Real Estate and other Authorised Investments that generates recurrent rental income at all times. The Manager may engage or participate in Property Development and Related Activities, including the acquisition of uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, provided that (i) the aggregate investments in all Property Development and Related Activities (which, for such purpose, shall not include refurbishment, retrofitting and renovations) undertaken by the Trust (which shall mean the total project costs borne and to be borne by the Trust, inclusive of the costs for the acquisition of land (if any) and the development or construction costs and financing costs) together with (ii) the aggregate contract value of such Real Estate uncompleted units acquired ((i) and (ii) collectively as the “**Aggregate Development Costs**”) shall not exceed the GAV Cap at any time;”

(Note: The proposed amendments shown in the square bracketed language above will not be effected if each of Special Resolution no. 1 and Special Resolution no. 4 is not passed.)

6. A new Clause 15.2A as follows be inserted immediately after Clause 15.2.3 of the Trust Deed:

For the purpose of calculating the denominator to be used for the purpose of the GAV Cap, the “Gross Asset Value” of the Trust shall be determined in accordance with the following formula:

“Gross Asset Value” of the Trust = $GAV - D \pm V - DRI$

Where:

GAV = the total assets as shown in the Trust’s latest published accounts;

D = the amount of any distribution proposed in the Trust’s latest published accounts and any distribution declared since the issuance of the Trust’s latest published accounts;

V = the change (if any) in the Approved Valuer’s determination of the value of the Trust’s Real Estate, based on its valuation report(s) published subsequent to the Trust’s latest published accounts; and

DRI = the value of any investments in properties under development (which for the avoidance of doubt, shall not include the value of existing properties undergoing redevelopment).

7. Clause 15.3 of the Trust Deed be amended as follows:

Subject to the restrictions and requirements of the Code, the Manager shall ensure that the following investment restrictions are complied with:

...

15.3.3 ~~the Trust shall not invest in vacant land or engage or participate in any property development activities (excluding, for the avoidance of doubt, refurbishment, retrofitting and renovations) unless such investment is part-and-parcel of the Property Development and Related Activities undertaken in accordance with Clause 15.2.1 and within the investment objective or policy of the Trust;~~

...

15.3.6 the Trust shall hold each Investment (which is in the nature of a Real Estate or shares in any Special Purpose Vehicle holding interest in a Real Estate) for a period of at least two years ~~from the date of its acquisition, or in the case of any such Investments in relation to the Property Development and Related Activities undertaken by the Trust, for a period of at least two years from the completion of the relevant Property Development and Related Activities,~~ unless the Manager has clearly communicated to the Holders the rationale for disposal prior to the expiry of such period and the Holders approve the disposal of such Investment by Special Resolution at a meeting to be convened by the Manager in accordance with the schedule 1 of this Deed.

8. Clause 24.4.1.3 of the Trust Deed be amended as follows:

24.4.1 The Manager shall issue a circular to Holders in respect of transactions that, pursuant to the Code (or in the reasonable opinion of the Trustee or the Manager), require Holders' approval, including:

...

24.4.1.3 making a disposal of Real Estate within a period of less than two (2) years from the ~~Acquisition Date~~date of its acquisition (or if the Trust engages in Property Development and Related Activities, from the date that such Property Development and Related Activities in respect of the Real Estate are completed);

9. Clause 24.4.2.1 of the Trust Deed be amended as follows:

24.4.2 The Manager shall issue a circular to Holders in respect of material information in relation to the Trust, including:

...

24.4.2.1 a transaction (other than a Connected Party Transaction), the value of which exceeds 15% of the ~~g~~Gross ~~a~~Asset ~~v~~Value of the Trust;

**APPENDIX II PROPOSED TRUST DEED AMENDMENTS RELATING TO THE EXPANDED
INVESTMENT SCOPE REGARDING RELEVANT INVESTMENTS**

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix II, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix II are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 2)

1. A new definition of "Relevant Investments" under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

"Relevant Investments" has the meaning ascribed to it in clause 15.2.4;

2. A new Clause 15.2.4 be inserted immediately after Clause 15.2.3 in Clause 15.2 of the Trust Deed as follows:

Subject to the provisions of this Deed, the Manager's investment policy and objective for the Trust are as follows:

...

"15.2.4 the Trust may, subject to the restrictions and requirements of the Code and the provisions of Clause 15.3, invest in the following financial instruments (the **"Relevant Investments"**):

- (i) securities listed on SEHK or other internationally recognized stock exchange(s);
- (ii) unlisted debt securities;
- (iii) government and other public securities; and
- (iv) local or overseas property funds;

provided, at all times, that:

- (a) the value of the Trust's holding of the Relevant Investments issued by any single group of companies shall not exceed 5% of the gross asset value of the Trust;
- (b) the Relevant Investments shall be sufficiently liquid, could be readily acquired/disposed of under normal market conditions and in the absence of trading restrictions, and has transparent pricing; and
- (c) at least 75% of the Gross Asset Value of the Trust shall be invested in real estate that generates recurrent rental income at all times."

