
LETTER FROM UBS



UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

29 September 2018

To the Qualifying Unitholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Rule 3.5 Announcement in relation to the Offer, pursuant to which it was announced that UBS would, on behalf of the Offeror, make a voluntary conditional general offer in compliance with the Takeovers Code for all the issued Units (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

This letter forms part of this Offer Document and sets out, among other things, details of the Offer, the reasons for making the Offer, the intentions of the Offeror in respect of Spring REIT and certain background information of the Offeror. Further details on the terms of the Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

THE OFFER

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

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Based on the published information of Spring REIT as at the Latest Practicable Date, Spring REIT has 1,268,972,532 Units in issue. As at the Latest Practicable Date, the Offeror and parties acting in concert with it held 188,031,400 Units, representing approximately 14.818% of the issued Units, comprising 124,021,400 Units held by Spirit Cayman and 64,010,000 Units held by BT Cayman. PAG Real Estate is the indirect controlling shareholder of the general partners of the limited partnerships that own 100% of the share capital of each of (i) the Offeror, (ii) Spirit Cayman and (iii) BT Cayman, respectively. Therefore, each of Spirit Cayman and BT Cayman is a party acting in concert with the Offeror.

The Offer is subject to the fulfillment (or waiver, if applicable) of the Conditions as set out in the section headed “The Offer — Conditions to the Offer” below.

Consideration for the Offer

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

For each Offer UnitHK\$4.85 in cash

Comparisons of value

The Offer Price represents:

- (a) a premium of approximately 61.7% over the closing price of HK\$3.00 per Unit as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 20.9% over the closing price of HK\$4.01 per Unit as quoted on the Stock Exchange as at the Latest Practicable Date; a premium of approximately 55.0% over the average closing price of approximately HK\$3.13 per Unit as quoted on the Stock Exchange over the five trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 51.1% over the average closing price of approximately HK\$3.21 per Unit as quoted on the Stock Exchange over the 10 trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 47.0% over the average closing price of approximately HK\$3.30 per Unit as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 47.4% over the average closing price of approximately HK\$3.29 per Unit as quoted on the Stock Exchange for the last 60 trading days immediately prior to and including the Last Trading Day;
- (f) a premium of approximately 47.0% over the average closing price of approximately HK\$3.30 per Unit as quoted on the Stock Exchange for the last 90 trading days immediately prior to and including the Last Trading Day;

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- (g) a premium of approximately 27.3% over the offer price of Spring REIT's IPO of HK\$3.81 per Unit on 4 December 2013;
- (h) a discount of approximately 22.0% to the audited net asset value of the Spring REIT Group of approximately HK\$6.22 per Unit as at 31 December 2017; and
- (i) a discount of approximately 19.8% to the unaudited net asset value of the Spring REIT Group of approximately HK\$6.05 per Unit as at 30 June 2018.

Highest and lowest trading prices

During the period beginning on 26 March 2018 (being six months preceding the commencement of the Offer Period) and ending on the Latest Practicable Date, the highest closing price of the Units as quoted on the Stock Exchange was HK\$4.04 per Unit on 26 September 2018 and the lowest closing price of the Units as quoted on the Stock Exchange was HK\$3.00 per Unit on 24 September 2018.

Conditions to the Offer

The Offer is subject to the following conditions:

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

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

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

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

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WARNING: Qualifying Unitholders and/or potential investors of Spring REIT should note that the Offer is subject to the satisfaction (or waiver, if applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Qualifying Unitholders and/or potential investors of Spring REIT should therefore exercise caution when dealing in the securities of Spring REIT. Qualifying Unitholders and/or potential investors of Spring REIT who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

Further Terms and General Matters Relating to the Offer

Effects of accepting the Offer

Under the terms of the Offer, subject to the Offer becoming unconditional in all respects, the Offer Units will be acquired: (i) with all rights attached thereto as at the Despatch Date or subsequently attached thereto including the right to receive in full all distributions, declared, made or paid if any, by reference to a record date which is on or after the Despatch Date; and (ii) free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third party rights.

As disclosed in the announcement of Spring REIT dated 23 August 2018, the board of directors of the Manager has declared an interim distribution for the period from 1 January 2018 to 30 June 2018 of HK\$0.12 per Unit to the Unitholders whose names appear on the register of Unitholders of Spring REIT on 18 September 2018, being the record date. The distribution is subject to adjustment in the event of any issuance of new Units between 1 July 2018 and 18 September 2018. For the avoidance of doubt, the Offer Price is not subject to adjustment as a result of such distribution, and any Unitholder whose name appears on the register of Unitholders on 18 September 2018 and who accepts the Offer would still be entitled to such distribution.

