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Spring Real Estate Investment Trust

春泉產業信託

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

(Stock code: 01426)

Managed by

Spring Asset Management Limited

ANNOUNCEMENT

(1) REMOVAL OF THE MANAGER

(2) INTERNALISATION OF REIT MANAGER

AND

**(3) NOTICE OF EGM AND CLOSURE OF REGISTER
OF UNITHOLDERS**

Further to the announcements of Spring REIT dated 30 August 2017 and 9 October 2017 in relation to the letter from the PAG Unitholders requesting an extraordinary general meeting to vote on certain resolutions detailed therein and the Manager's intention to convene such extraordinary general meeting, respectively, the Manager has published a Circular to provide Unitholders with further information in respect of the resolutions to be considered at the EGM, which will be held on 10 November 2017.

Further details regarding, among other things: (i) the forms of Resolution 1 (concerning the removal of the Manager) and Resolution 2 (concerning the appointment of an internalised Management Subsidiary); (ii) the consequences if Resolution 1 and/or Resolution 2 are approved by Unitholders; (iii) the Board's view in respect of Resolution 1 and Resolution 2; and (iv) the Trustee's view in respect of Resolution 1 and Resolution 2, are set out in the body of this announcement and in the Circular.

Having regard to the consequences if Resolution 1 and/or Resolution 2 are approved as set out in this announcement, the Board (including the independent non-executive Directors) considers that each of Resolution 1 and Resolution 2 to not be in the interests of Spring REIT and Unitholders as a whole and, accordingly, recommends that Unitholders vote against both Resolution 1 and Resolution 2 at the upcoming EGM.

As Resolution 1 and Resolution 2 pertain to the replacement of the Manager and the internalisation of the REIT management function, respectively, Unitholders should note that the Board has a material interest in both Resolution 1 and Resolution 2, and accordingly, Unitholders are encouraged to consult their own professional adviser if in doubt as to any aspect of this Announcement or action to be taken.

The Circular containing, among other things: (1) a letter from the Board to the Unitholders containing further information in respect of the resolutions to be considered at the EGM; (2) the Request Letter from the PAG Unitholders; and (3) the EGM Notice, has been issued on the date hereof and will be sent to the Unitholders as soon as possible. The EGM will be held at Room 2401-2, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 10 November 2017 at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the EGM Notice, which is set out in the Circular.

1. REQUEST LETTER AND PROPOSED RESOLUTIONS

Reference is made to the 1st Announcement and the 2nd Announcement.

As disclosed in the 1st Announcement, the Board received a letter dated 29 August 2017 from the PAG Unitholders requesting the Manager to convene an extraordinary general meeting of Unitholders to vote on the resolutions set out therein (the “**Request Letter**”). The full text of the Request Letter, which was received in English, is reproduced in the “Letter from the PAG Unitholders” which forms part of the Circular. If there is any inconsistency between the English version of the Request Letter and its Chinese translation, the English version shall prevail.

Under the Trust Deed, the Manager shall at the request in writing of not less than two Unitholders registered as together holding not less than 10% of the Units, convene a meeting of Unitholders at such time or place in Hong Kong as the Manager thinks fit and propose resolutions for consideration at such meeting. Based on their latest disclosure of interests to SEHK and the Manager, the PAG Unitholders hold 157,150,000 Units, representing approximately 12.5% of the total Units presently in issue.

As the PAG Unitholders meet such requirements, the Manager wishes to convene the EGM to consider the subject matter of the first two resolutions requested under the Request Letter relating to the removal of the Manager (being “**Resolution 1**”) and the appointment of the internalised Management Subsidiary (being “**Resolution 2**”). Each of these resolutions require the approval of Unitholders by way of an Ordinary Resolution, although since Resolution 2 is conditional upon the passing of Resolution 1, Resolution 2 shall not be put forth for voting unless Resolution 1 is passed. The third resolution requested under the Request Letter (concerning the appointment of a non-executive director and adoption of certain principles relating to the election and retirement of directors) and the fourth resolution requested under the Request Letter (concerning the appointment of independent experts to conduct a strategic review and the establishment of a strategic review committee) are, for the reasons mentioned in section 4 headed “Further Requests by the PAG Unitholders” below, more appropriate in the context of an internalised REIT, and therefore will be tabled and considered at a future extraordinary general meeting of Unitholders if Resolution 2 is passed.

2. RESOLUTION 1: REMOVAL OF MANAGER

2.1. PAG Unitholders’ request to remove the Manager

The PAG Unitholders have in their Request Letter proposed the following Ordinary Resolution for approval at an extraordinary general meeting of Unitholders to be convened (the “**First Request**”):

“THAT Spring Asset Management Limited be removed as the manager of Spring REIT as soon as practicable after this resolution is passed.”