...

**APPENDIX II PROPOSED TRUST DEED AMENDMENTS RELATING TO THE EXPANDED
INVESTMENT SCOPE REGARDING RELEVANT INVESTMENTS**

3. A new Clause 15.3.7 be inserted immediately after Clause 15.3.6 in Clause 15.3 of the Trust Deed as follows:

Subject to the restrictions and requirements of the Code, the Manager shall ensure that the following investment restrictions are complied with:

...

15.3.7 the combined value of the Relevant Investments, together with other non-real estate assets of the Trust, when aggregated with the Aggregate Development Costs, shall not exceed 25% of the Gross Asset Value of the Trust at any time. For such purpose, hedging instruments for genuine hedging purpose as well as real estate related assets (e.g. plant and equipment), included as part of the Real Estate of the Trust in its valuation and financial statements shall be disregarded as “other non-real estate assets” above; and”

...

4. A new Clause 15.3.8 in Clause 15.3 as follows be inserted immediately after the new Clause 15.3.7 in Clause 15.3 of the Trust Deed:

15.3.8 the value of the Trust’s holding of the Relevant Investments issued by any single group of companies shall not exceed 5% of the Gross Asset Value of the Trust at any time.

5. Clause 18.3 of the Trust Deed be amended as follows:

The Manager shall ensure that the Value of an Authorised Investment at any given date means:

18.3.1 in the case of Investments falling within any paragraph of the definition of “**Authorised Investment**” which is not in the nature of a Real Estate and subject to clauses 18.3.3, 18.3.4 and 18.3.4.1, the Acquisition Cost thereof on its Acquisition Date, or its depreciated value as reflected in the books of the Trust or any Special Purpose Vehicle, whichever is the lower;

18.3.2 in the case of Investments falling within any paragraph of the definition of “**Authorised Investment**” which is in the nature of Real Estate, whether held directly by the Trustee or indirectly through Special Purpose Vehicles, and subject to clause 18.3.3:

18.3.2.1 on the Trust’s acquisition of an Authorised Investment and until a subsequent valuation thereof by an Approved Valuer, its Acquisition Cost thereof on its Acquisition Date; and

**APPENDIX II PROPOSED TRUST DEED AMENDMENTS RELATING TO THE EXPANDED
INVESTMENT SCOPE REGARDING RELEVANT INVESTMENTS**

- 18.3.2.2 on a subsequent valuation by an Approved Valuer of such Authorised Investment obtained pursuant to any of the provisions of this Deed since the date of the Trust's acquisition of such Authorised Investment, the Value of such Authorised Investment as determined by such valuation;
- 18.3.3 in the case of Investments falling within any paragraph of the definition of "**Authorised Investment**" which are in the nature of shares in the issued share capital of any financial vehicle, such Investments shall be valued in accordance with the most recent audited financial statements of such financing vehicle;
- 18.3.4 in the case of Investments falling within any paragraph of the definition of "**Authorised Investment**" which is in the nature of derivative instruments used for hedging or efficient portfolio management purposes and including Relevant Investments for which clauses 18.3.1, 18.3.2, 18.3.3 and 18.3.5 are not applicable, the Value of such an Investment shall be determined by the Manager, subject to the approval of the Trustee, and shall be calculated as follows:
- 18.3.4.1 all calculations of investments quoted, listed, traded or dealt on any stock exchange, commodities exchange, futures exchange or over-the-counter market shall be made by reference to the last traded price on the principal stock exchange for such investments as at the close of business in such place on the day as of which such calculation is to be made; and
- 18.3.4.2 where there is no stock exchange, commodities exchange, futures exchange or over-the-counter market, all calculations based on the value of investments quoted by any person, firm or institution making a market in such investments (and if there is more than one such market maker, then such market maker as the Manager shall designate) shall be by reference to the mean of the latest bid and offered price quoted thereon provided that the Manager may, with the approval of the Trustee, request a revaluation of any such investments to be made by any such professional person as the Manager may consider, with the approval of the Trustee, to be qualified to value such investments; and
- 18.3.5 in the case of Investments falling within any paragraph of the definition of "**Authorised Investment**" which is in the nature of Cash or Cash Equivalent Items, such an Investment shall be valued at its face value (together with accrued interest), if it is in the form of cash, deposits or similar assets, or its market value (together with accrued interest if default on an ex interest basis) unless, in the opinion of the Manager (after consultation with the Trustee), any adjustment should be made to reflect the value thereof,

and the Value of the Deposited Property at any given date means the aggregate Value of all Authorised Investments comprising the Deposited Property at the relevant date provided that in all cases such Value shall be in accordance with IFRS.