Hong Kong stamp duty

Seller's ad valorem stamp duty payable by the Qualifying Unitholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Units; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Qualifying Unitholder on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Qualifying Unitholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Units.

Settlement of consideration

Settlement of consideration in respect of acceptances of the Offer will be made as soon as possible but in any event within seven Business Days following the later of (i) the date on which the Offer becomes, or is declared, unconditional and (ii) the date of receipt of a complete and valid acceptance in respect of the Offer.

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Closing date of the Offer

Pursuant to Rule 15.1 of the Takeovers Code, (i) where the Response Document is posted after the Despatch Date, the Offer will be open for acceptances for at least 28 days following the Despatch Date; and (ii) where the Response Document is posted on the same day as this Offer Document, the Offer will initially be open for acceptances for at least 21 days from the Despatch Date. Once the Conditions have been fulfilled (or waived, if applicable), the Offer will be declared unconditional in all respects and at least 14 days' notice in writing will be given before the Offer is closed to those Qualifying Unitholders who have not accepted the Offer.

TOTAL CONSIDERATION FOR THE OFFER

Based on published information of Spring REIT as at the Latest Practicable Date, Spring REIT has 1,268,972,532 Units in issue. Save as disclosed above, the Offeror is not aware of any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Spring REIT as at the Latest Practicable Date.

On the basis of the Offer Price of HK\$4.85 per Offer Unit, the entire issued Units are valued at HK\$6,154,516,780. As 188,031,400 Units are held by the Offeror and parties acting in concert with it, only 1,080,941,132 Units will be subject to the Offer and the aggregate amount payable by the Offeror under the Offer will be HK\$5,242,564,490 on the assumption that the Offer is accepted in full and there is no change in the number of issued Units from the Latest Practicable Date up to the close of the Offer.

CONFIRMATION OF FINANCIAL RESOURCES

The Offeror intends to finance the total consideration of the Offer with internal cash resources of the Offeror, a standby letter of credit issued by Sumitomo Mitsui Banking Corporation in favor of the Offeror and an equity commitment from RE Strategic Investment LP, its sole shareholder. UBS has been appointed as the financial adviser to the Offeror in respect of the Offer. UBS is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Offer.

The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) under the standby letter of credit will depend to any significant extent on the business of Spring REIT Group.

INFORMATION ON SPRING REIT

Based on published information of Spring REIT as at the Latest Practicable Date, Spring REIT was listed on the Stock Exchange (Stock Code: 01426) on 5 December 2013 as a collective investment scheme constituted as a unit trust by the Trust Deed and authorized under section 104 of the SFO, and is managed by the Manager, Spring Asset Management Limited, a company incorporated in Hong Kong.

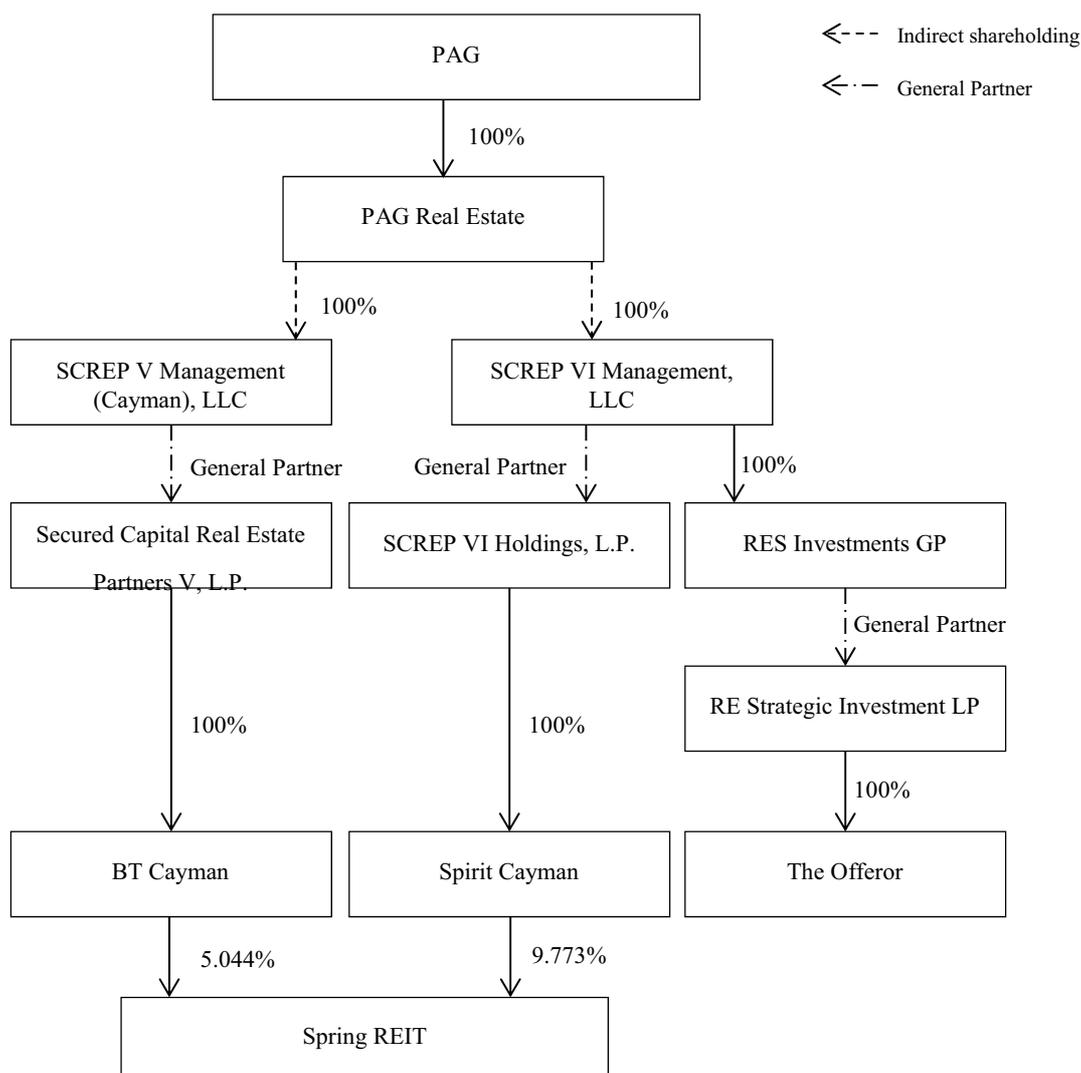
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INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Singapore with limited liability. It is principally engaged in investment holding. It has not held any investment or conducted any business activities since its date of incorporation other than matters relating to the Offer. The sole shareholder of the Offeror is RE Strategic Investment LP. The general partner of RE Strategic Investment LP is RES Investments GP, which is a wholly-owned subsidiary of SCREP VI Management, LLC, which is in turn indirectly wholly-owned by PAG Real Estate.