The PAG Unitholders’ rationale for the First Request is set out in the Request Letter which has been reproduced in the “Letter from the PAG Unitholders” which forms part of the Circular.

2.2. Resolution 1

The form of Resolution 1, which is identical in form to the First Request, is set out in the EGM Notice. The passing of Resolution 1 is a condition for Resolution 2 to be put forth for voting. **Unitholders should, when deciding whether to vote for or against Resolution 1, carefully consider the consequences of removing the Manager which are set out below.**

Pursuant to the REIT Code and the Trust Deed, all Unitholders, including the Manager and its associates (as defined in the REIT Code), are entitled to vote their Units on an Ordinary Resolution to dismiss the Manager and be counted in the quorum for the purpose of passing such Ordinary Resolution.

The Manager has received written confirmations from certain Unitholders (whose unitholdings in aggregate represent more than 50% of the voting rights of Spring REIT as at the Latest Practicable Date) stating that: (i) they are satisfied with the performance of the Manager in managing Spring REIT; (ii) have no intention to support any proposal to remove the Manager; and (iii) intend to vote against the First Request if proposed at an extraordinary general meeting of Unitholders. Notwithstanding such confirmations, whether Resolution 1 is approved or not approved will depend on the votes cast at the EGM.

In response to the PAG Unitholders' request for the Manager to be removed, the Board has undertaken a review of the performance of the Manager since the listing of Spring REIT on 5 December 2013 and up to and including the Latest Practicable Date. Please refer to the Circular for the Manager's response to the First Request.

2.3. Consequences if Resolution 1 is approved

In deciding whether to vote for or against Resolution 1, Unitholders are advised to carefully consider the potentially serious and adverse consequences for Spring REIT and its Unitholders if the Manager is removed.

2.3.1. Default under Spring REIT's financing arrangements

The removal of the Manager would, unless the lenders' prior consent or waiver is obtained, result in a breach and event of default under certain financing agreements, potentially giving rise to an obligation to immediately repay all amounts outstanding under the same. This may have a material and adverse impact on Spring REIT's operations and financial condition, and may in turn consequently affect Spring REIT's ability to make distributions to Unitholders.

The removal of the Manager as manager of Spring REIT may trigger various breaches of obligations, events of default and early repayment obligations under the financing agreements implemented by Spring REIT. This may have a material and adverse impact on Spring REIT's operations and financial condition, and may in turn adversely affect Spring REIT's ability to make distributions to Unitholders.

Spring REIT has entered into certain financing arrangements through its special purpose vehicles, RCA01 and RUK01 Limited. As at the Latest Practicable Date, Spring REIT's outstanding borrowings comprise:

- (a) USD450,000,000 outstanding under a facilities agreement dated 18 February 2015, pursuant to which the lenders agreed to extend to RCA01 a secured term loan in an aggregate amount of USD480,000,000 and a uncommitted revolving loan facility in an aggregate amount of USD20,000,000 (the "**RCA01 Facilities Agreement**"). The Trustee (in its capacity as trustee of Spring REIT) is a guarantor of the indebtedness owing under the RCA01 Facilities Agreement.
- (b) GBP37,000,000 outstanding under a facility agreement dated 7 July 2017, pursuant to which the lender agreed to extend to RUK01 Limited a secured term loan in an aggregate amount of GBP40,000,000 (the "**RUK01 Facility Agreement**"). The Trustee (in its capacity as trustee of Spring REIT) is a guarantor of the indebtedness owing under the RUK01 Facility Agreement.

The removal of the Manager would, unless the lenders' prior consent or waiver is obtained, constitute a breach and event of default under the RCA01 Facilities Agreement and RUK01 Facility Agreement. Upon the occurrence of an event of default, the respective lenders may, among other things: (i) declare that the loans under the RCA01 Facilities Agreement or RUK01 Facility Agreement (as applicable) are immediately due and payable; and (ii) enforce their rights and remedies under the RCA01 Facilities Agreement or RUK01 Facility Agreement (as applicable) and related finance documents, including the right to demand payment under the abovementioned guarantees and to enforce upon the collateral granted as security for the indebtedness under the RCA01 Facilities Agreement or RUK01 Facility Agreement (as applicable).

Obtaining the lenders' prior consent or waiver with respect to a breach or event of default caused by the removal of the Manager requires Spring REIT to enter into negotiations with the lenders which may or may not be successful. Even if successful, such negotiations will require time and costs, both of which are beyond Spring REIT's control. Further, Spring REIT may be required to accept any additional fee or condition imposed by the lenders in exchange for such consent or waiver.