APPENDIX III PROPOSED TRUST DEED AMENDMENTS RELATING TO THE EXPANDED INVESTMENT SCOPE REGARDING PROPERTY TYPES AND THE EXPANDED INVESTMENT SCOPE REGARDING GEOGRAPHICAL SCOPE

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix III, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix III are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 3 and to Special Resolution no. 4)

Expanded Investment Scope regarding Geographical Scope

(Please refer to Special Resolution no. 3)

1. Clause 15.2.1 of the Trust Deed is to be amended as follows in order to reflect the Expanded Investment Scope regarding Geographical Scope:

“the Trust is established to invest in high quality income-producing Real Estate in ~~any part of the world, including but not limited to~~ mainland China, ~~although future acquisitions may also be made in~~ Hong Kong, Macau, Taiwan, Japan and other areas of Asia~~]. Except for investments in hotels and serviced apartments which shall be held through Special Purpose Vehicles, the Trust may hold Real Estate either directly or indirectly~~ through Special Purpose Vehicles, each of whose primary purpose is to hold or own Real Estate and other Authorised Investments and/or arrange financing for the Trust, or by direct ownership of Real Estate and other Authorised Investments, and the Manager must manage the Deposited Property so that ~~[the principal investments at least 75% of the Gross Asset Value of the Trust are shall be invested in Real Estate and other Authorised Investments that generates recurrent rental income at all times]. [The Manager may engage or participate in Property Development and Related Activities, including the acquisition of uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, provided that (i) the aggregate investments in all Property Development and Related Activities (which, for such purpose, shall not include refurbishment, retrofitting and renovations) undertaken by the Trust (which shall mean the total project costs borne and to be borne by the Trust, inclusive of the costs for the acquisition of land (if any) and the development or construction costs and financing costs) together with (ii) the aggregate contract value of such Real Estate uncompleted units acquired ((i) and (ii) collectively as the “Aggregate Development Costs”)~~ shall not exceed the GAV Cap at any time];”

(Note: The proposed amendments shown in the square bracketed language above will not be effected if each of Special Resolution no. 1 and Special Resolution no. 4 is not passed.)

Expanded Investment Scope regarding Property Types

(Please refer to Special Resolution no. 4)

**APPENDIX III PROPOSED TRUST DEED AMENDMENTS RELATING TO
THE EXPANDED INVESTMENT SCOPE REGARDING
PROPERTY TYPES AND THE EXPANDED INVESTMENT
SCOPE REGARDING GEOGRAPHICAL SCOPE**

2. The definition of “Real Estate” is to be amended as follows:

“**Real Estate**” means any land, and any interest, option or other right in or over any land. For the purposes of this definition “**land**” includes land of any tenure, whether or not held apart from the surface, and buildings or parts thereof (whether completed or otherwise and whether divided horizontally, vertically or in any other manner) and tenements and hereditaments, corporeal and incorporeal, and any estate or interest therein, and shall include, for the avoidance of doubt, industrial properties, warehouses, commercial shopping malls, hotels and serviced apartments;

3. Clause 15.2.1 of the Trust Deed is to be amended as follows in order to reflect the Expanded Investment Scope regarding Property Types:

“[the Trust is established to invest in high quality income-producing Real Estate in any part of the world, including but not limited to mainland China, ~~although future acquisitions may also be made in~~ Hong Kong, Macau, Taiwan, Japan and other areas of Asia.] Except for investments in hotels and serviced apartments which shall be held through Special Purpose Vehicles, the Trust may hold Real Estate either directly or indirectly through Special Purpose Vehicles, each of whose primary purpose is to hold or own Real Estate and other Authorised Investments and/or arrange financing for the Trust, or by direct ownership of Real Estate and other Authorised Investments, and the Manager must manage the Deposited Property so that [the principal investments at least 75% of the Gross Asset Value of the Trust are shall be invested in Real Estate and other Authorised Investments that generates recurrent rental income at all times]. [The Manager may engage or participate in Property Development and Related Activities, including the acquisition of uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, provided that (i) the aggregate investments in all Property Development and Related Activities (which, for such purpose, shall not include refurbishment, retrofitting and renovations) undertaken by the Trust (which shall mean the total project costs borne and to be borne by the Trust, inclusive of the costs for the acquisition of land (if any) and the development or construction costs and financing costs) together with (ii) the aggregate contract value of such Real Estate uncompleted units acquired ((i) and (ii) collectively as the “**Aggregate Development Costs**”) shall not exceed the GAV Cap at any time];”

(Note: The proposed amendments shown in the square bracketed language above will not be effected if each of Special Resolution no. 1 and Special Resolution no. 3 is not passed.)