Each of the above companies and partnerships are under the control of PAG. PAG is one of the Asia's largest alternative investment management firms with more than US\$20 billion in funds under management and employs over 350 people in major financial hubs in Asia.

Set out below is the shareholding diagram showing the shareholding of each of (i) the Offeror; (ii) Spirit Cayman; and (iii) BT Cayman.



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REASONS FOR AND BENEFITS OF THE OFFER

The Offer represents the Offeror's determination to protect and preserve the value of its investment by increasing the level of control over Spring REIT in order to remove the Manager and appoint a new manager that will conduct a strategic review of Spring REIT. The Offeror believes that the removal of the Manager is necessary because of continued and material Unit price underperformance, the Manager's questionable governance and decision-making practices, and the Manager's lack of a clear strategy and coherent business plan. Please refer to the paragraph headed "Offeror's Intention in relation to Spring REIT" below for further details and justifications of the Offeror's intention in respect of the removal of the Manager.

The Offeror believes that the Offer provides an attractive opportunity for the Qualifying Unitholders to dispose of their Units for the following reasons:

Offer Price represents a very attractive exit option premium

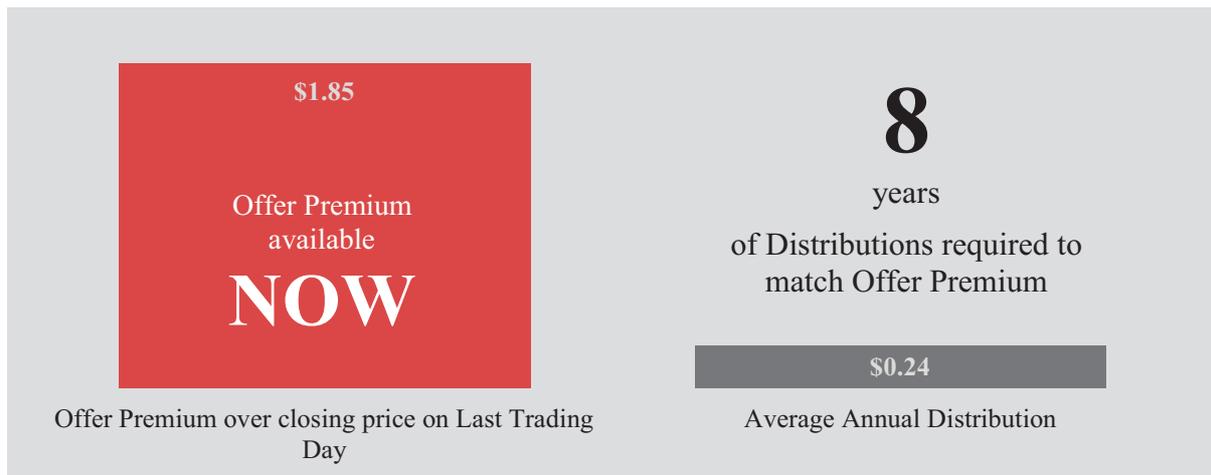
The Offer Price of HK\$4.85 per Unit is above the highest price that Spring REIT has ever traded before publication of the Rule 3.5 Announcement (being HK\$3.91 on 20 August 2014) and represents a premium of approximately 27.3% over the offer price of Spring REIT's IPO of HK\$3.81 per Unit in 2013 and a significant premium to Spring REIT's recent unit price.