The removal of the Manager would, unless the lenders' prior consent or waiver is obtained, result in a breach and event of default under the RCA01 Facilities Agreement and RUK01 Facility Agreement, potentially giving rise to an obligation to immediately repay all amounts outstanding in respect of such financings. The Manager is unable to provide any view or assurance as to

whether the lenders would consent to replacing the Manager with the Management Subsidiary or an external management company (in the event that Resolution 2 is not approved), particularly given the lack of clarity and guidance regarding the establishment of the Management Subsidiary and potential negative consequences for Spring REIT during the Transitional Period. Breach of such financing agreements may also affect Spring REIT's ability to obtain future financing or refinancing on reasonable terms or at all. This would have a material and adverse impact on Spring REIT's operations and financial condition, and may in turn consequently affect Spring REIT's ability to make distributions to Unitholders.

2.3.2. Spring REIT's property management arrangements

The removal of the Manager will terminate the Property Management Supervision Agreement. There is no guarantee that the Mercuria Parties will agree to provide similar services in the future to assist with the management of the CCP Property.

As disclosed in the Offering Circular, the Manager, the Trustee, RCA01 and the Mercuria Parties entered into a property management supervision agreement dated 21 November 2013 (the "**Property Management Supervision Agreement**"), pursuant to which the Manager has appointed the Mercuria Parties (being connected persons of Spring REIT) at its own cost to assist with the management of the CCP Property.

The services provided by the Mercuria Parties include monitoring and supervising the CCP Property Manager and the CCP Building Manager, conveying the instructions of the Manager regarding the management of the CCP Property to each of RCA01, the CCP Property Manager and the CCP Building Manager and assisting in the implementation of such instructions and providing such other services incidental to the foregoing or as otherwise agreed by the Mercuria Parties.

In the event that the Manager ceases to be the manager of Spring REIT, the Property Management Supervision Agreement shall terminate pursuant to the terms thereof. **There is no guarantee that the Mercuria Parties, who have been providing the abovementioned services in respect of the management of the CCP Property since the listing of Spring REIT, will agree to enter into similar arrangements with the Management Subsidiary (or an external management company if Resolution 2 is not approved).**

2.3.3. *Management Transitional Period*

The removal of the Manager will necessitate the appointment of the internalised REIT manager (or another external management company if Resolution 2 is not approved), which requires effecting steps that are beyond Spring REIT’s control. If such steps are not carried out successfully and expeditiously, this may result in serious consequences for Spring REIT and consequentially adversely affect Spring REIT’s ability to make distributions to Unitholders. During the Transitional Period, the Manager will also not be in a position to actively pursue any investment opportunities for Spring REIT. The missed opportunities may no longer be available, or be more costly for Spring REIT to pursue, after the Transitional Period. Further, no assurance can be given as to the performance of Spring REIT during an extended period of investment inactivity or as to the future performance of the internalised REIT manager (or an external management company if Resolution 2 is not approved).

The PAG Unitholders have not provided sufficient clarity or guidance in their Request Letter on the specific steps to be taken by Spring REIT if Resolution 1 is passed, other than to generally: (i) direct the Trustee to effect the internalisation of the REIT management function by incorporating a subsidiary, to be wholly owned by the Trustee, to act as the manager of Spring REIT (the “**Management Subsidiary**”); (ii) retain Spring REIT’s existing management staff to maintain management continuity; and (iii) hire and appoint qualified candidates with a strong track record of direct real estate management experience as the directors and staff of the Management Subsidiary in accordance with the applicable requirements of the SFC.

In particular, no clarity or guidance has been provided by the PAG Unitholders in their Request Letter as to the timing for when the Management Subsidiary will be appointed and the necessary prerequisites for such appointment including but not limited to:

- staffing of the Management Subsidiary if Spring REIT’s existing management staff (all of whom are employed by the Manager) decline their respective offers to join the Management Subsidiary;
- the obtaining of the necessary licences and relevant approvals and/or waivers where necessary from the SFC for the Management Subsidiary to manage Spring REIT;

- any necessary Trust Deed amendments which would be required to effect the internalisation of the REIT management function, and the convening of a further extraordinary general meeting of Unitholders to approve such Trust Deed amendments to effect the internalisation of the REIT management function; and
- the timing and costs of effecting the abovementioned steps.

In relation to staffing, the success of a REIT manager's performance is dependent on the experienced leadership of directors and stable performance of employees with the requisite experience in the real estate sector and the relevant financial, technical and corporate credentials in REIT management. Time and costs will need to be incurred in searching for qualified directors and employees in the REIT management industry for the internalised REIT manager. There is no assurance that experienced directors and employees will be readily available at a cost acceptable to Spring REIT or at all, and this may result in a prolonged period of uncertainty for Spring REIT and its Unitholders until the appointment of an internalised REIT manager, the timing of which cannot be estimated. Similar considerations will apply if the Manager will be replaced by an external management company (in the event that Resolution 2 is not approved), and further, a separate approval from Unitholders will be required to effect such external management company's appointment pursuant to the REIT Code and the Trust Deed.