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix IV, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix IV are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 5)

1. Clause 20.4.2 of the Trust Deed be amended as follows:

“20.4.2 In respect of the Financial Years prior to and including the Financial Year ended 31 December 2014, ~~t~~The Distribution Amount for a Distribution Period ending on the last day of a Financial Year is to be determined in accordance with the following formula:

$$DA = (90\% \text{ of ADI}) + C$$

Where:

DA is the Distribution Amount for that Distribution Period;

ADI is the amount (if any) by which the Annual Distributable Income (as defined in clause 20.5.2) for that Financial Year exceeds the aggregate of the Distribution Amount(s) for the previous Distribution Period(s) of that Financial Year; and

C is any additional amount (including capital), which the Manager has determined is to be distributed.”

2. A new Clause 20.4.2A be inserted immediately after Clause 20.4.2 of the Trust Deed as follows:

“20.4.2A In respect of the Financial Year ending 31 December 2015 and subsequent Financial Years, the Distribution Amount for a Distribution Period ending on the last day of a Financial Year is to be determined in accordance with the following formula:

$$DA = (90\% \text{ of ADI}) + C - D$$

Where:

DA is the Distribution Amount for that Distribution Period;

ADI is the Annual Distributable Income (as defined in Clause 20.5.2) for that Financial Year;

C is any additional amount (including capital), which the Manager has determined is to be distributed; and

D is the aggregate of the Distribution Amount(s) for the previous Distribution Period(s) of that Financial Year.”

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix V, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix V are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

**PART A. AMENDMENTS IN RELATION TO VOTING ARRANGEMENTS AND
MINOR AMENDMENTS**

(Please refer to Special Resolution no. 6)

1. Paragraph 3.1 of Schedule 1 to the Trust Deed be amended as follows:

At any meeting of Holders, two or more Holders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding shall form a quorum for the transaction of business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution shall be two or more Holders present in person or by proxy registered as holding together not less than 25% of the Units in issue and outstanding. The quorum for an adjourned meeting shall be such number of Holders who are present in person or by proxy, regardless of the number of units held by them. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. ~~Split~~ Separate proxies shall, for the avoidance of doubt, be permitted; ~~but the number of proxies appointed by any one Holder (other than HKSCC Nominees Limited (or any successor thereto) or a recognised clearing house (within the meaning of the SFO) or its nominees) shall not exceed two.~~

2. Paragraph 3.8 of Schedule 1 to the Trust Deed be amended as follows:

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority shall be deposited at such place as the Manager or the Trustee may in the notice convening the meeting director, or if no such place is appointed then at the registered office of the Registrar, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date stated in it as the date of its execution, ~~except for an adjourned meeting which is an adjournment of an original meeting held within 12 months from such date, or for a poll demanded at such an original meeting or adjourned meeting.~~ Delivery of an instrument appointing a proxy shall not preclude a Holder from attending and voting at the meeting and, in such event, the instrument appointing the proxy shall be deemed to be revoked, a person appointed to act as a proxy need not be a Holder.

**PART B. AMENDMENTS RELATING TO THE POWERS OF THE MANAGER AND
LIMITATION OF LIABILITY OF THE MANAGER AND THE TRUSTEE**

(Please refer to Special Resolution no. 7)

1. Clause 8 of the Trust Deed be amended as follows:

~~Repurchase-Buy-back~~ and Redemption of Units by Manager

2. Clause 8.1 of the Trust Deed be amended as follows:

No Right to Demand, ~~RepurchaseBuy-Back~~ or Redemption of Units

No Holder shall have the right to demand the ~~repurchasebuy-back~~ or redemption of their Unit(s).

3. Clause 8.2 of the Trust Deed be amended as follows:

~~Repurchase-Buy-back~~ and Redemption of Units by Manager

The Manager is permitted to ~~repurchasebuy-back~~ or redeem any Unit(s) so long as any ~~repurchasebuy-back~~ or redemption of Units by the Manager is effected in accordance with the Code, the Takeovers Code, the Repurchase Circular or other relevant codes and guidelines issued by the SFC from time to time and applicable laws and regulations or in accordance with any waiver or exemption granted by the SFC.

34. Clause 7.1.5(iv) of the Trust Deed be amended as follows:

...