Under the Trust Deed: (i) Spring REIT will terminate in the event that there is no REIT manager for a period of more than 60 calendar days or such longer period as the Trustee considers appropriate; and (ii) where Unitholders vote to remove the Manager, the Trustee shall issue a notice to effect the removal of the manager of Spring REIT (the "**Manager Removal Notice**"). Having regard to the abovementioned uncertainties in connection with the proposal put forward by the PAG Unitholders, and to mitigate the risk of the termination of Spring REIT, the Trustee has requested (and the Manager has agreed) for the Manager to remain as the manager of Spring REIT until the Management Subsidiary or another external management company (as the case may be if Resolution 2 is not approved) has been appointed by the Trustee to assume the role as the new REIT manager, at which time the Trustee shall issue the Manager Removal Notice. The termination of the appointment of the Manager as manager of Spring REIT will become effective on the date specified in the Manager Removal Notice.

During the time period between the passing of Resolution 1 for the removal of the Manager and until the effective date of the appointment of the new REIT manager (the “**Transitional Period**”), the Manager shall continue to carry out activities as it may deem necessary for the day-to-day management of Spring REIT and its business in accordance with the Trust Deed in the interests of Unitholders. However, having regard to the expected appointment of a replacement REIT manager, the Manager shall refrain from making any material decision in relation to the strategies of Spring REIT or committing Spring REIT to any investment or divestment during the Transitional Period, including but not limited to acquisitions and disposals of properties. As such, Spring REIT may miss or forego suitable investment opportunities that arise during the Transitional Period which could have otherwise furthered the interests of Spring REIT and Unitholders as a whole. The Transitional Period may thus impede the implementation of Spring REIT’s strategic objectives, and accordingly, have a material adverse impact on Spring REIT’s operations and financial condition.

The successful implementation of Resolution 1 is therefore highly dependent on whether experienced directors and employees for the Management Subsidiary will be available at a cost acceptable to Spring REIT, or at all. It is also dependent on the abovementioned necessary prerequisites for appointing the Management Subsidiary (including obtaining Unitholders’ approval for the necessary amendments to the Trust Deed) being satisfied.

There is no certainty that any of the abovementioned steps to appoint the Management Subsidiary (or an external management company if Resolution 2 is not approved) will be carried out successfully and expeditiously. If any of these steps cannot be successfully implemented, this may result in serious consequences for Spring REIT and consequentially adversely affect its ability to make distributions to Unitholders. Further, no assurance can be given as to the future performance of the Management Subsidiary (or an external management company if Resolution 2 is not approved).

In addition, during the Transitional Period, the Manager will not be in a position to actively pursue any investment opportunities for Spring REIT that may arise during the Transitional Period. The missed opportunities may no longer be available, or be more costly for Spring REIT to pursue, after the Transitional Period. Also, there is no guarantee that the performance of Spring REIT would not be negatively affected by an extended period of investment inactivity.

2.4. Board's view

The Board (including the independent non-executive Directors) is of the view that the points put forward by the PAG Unitholders to remove the Manager are unjustified and cannot be substantiated. The Board (including the independent non-executive Directors) also considers Resolution 1 to not be in the interests of Spring REIT and the Unitholders as a whole and would strongly recommend the Unitholders to vote against Resolution 1 in view of the Manager's response to the First Request and the consequences if Resolution 1 is approved, details of which are set out in the Circular and section 2.3 headed "Response from the Manager" respectively. **As Resolution 1 pertains to the replacement of the Manager, Unitholders should note that the Board has a material interest in Resolution 1, and accordingly, Unitholders are encouraged to consult their own professional adviser if in doubt as to any aspect of the Circular or action to be taken.**

3. RESOLUTION 2: INTERNALISATION OF REIT MANAGER

3.1. PAG Unitholders' request to internalise the REIT management function

The PAG Unitholders have in their Request Letter proposed the following Ordinary Resolution for approval at an extraordinary general meeting of Unitholders to be convened (the "Second Request"):

"THAT, conditional upon the passing of Resolution 1 and subject to the approval of the Securities and Futures Commission, the Trustee be directed to:

- (i) effect the internalization of the REIT management function by incorporating a subsidiary, to be wholly owned by the Trustee, to act as the manager of Spring REIT (the "Management Subsidiary"); and*
- (ii) retain Spring REIT's existing management staff to maintain management continuity and, if resolution 4 is passed and subject to the result of the strategic and governance review, to hire and appoint qualified candidates, with a strong track record of direct real estate management experience, as the directors and staff of the Management Subsidiary in accordance with applicable requirements of the Securities and Futures Commission."*

The PAG Unitholders' rationale for the Second Request is set out in the Request Letter which has been reproduced in the "Letter from the PAG Unitholders" which forms part of the Circular.

3.2. Resolution 2

The form of Resolution 2, which is identical in form to the Second Request (other than to remove the reference to the Fourth Request which shall not be tabled at the upcoming EGM), is set out in the EGM Notice. The passing of Resolution 2 is a condition for the Third Request and Fourth Request to be tabled and considered at a future extraordinary general meeting of Unitholders. **Given Resolution 2 is conditional upon the passing of Resolution 1, Resolution 2 shall not be put forth for voting unless Resolution 1 is passed.**

To the best of the Manager's knowledge, information and belief after having made reasonable enquires, the Manager takes the view that no Unitholder is required to abstain from voting on Resolution 2.

Please refer to the Circular for the Manager's response to the Second Request.

3.3. Consequences if Resolution 2 is approved

There is no assurance that the implementation of Resolution 2, which is conditional upon and subject to various prerequisites set out in sections 2.3 and 3.3 being satisfied, will be successfully and expeditiously carried out. There is also a risk of a prolonged period of uncertainty as the amount of time required for implementation cannot be estimated or controlled by Spring REIT.

The serious consequences of replacing the Manager with the Management Subsidiary, including but not limited to the risk of a prolonged period of uncertainty during the Transitional Period, are set out in section 2.3 headed "Consequences if Resolution 1 is approved".

In addition, the implementation of Resolution 2 is subject to the following requirements:

- (a) Paragraph 5.3 of the REIT Code requires the manager of Spring REIT to be licensed under Part V of the SFO and approved by the SFC to manage Spring REIT. Such processes are highly dependent on the experience of the new management team to be identified and employed by the Management Subsidiary.
- (b) Paragraph 4.8 of the REIT Code requires the REIT trustee and manager to be independent of each other. As the Management Subsidiary will be wholly-owned

by the Trustee, this relationship may not be in strict compliance with paragraph 4.8 of the REIT Code, and hence, possibly require the SFC to grant a technical waiver from such requirement.

- (c) Amendments to the Trust Deed will be required to implement the proposed internalised REIT management structure. Such amendments shall require the approval of Unitholders by way of a Special Resolution (which must be carried by at least 75% of the votes of those Unitholders present and entitled to vote in person or by proxy, compared to an Ordinary Resolution which only needs to be carried by at least 50% of the votes).

Accordingly, Unitholders should note that Resolution 2, if approved, shall remain conditional upon and subject to: (i) the staffing and licensing of the Management Subsidiary; (ii) the implementation of the abovementioned necessary prerequisites for appointing the Management Subsidiary (including Unitholders' approval for the necessary amendments to the Trust Deed) by way of Special Resolution at a further extraordinary general meeting of Unitholders to be convened; and (iii) the approval of the Trustee. Even if Unitholders vote to retain Spring REIT's existing management staff to maintain management continuity, there can be no assurances that such staff (who are presently employed by the Manager) will agree to employment with the Management Subsidiary. Further, due to the uncertainties described in sections 2.3 and 3.3, the amount of time required to implement the proposed internalised REIT management structure cannot be estimated or controlled by Spring REIT.

3.4. Consequences if Resolution 2 is proposed but not approved

If Resolution 2 is not approved, the Manager will be replaced by another external management company. There is no assurance that a company which meets the requisite licensing requirements will be readily available to assume the role as the new REIT manager, or with respect to the fees which such company will charge Spring REIT in connection with its appointment.

Resolution 2 (to internalise the REIT management function of Spring REIT) will only be proposed if Resolution 1 (to remove the Manager) is approved. In the event that Resolution 2 is proposed but not approved, the Manager will necessarily be replaced by another external management company which will need to be identified and appointed in accordance with the REIT Code and the Trust Deed. There is no assurance that an external management company which meets the requisite licensing requirements will be readily available to assume the role as the new REIT manager, or with respect to the fees which such external management company will charge Spring REIT in connection with

its appointment (which may be higher or lower than the fees currently charged by the Manager and/or be paid in a different proportion of cash and Units).

In addition, a separate approval from Unitholders will be required to effect the appointment of the new external REIT manager pursuant to the REIT Code and the Trust Deed. As such, the search for and appointment of a new external REIT manager may incur time and costs which cannot be estimated at present and may also result in a prolonged period of uncertainty for Spring REIT and its Unitholders.