(iv) an offer of Units and/or Convertible Instruments shall be considered and deemed for the purposes of this clause 7.1.5 to be made on a pro rata basis notwithstanding that (i) the Manager may, in its discretion, elect not to offer Units and/or Convertible Instruments; after making due enquiry regarding the applicable jurisdiction, determine that Units and/or Convertible Instruments are not to be offered to persons whose addresses are outside Hong Kong, and/or offer the Units and/or Convertible Instruments on a basis, or contain such other terms, providing for any such other exclusions or adjustments determined by the Manager, provided that if the Manager considers such exclusions or adjustments to be necessary or expedient (1) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (in such case, the Manager may, at its discretion, offer for sale the rights or entitlements to such Units and/or Convertible Instruments in the market, and will pay the net proceeds (after deduction of the costs of sale) of such sale (if successful) to the relevant Holders who would otherwise be entitled to such rights or entitlement but for the aforesaid exclusion), or (2) in relation to fractional entitlements (in such case, the Manager may at its discretion sell such fractional entitlements for the benefit of the Trust), and in each case, in compliance with the relevant provisions of the Listing Rules

~~(as if they were applicable to the Trust) to the extent not inconsistent with any applicable rules and guidance issued by the SFC or having regard to any restrictions or obligations under the laws, or under the requirements of any recognized regulatory body or stock exchange, of any territory or jurisdiction outside Hong Kong; and/or (ii) where and to the extent that Holders do not accept any offer of Units and/or Convertible Instruments within the applicable period for acceptance (as determined by the Manager), such Units and/or Convertible Instruments may be offered or made available to, and taken up by, other persons as determined by the Manager, subject to compliance with all applicable laws and regulations (including the Code). In relation to (i) above, where necessary, the Trustee shall have the discretion to impose such other terms and conditions in connection with the relevant sale.~~

...

54. Clause 20.6.4.3 of the Trust Deed be amended as follows:

20.6.4 The Manager and the Trustee (upon the instructions of the Manager) must deduct from each Holder's Distribution Entitlement all amounts which:

...

20.6.4.3 are required to be deducted by law or this Deed, provided that the Trustee and the Manager shall not be liable to account to any Holder or otherwise for any such deduction made or suffered by the Trustee or the Manager (as the case may be) in good faith and in the absence of fraud, negligence, wilful default, breach of this Trust Deed or breach of any applicable laws or regulations notwithstanding that any such deduction ought not to be or need not have been made or suffered; or

...

**PART C. AMENDMENTS RELATING TO ~~ISSUE OF UNITS PURSUANT TO~~
~~INCENTIVE SCHEME~~ ISSUE OF UNITS PURSUANT TO INCENTIVE
SCHEME**

(Please refer to Special Resolution no. 8)

1. A new definition of “Incentive Scheme” under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

“Incentive Scheme”

means any scheme which may be adopted by the Manager from time to time pursuant to clause 7.4 for the purpose of providing equity or equity-linked incentives (whether in the form of options over Units, Convertible Instruments or otherwise) to management, executives and/or employees of the Manager or any Special Purpose Vehicle (provided that such Special Purpose Vehicle is owned and controlled by the Trust) or to other specified participants, with all fees, charges and expenses in connection with the adoption, implementation, administration, operation and maintenance of Incentive Scheme(s) (including but not limited to those related to the issue of new Units and/or Convertible Instruments pursuant to Incentive Scheme(s)) to be borne by the Trust;

2. A new Clause 7.4 be inserted immediately after Clause 7.3 of the Trust Deed as follows:

“7.4 Without prejudice to the generality of Clause 7.1.1 and subject to compliance with the Code, the Manager shall have the power from time to time to adopt any Incentive Scheme with the prior approval of Holders by way of an Ordinary Resolution at a meeting to be convened by the Manager in accordance with Appendix 1 and to issue new Units pursuant to any Incentive Scheme, and notwithstanding Clause 7.2.2, such new Units may be issued pursuant to such Incentive Scheme at the issue price as determined in accordance with the terms of the Incentive Scheme (including, if so provided for under the terms of the Incentive Scheme, for nil consideration) without further approval of Holders.”;

3. A new Clause 2.4.36 be inserted immediately after Clause 2.4.35 of the Trust Deed as follows:

“2.4.36 all fees, charges, expenses and liabilities incurred in relation to the implementation, administration and operations in relation to any Incentive Scheme including but not limited to any and all costs and expenses (i) relating to the adoption of any Incentive Scheme, and (ii) associated with the issue of new Units pursuant to such Incentive Scheme.”;

4. Clause 2.4.34 of the Trust Deed to be amended by deleting the word “and” at the end of Clause 2.4.34 in contemplation of the addition of a new Clause 2.4.36;
5. Clause 2.4.35 of the Trust Deed to be amended by adding the word “and” at the end of Clause 2.4.35 in contemplation of the addition of a new Clause 2.4.36;
6. Clause 9.4.4.13 of the Trust Deed be amended as follows:

“9.4.4.13 take all reasonable care to ensure that any Certificates are not issued until subscription monies have been paid in full (other than in respect of (i) Units issued for nil consideration pursuant to the terms of an Incentive Scheme; or (ii) Units issued for consideration other than cash in any circumstances permitted under this Deed and the Code);”

7. Paragraph 2 of Schedule 2 of the Trust Deed be amended as follows:

The Trustee or the Registrar (if appointed) shall sign and deliver Certificates in such denominations as may be required for Units which have been agreed to be issued and for which one or more Certificates have been, requested by the relevant Holder and for such purpose shall be entitled to rely on a declaration in writing by or on behalf of the Manager as to the Units from time to time agreed to be issued and the request for Certificates (if appropriate). Notwithstanding this, the Trustee or the Registrar (if appointed) shall deliver any such Certificates only against payment or transfer to the Trustee or the Registrar (if appointed) of the cash or other consideration received by the Trust in respect of the issue of the Units concerned (except for (i) Units issued for nil consideration pursuant to the terms of an Incentive Scheme; or (ii) Units issued for consideration other than cash in any circumstances permitted under this Deed and the Code). The Trustee or the Registrar (if appointed) shall also from time to time sign and deliver Certificates required to be issued pursuant to any provision of this Deed upon due compliance with the conditions applicable thereto.

**APPENDIX VI OTHER PROPOSED TRUST DEED AMENDMENTS NOT
REQUIRING UNITHOLDERS' APPROVAL**

The amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix VI do not require Unitholders' approval. The proposed insertions and deletions are indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix VI are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

1. The definition of "Companies Ordinance" under Clause 1.1 of the Trust Deed be amended as follows:

"Companies Ordinance" means the Companies Ordinance (Cap. ~~362~~22 of the Laws of Hong Kong) as amended or supplemented from time to time;

2. The definition of "Takeovers Code" under Clause 1.1 of the Trust Deed be amended as follows:

"Takeovers Code" means the Codes on Takeovers and Mergers and Share ~~Repurchases~~ Buy-backs issued by the SFC (as amended from time to time);

3. A new definition of "Trustee Ordinance" under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

"Trustee Ordinance" means the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong) as amended or supplemented from time to time;

4. Clause 1.2 of the Trust Deed be amended as follows:

"The expressions "**holding company**" and "**subsidiary**" have the meanings given to them respectively in section 12 of the Companies Ordinance".

5. Clause 1.8.4 of the Trust Deed be amended as follows:

Notwithstanding any other provisions in this Deed, nothing in this Deed shall exempt or be construed as to exempt the Manager or the Trustee from any liability to Holders imposed under any Relevant Law or breaches of trust through fraud or negligence or wilful default or breaches of this Deed, nor may the Manager and the Trustee be indemnified against such liability by the Holders or at the Trust's expense. For so long as the Trust is authorised by the SFC under section 104 of the SFO as a real estate investment trust, section 41O of the Trustee Ordinance shall not apply to the extent that it is inconsistent with clause 9.4.4.3 of this Deed (reflecting paragraph 4.2(a)(iii) of the Code) and shall not in any way operate to exempt or diminish any liability of the Trustee as set out in this clause (reflecting paragraph 9.5 of the Code).

**APPENDIX VI OTHER PROPOSED TRUST DEED AMENDMENTS NOT
REQUIRING UNITHOLDERS' APPROVAL**

6. Clause 7.1 of the Trust Deed be amended as follows:

The Manager has the exclusive right to effect, for the account of the Trust, the creation and issue of Units and/or Convertible Instruments in accordance with this Deed and subject to the provisions of the Code and any other applicable laws and regulations (including an initial issue of Units, the issuance of Units pursuant to the Initial Public Offering, a rights issue, a capitalisation issue, an issue of new Units otherwise than by a rights issue or any issue pursuant to a ~~reinvestment~~~~re-investment~~ of distribution arrangement or an issue of Units in consideration of the contribution of Real Estate to the Trust, or an issue of Units to the Manager in full or partial satisfaction of the Manager's remuneration pursuant to clause 11.1 or 11.2).

7. Clause 9.4.4.4 of the Trust Deed be amended as follows:

The Trustee shall:

...

take all reasonable care to ensure that the sale, issue, ~~buy-back~~~~repurchase~~ and cancellation of Units are carried out in accordance with provisions of this Deed, other relevant constitutive documents, applicable law, the Code, the Repurchase Circular and the Listing Rules;