3.5. Board's view

The Board (including the independent non-executive Directors) is of the view that the points put forward by the PAG Unitholders to internalise the Manager are unjustified and cannot be substantiated. The Board (including the independent non-executive Directors) also considers Resolution 2 to not be in the interests of Spring REIT and the Unitholders as a whole and would strongly recommend the Unitholders to vote against Resolution 2 in view of the Manager's response to the Second Request which is set out in the appendix to the Circular, and having regard to undesirable consequences which may arise if Resolution 2 is approved or not approved as set out in sections 3.3 and 3.4 above. **As Resolution 2 pertains to the internalisation of the REIT management function, Unitholders should note that the Board has a material interest in Resolution 2, and accordingly, Unitholders are encouraged to consult their own professional adviser if in doubt as to any aspect of the Circular or action to be taken.**

4. FURTHER REQUESTS BY THE PAG UNITHOLDERS

4.1. PAG Unitholders' request to appoint Mr. Broderick Storie to the board and adoption of certain corporate governance principles

The PAG Unitholders have in their Request Letter proposed the following Ordinary Resolution for approval at an extraordinary general meeting of Unitholders to be convened (the "**Third Request**"):

"THAT the Board of Directors of any manager of Spring REIT (a) appoint Mr. Broderick Storie as a non-executive director (for an initial three-year term, subject to re-election as set forth below) to increase the industry expertise on the Board of Directors and (b) adopt the following corporate governance principles:

- (i) at each annual general meeting, one-third of the Directors shall retire but shall be eligible for re-election by the affirmative vote of a majority of the Unitholders present in person or by proxy at such meeting; and*

(ii) *the Board of Directors will appoint an appropriately experienced and qualified individual, who is independent of the manager of Spring REIT if Resolution 2 is not passed, to act as the Chair of the Board of Directors.*”

The PAG Unitholders’ rationale for the Third Request is set out in the Request Letter which has been reproduced in the “Letter from the PAG Unitholders” which forms part of the Circular.

The appointment, removal and retirement of the directors of an external manager is a matter governed by that external manager’s articles of association, which ordinarily (and in the context of the Manager’s own articles of association), leaves such matters to the discretion of the external manager’s shareholders or board. Unitholders do not ordinarily (and in the context of the Manager) have the power to appoint or remove the directors of a REIT manager unless such power is prescribed under the manager’s articles of association or the REIT that it manages has an internalised management model (in which case the REIT manager’s shareholder is the REIT itself). **Accordingly, the Third Request shall be tabled and considered at a future extraordinary general meeting of Unitholders if Resolution 2 is approved.**

4.2. PAG Unitholders’ request for Review and establishment of the Strategic and Governance Review Committee

The PAG Unitholders have in their Request Letter proposed the following Ordinary Resolution for approval at an extraordinary general meeting of Unitholders to be convened (the “**Fourth Request**”):

*“THAT independent experts shall be appointed to review the strategy, performance and governance of Spring REIT (the “**Review**”). A committee of three members shall be formed to oversee and receive the results of the Review (the “**Strategic and Governance Review Committee**”). The Strategic and Governance Review Committee shall consist of Mr. Broderick Storie, as chair of the committee, and two independent non-executive directors. The Review shall include the following elements:*

***Financial Performance:** The experts shall (a) evaluate Spring REIT’s operational and asset performance against appropriate benchmarks and develop models for future performance, with in depth analysis of asset management, asset enhancement, operating and overhead costs, and capital management (e.g., financing and hedging); and (b) provide recommendations on operational actions and initiatives to enhance financial performance.*

Strategy: *The experts shall take the following steps to analyze strategic options for Spring REIT:*

- *Understand the strategic drivers of current and potential performance;*
- *Test the current strategy and strategic initiatives;*
- *Identify, develop and agree a set of strategic options; and*
- *Evaluate and pose recommendations regarding the best strategic options to enhance value to Unitholders.*

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

The PAG Unitholders' rationale for the Fourth Request is set out in the Request Letter which has been reproduced in the "Letter from the PAG Unitholders" which forms part of the Circular.

Under the REIT Code, the Manager shall perform all the key functions in relation to the management of Spring REIT, and is required to do so in accordance with the Trust Deed in the sole interests of Unitholders. The REIT Code sets out certain requirements in this regard, including requirements pertaining to the licensing and experience of the Manager. The Trust Deed states that Unitholders are prohibited from giving any directions to the Manager (whether at a general meeting or otherwise), and the Manager shall not be bound to follow such directions, if it would require the Manager to do anything which may result in the exercise of any discretion expressly conferred on the Manager under the Trust Deed. The Trust Deed expressly gives the Manager the discretion to appoint independent experts (including an independent financial adviser) to advise the Manager in connection with its obligations. The establishment of a strategic review committee also falls squarely within the discretion of the board of the incumbent manager of Spring REIT under its articles of association. Notwithstanding

the above, if a REIT has an internalised management model (in which case the REIT manager's shareholder is the REIT itself), the REIT manager's articles of association can be revised by its shareholder (i.e. the REIT) to make these matters subject to Unitholders' approval. **Accordingly, the Fourth Request shall be tabled and considered at a future extraordinary general meeting of Unitholders if Resolution 2 is approved.**

5. TRUSTEE'S VIEW

The Trustee is of the view that the Manager is obliged to convene a meeting of Unitholders to consider Resolution 1 and Resolution 2 under the Trust Deed as requested in writing by not less than two Unitholders registered as together holding not less than 10% of the Units for the time being in issue and outstanding.