8. Clause 18.1 of the Trust Deed be amended as follows:

The Manager shall select and recommend one or more property valuers to the Trustee and the Trustee will appoint at its discretion a property valuer as the Approved Valuer recommended by the Manager, to make a valuation of Real Estate, subject to the Code. In appointing the property valuer, the Trustee shall at all times act in accordance with clauses 9.4.4.1 and 9.4.4.5 and may exercise discretion in refusing to appoint any Approved Valuer recommended by the Manager which the Trustee, after consultation with the Manager, reasonably considers to be insufficiently qualified or in respect of whose integrity the Trustee is not satisfied. Where any property valuer recommended by the Manager is not appointed by the Trustee in such circumstances, the Manager shall recommend an alternative property valuer subject to this clause 18.1. The Manager when making such recommendations to the Trustee, shall have regard to the particular type or types of Authorised Investments, the subject of such, valuation, recommendation or report, provided that in relation to an Investment which is Real Estate in the form of land, whether directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle, the person so recommended shall be a property valuer that carries on the business of valuing real estate in the applicable jurisdiction, shall meet the criteria of independence as set out in the Code, and have key personnel who are fellows or ~~associate~~ members of the Hong Kong Institute of Surveyors and who are qualified to perform property valuations in accordance with the Code. The Manager shall, upon the request by the Trustee, provide such information about the property valuer recommended by the Manager, which would assist the Trustee in exercising its discretion in the selection of property valuers under this clause 18.1. The remuneration of the Approved Valuer

**APPENDIX VI OTHER PROPOSED TRUST DEED AMENDMENTS NOT
REQUIRING UNITHOLDERS' APPROVAL**

appointed for the purposes of the Initial Public Offering shall be determined on an arm's length basis. Thereafter, the remuneration of the Approved Valuer (which shall be payable out of the Deposited Properly) shall be determined by the Manager with the approval of the Trustee and disclosed in the annual financial statements of the Trust. The Trustee shall not be liable for the acts or omissions of such Approved Valuer provided that the Trustee has acted in good faith, with due care and without negligence in the appointment of such Approved Valuer.

9. Clause 18.5 of the Trust Deed be amended as follows:

The Manager shall ensure that all valuations made by Approved Valuers pursuant to this clause 18 shall be carried out in good faith in accordance with market practice on such basis as the Approved Valuers respectively may determine to be appropriate, subject to the terms of this Deed and the provisions of the Code. The valuation methodology shall follow the "Valuation Standards on Properties" published from time to time by the Hong Kong Institute of Surveyors or the International Valuation Standards issued from time to time by the International Valuation Standards ~~Council~~ Committee. Once adopted, the same valuation standards shall be applied consistently to all valuations of properties of the Trust.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “EGM”) of the unitholders (the “Unitholders”) of Spring Real Estate Investment Trust (“Spring REIT”) will be held at 11:00 a.m. on Wednesday, 20 May 2015 at The Tian & Di Room, 7th Floor, The Landmark Mandarin Oriental Hong Kong, 15 Queen’s Road Central, The Landmark, Central, Hong Kong (or soon thereafter as the annual general meeting of Unitholders convened to be held at 10:00 a.m. on the same date and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions below, of which Resolution nos. 1 to 8 will be proposed as Special Resolutions, and Resolution no. 9 will be proposed as an Ordinary Resolution.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the Unitholders circular dated 16 April 2015 (the “Circular”).

SPECIAL RESOLUTIONS

(1) “**THAT:**

- (A) pursuant to Clause 31.1 of the Trust Deed, approval be and is hereby given for: (i) the Expanded Investment Scope regarding Property Development and Related Activities, as more fully described in the Circular; and (ii) the Property Development Activities Amendments as set out in Appendix I to the Circular; and
- (B) Spring Asset Management Limited as the manager of Spring REIT (the “**Manager**”), any director of the Manager and DB Trustees (Hong Kong) Limited) as the trustee of Spring REIT (the “**Trustee**”) and each duly authorised officer of the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and each duly authorised officer of the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Spring REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (A) above.”

NOTICE OF EGM

(2) **“THAT:**

- (A) pursuant to Clause 31.1 of the Trust Deed, approval be and is hereby given for:
 - (i) the Expanded Investment Scope regarding Relevant Investments, as more fully described in the Circular; and
 - (ii) the Relevant Investments Amendments as set out in Appendix II to the Circular; and
- (B) the Manager, any director of the Manager, the Trustee and each duly authorised officer of the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and each duly authorised officer of the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Spring REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (A) above.”

(3) **“THAT:**

- (A) pursuant to Clause 31.1 of the Trust Deed, approval be and is hereby given for:
 - (i) the Expanded Investment Scope regarding Property Types, as more fully described in the Circular; and
 - (ii) the Property Types Amendments as set out in Appendix III to the Circular; and
- (B) the Manager, any director of the Manager, the Trustee and each duly authorised officer of the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and each duly authorised officer of the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Spring REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (A) above.”

(4) **“THAT:**

- (A) pursuant to Clause 31.1 of the Trust Deed, approval be and is hereby given for:
 - (i) the Expanded Investment Scope regarding Geographical Scope, as more fully described in the Circular; and
 - (ii) the Geographical Scope Amendments as set out in Appendix III to the Circular; and
- (B) the Manager, any director of the Manager, the Trustee and each duly authorised officer of the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and each duly authorised officer of the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Spring REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (A) above.”