Based on its review of the Trust Deed, the Trustee is of the view that the trustee and the management company need to be independent of each other. If the proposal to internalise the REIT management function is approved by the requisite amount of Unitholders, approval from the SFC will be sought and consequential amendments to Clause 10.1 of the Trust Deed will need to be made.

In addition, if Resolution 2 is passed, Unitholders should be aware that a considerable amount of time and cost will be required to internalise the REIT management function. If Resolution 2 is passed, the Trustee will likely need to engage experts (including legal counsel) to effect the various steps to internalise the REIT management function. The fees, costs and expenses of such experts will be reimbursed out of the Deposited Property in accordance with the terms of the Trust Deed. An estimate of time and costs involved in this exercise is not available.

In addition, if Resolution 2 is not passed an external manager will need to be appointed. There is no estimate available of the time it would take to identify an external management company and there can be no assurance that such successor manager will agree to the same terms of engagement as the Manager. An estimate of costs involved in this exercise is not available.

The Trustee notes the Manager's approach in Paragraph 4 of the Circular regarding the Third Request and Fourth Request. The Trustee has no objection to the Third Request and the Fourth Request to be tabled and considered at a future extraordinary general meeting of Unitholders if Resolution 2 is approved.

Each Unitholder shall be solely responsible for making its own independent appraisal of each of the proposed resolutions including the merits and risks involved. Each

Unitholder should carefully consider the risks and uncertainties described in the Circular and other information contained herein before making a decision to vote in favour of or against the proposed resolutions. The Trustee makes no representations as to the views of the PAG Unitholders in respect of the removal of the Manager and the internalisation of the REIT management function as set out in the Request Letter. The Trustee is not making any representation to the Unitholders whether to vote in favour or against Resolution 1 and Resolution 2.

6. CIRCULAR

The Circular containing, among other things: (1) a letter from the Board to the Unitholders containing further information in respect of the resolutions to be considered at the EGM; (2) the Request Letter from the PAG Unitholders; and (3) the EGM Notice, has been issued on the date hereof and will be sent to the Unitholders as soon as possible.

Unitholders who do not receive the Circular within a week from the date of this announcement may obtain a copy of the same from the Unit Registrar of Spring REIT, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Center, 18 Queen’s Road East, Wan Chai, Hong Kong.

7. EXTRAORDINARY GENERAL MEETING AND EGM NOTICE

The EGM will be held at Room 2401-2, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 10 November 2017 at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the EGM Notice, which is set out in the Circular.

For the purpose of determining eligibility of Unitholders to attend and vote at the meeting, the Register will be closed from 7 November 2017 to 10 November 2017, 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 Monday, 6 November 2017.

If you are a Unitholder on the Register on Friday, 10 November 2017 (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 the Circular a form of proxy for use for the purpose of the EGM.

8. FURTHER ANNOUNCEMENTS

Further announcements disclosing the poll results of the EGM and, if Resolution 1 is approved, further details regarding matters relating to the removal of the Manager (including the internalisation of the REIT management function or the appointment of a new external REIT manager (as the case may be if Resolution 2 is not approved)) will be made by Spring REIT in accordance with all applicable requirements of the REIT Code as and when appropriate.

9. DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“1st Announcement”	the announcement by the Manager dated 30 August 2017 in relation to the letter from the PAG Unitholders requesting that the Manager convene an extraordinary general meeting to vote on certain resolutions detailed therein
“2nd Announcement”	the announcement by the Manager dated 9 October 2017 in relation to the Manager’s intention to convene an extraordinary general meeting to vote on certain matters raised in the Request Letter
“Board”	the board of Directors
“connected person”	has the meaning ascribed to this term in the REIT Code
“CCP Building Manager”	Beijing CCP & Savills Property Services Management Co., Ltd., as the building manager of the CCP Property
“CCP Property”	the real estate property located at No. 79 and No. 81, Jianguo Road, Chaoyang District, Beijing, PRC and which comprises all of the office floors of Office Tower 1, China Central Place, Beijing, PRC (including Levels 4 to 28, and the equipment and emergency shelter floor on Level 16 which contains no lettable space) and Office Tower 2, China Central Place, Beijing, PRC (including Levels 4 to 32, and the equipment and emergency shelter floor on Level 20 which contains no lettable space) and a total of approximately 600 car parking spaces located in the underground levels of the two office buildings, which is wholly-owned by Spring REIT