NOTICE OF EGM

(5) **“THAT:**

- (A) pursuant to Clause 31.1 of the Trust Deed, approval be and is hereby given for the Distribution Formula Amendments, as set out in Appendix IV to the Circular; and
- (B) the Manager, any director of the Manager, the Trustee and each duly authorised officer of the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and each duly authorised officer of the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Spring REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (A) above.”

(6) **“THAT:**

- (A) pursuant to Clause 31.1 of the Trust Deed, approval be and is hereby given for the amendments to the Trust Deed relating to proxies and voting arrangements, as specifically set out in part A of Appendix V to the Circular; and
- (B) the Manager, any director of the Manager, the Trustee and each duly authorised officer of the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and each duly authorised officer of the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Spring REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (A) above.”

(7) **“THAT:**

- (A) pursuant to Clause 31.1 of the Trust Deed, approval be and is hereby given for the amendments to the Trust Deed relating to the Manager’s power to buy-back Units and to redeem certain entitlements in the case of a rights issue and limitation of liability of the Manager and the Trustee in respect of distribution entitlement as specifically set out in part B of Appendix V to the Circular; and
- (B) the Manager, any director of the Manager, the Trustee and each duly authorised officer of the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and each duly authorised officer of the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Spring REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (A) above.”

NOTICE OF EGM

(8) “**THAT:**

- (A) pursuant to Clause 31.1 of the Trust Deed, approval be and is hereby given for the amendments to the Trust Deed relating to the adoption by the Manager of an Incentive Scheme and to issue new Units pursuant to such Incentive Scheme, as specifically set out in part C of Appendix V to the Circular; and
- (B) the Manager, any director of the Manager, the Trustee and each duly authorised officer of the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and each duly authorised officer of the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Spring REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (A) above.”

ORDINARY RESOLUTION

(9) “**THAT:**

- (A) the 2015 Waiver Extension and the New Annual Caps (as defined and described in the circular dated 16 April 2015 and dispatched to the Unitholders of which the notice convening this meeting forms a part, a copy of which has been produced to this meeting and marked “*” and signed by the Chairman for the purpose of identification) be and is hereby approved; and
- (B) the Manager, any director of the Manager, the Trustee and each duly authorised officer of the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee and each duly authorised officer of the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Spring REIT to implement or give effect to the matters resolved upon in paragraph (A) above, and in particular as such persons may consider expedient or necessary or in the interest of Spring REIT to give effect to all matters in relation to the 2015 Waiver Extension and the New Annual Caps.”

By order of the board of directors of
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Fair Wind Secretarial Services Limited
Company Secretary

Hong Kong, 16 April 2015

NOTICE OF EGM

Notes:

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the circular of Spring REIT dated 16 April 2015 to the Unitholders shall have the same meanings when used in this notice.
2. A Unitholder of Spring REIT entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Unitholder of Spring REIT. A Unitholder who is the holder of two or more Units of Spring REIT may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house (or its nominees(s) and in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at the meeting and vote in its stead.
3. A form of proxy for use in connection with the EGM is enclosed with this Circular. To be valid, the form of proxy, and (if required by the Board) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch unit registrar of Spring REIT in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint Unitholders, the vote of the Unitholder who is first-named on the register of Unitholders, whether tendered in person or by proxy, shall be acceptable to the exclusion of the votes of the other joint Unitholders and for this purpose seniority shall be determined by the order in which the names stand in the register of Unitholders.
5. For the purpose of determining eligibility of Unitholders to attend and vote at the meeting, the register of Unitholders of Spring REIT will be closed from 18 May 2015 to 20 May 2015, both days inclusive, during which period no transfer of units will be effected. In order to qualify to attend and vote at the meeting (or at any adjournment thereof), all transfers of units accompanied by the relevant unit certificates and the duly completed transfer forms must be lodged with the Unit Registrar no later than 4:30 p.m. on Friday, 15 May 2015.
6. Completion and delivery of the form of proxy will not preclude a Unitholder of Spring REIT from attending and voting in person at the EGM or any adjournment thereof should such Unitholder so wishes, and in such event, the instrument appointing a proxy shall be deemed revoked.
7. The votes at the meeting will be taken by way of poll.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
9. As at the date of this notice, the executive Directors are Mr. Lau Jin Tin, Don, and Mr. Nobumasa Saeki; the non-executive Directors are Mr. Toshihiro Toyoshima, and Mr. Hideya Ishino; and the independent non-executive Directors are Mr. Simon Murray, Mr. Liping Qiu, and Mr. Lam Yiu Kin.