“CCP Property Manager”	Beijing Hua-re Real Estate Consultancy Co., Ltd., as the property manager of the CCP Property
“Circular”	the circular dated 25 October 2017 and dispatched to the Unitholders, containing, among other things, (1) a letter from the Board to the Unitholders containing further information in respect of the resolutions to be considered at the EGM; and (2) the EGM Notice
“Deposited Property”	all of the assets of the Spring REIT, including all its Authorised Investments (as defined in the Trust Deed) for the time being held or deemed to be held upon the trusts of the Trust Deed and any interest arising on subscription monies from the issuance of Units
“Directors”	the directors of the Manager
“EGM”	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
“EGM Notice”	the notice set out on pages N-1 to N-2 of the Circular in respect of the extraordinary general meeting of Unitholders to consider and, if thought fit, approve Resolution 1 and/or Resolution 2
“First Request”	has the meaning given to this term in section 2.1 headed “PAG Unitholders’ request to remove the Manager”
“Fourth Request”	has the meaning given to this term in section 4.2 headed “PAG Unitholders’ request for the Review and establishment of the Strategic and Governance Review Committee”
“GBP”	British Pound Sterling, the lawful currency of the United Kingdom
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	19 October 2017, being the latest practicable date prior to the printing of the Circular for the purpose of ascertaining certain information contained in this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Management Subsidiary”	has the meaning given to this term in section 2.3.3 headed “Management Transitional period”
“Manager”	Spring Asset Management Limited, as manager of Spring REIT
“Manager Removal Notice”	has the meaning given to this term in section 2.3.3 headed “Management Transitional Period”
“Mercuria Beijing”	MIBJ Consulting (Beijing) Co., Ltd. (formerly known as Asuka DBJ (Beijing) Investment Consulting Co., Ltd.)
“Mercuria Investment”	Mercuria Investment Co., Limited (formerly known as AD Capital Co., Ltd.)
“Mercuria Parties”	collectively, Mercuria Investment and Mercuria Beijing
“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 Units in issue
“PAG Unitholders”	collectively, BT Cayman Ltd. and Spirit Cayman Ltd., being investment vehicles held by PAG Holdings Limited, a significant holder

“PRC”	the People’s Republic of China
“Property Management Supervision Agreement”	has the meaning given to this term in section 2.3.2 headed “Spring REIT’s property management arrangements”
“RCA01 Facilities Agreement”	has the meaning given to this term in section 2.3.1 headed “Default under Spring REIT’s financing arrangements”
“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
“Request Letter”	has the meaning given to this term in section 1 headed “Request Letter and proposed resolutions”
“Resolution 1”	has the meaning given to this term in section 1 headed “Request Letter and proposed resolutions”
“Resolution 2”	has the meaning given to this term in section 1 headed “Request Letter and proposed resolutions”
“RMB”	Renminbi, the lawful currency of the PRC
“RUK01 Facility Agreement”	has the meaning given to this term in section 2.3.1 headed “Default under Spring REIT’s financing arrangements”
“RUK01 Limited”	a company incorporated as a par value limited company in Jersey and is a special purpose vehicle wholly owned by Spring REIT
“Second Request”	has the meaning given to this term in section 3.1 headed “PAG Unitholders’ request to internalize the REIT management function”
“SEHK”	The Stock Exchange of Hong Kong Limited
“SFC”	The Securities and Futures Commission of Hong Kong

“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”	has the meaning ascribed to this term in the REIT Code
“Special Resolution”	means a resolution passed at a meeting of Unitholders carried by 75% or more of the votes of those Unitholders present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% 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
“Third Request”	has the meaning given to this term in section 4.1 headed “PAG Unitholders’ request to appoint Mr. Broderick Storie to the board and adoption of certain corporate governance principles”
“Transitional Period”	has the meaning given to this term in section 2.3.3 headed “Management Transitional Period”
“Trust Deed”	the deed of trust constituting Spring REIT dated 14 November 2013 and entered into between the Trustee and the Manager, as the same may be amended and supplemented from time to time by any supplemental deed
“Trustee”	DB Trustees (Hong Kong) Limited, as trustee of Spring REIT
“Unit”	one undivided unit in Spring REIT
“Unit Registrar”	Computershare Hong Kong Investor Services Limited
“Unitholder”	any person registered as holding a Unit

“USD” United States dollars, the lawful currency of the United States of America

“%” per centum or percentage

By order of the board of directors of
Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
Mr. Toshihiro Toyoshima
Chairman of the Manager

Hong Kong, 25 October 2017

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