The Offer Price represents a premium of approximately 61.7% to the closing price of the Units on the Last Trading Day.



Since paying the first interim distribution in September 2014, Spring REIT has averaged HK\$0.24 in distributions every year. Based on this average, it would take approximately eight years for the distributions to match the Offer Price premium to the closing price of the Units on the Last Trading Day.

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The Units have also underperformed the Hang Seng REIT Index by approximately 41.6% and the Hang Seng Index by approximately 32.1% since Spring REIT's IPO.

Offer represents an opportunity for Unitholders to monetize the Units with limited trading liquidity

Considering the low trading volume in Spring REIT, it may be challenging for the Unitholders to dispose of their Units particularly in large quantities without adversely affecting unit prices. The Offer presents an attractive opportunity for Unitholders to exit their investment and monetize their holdings in their entirety at a compelling premium to historical trading prices. The Offeror notes that the average daily trading volumes of the Units have been low since Spring REIT's IPO in 2013. The average trading volume of the Units for the twelve months up to and including the Last Trading Day was approximately 457,688 Units per day, representing only approximately 0.04% of the issued Units. If the Conditions are met (or waived, if applicable), Unitholders not accepting the Offer may face even lower liquidity of the Units.

Minimal conditionality of the Offer

The Offer is conditional only on (i) valid acceptances in respect of the Offer, which will result in the Offeror, together with parties acting in concert with it, holding more than 50% of the Units as at the Closing Date; and (ii) the resolution(s) approving the Huizhou Transaction are not passed by the independent Unitholders at the EGM.

If sufficient Unitholders accept the Offer and the Offer becomes unconditional as to acceptance by around 15 October 2018, the Offeror intends to waive the condition on the Huizhou Transaction and proceed with the Offer. If the Offeror and its concert parties become entitled to voting rights in respect of over 50% of the issued Units before the record date for the Huizhou Transaction (being 24 October 2018), the Offeror will vote down on the resolutions for approving the Huizhou Transaction at the EGM.

As at the Latest Practicable Date, parties acting in concert with the Offeror held 14.818% of the total issued Units in aggregate, comprising 124,021,400 Units held by Spirit Cayman and 64,010,000 Units held by BT Cayman. The Offer's minimal conditionality increases the likelihood that the Offer will be successful.

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Uncertainty of the market price of the Units and level of distributions to Unitholders after the Offer

The market price of the Units may fall significantly below the Offer Price upon close of the Offer, with no certainty of achieving the cash value represented by the Offer Price in the future.

The future Unit price and the level of distributions to Unitholders after close of the Offer are highly dependent on various factors, including but not limited to variations in Spring REIT's results of operations, general stock market conditions, the macroeconomic environment in the PRC, fluctuations in the Renminbi exchange rate and conditions and outlook in the real estate market, all of which are highly uncertain. As described in the paragraph headed "Offeror's Intention in Relation to Spring REIT" below, the Offeror intends to initiate a strategic review of Spring REIT after close of the Offer. There is no assurance that the strategic review will result in any transaction. Further, any transactions to be undertaken as a result of the strategic review will entail significant implementation risks, and may or may not lead to positive results for Unitholders.

For the foregoing reasons, the Offeror believes that the Offer represents attractive and immediate value, with certainty and speed to Unitholders.

OFFEROR'S INTENTION IN RELATION TO SPRING REIT

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

- (i) *Continued and material Unit price underperformance.* Spring REIT's unit price has underperformed in many key respects. From the time of its IPO in 2013 up to the Last Trading Day, Spring REIT's unit price has underperformed the Hang Seng REIT Index¹ by 41.6% and the Hang Seng Index by 32.1%. During this period, Spring REIT's Unit price decreased by approximately 21.3%, making Spring REIT, in terms of unit price performance, the worst performing REIT among the constituents of the Hang Seng REIT Index.
- (ii) *Questionable decision-making and governance practices.* In 2017, the Manager's decision to acquire 84 commercial properties involving leases with an indirect wholly-owned subsidiary of Itochu Corporation, a related party, in the UK (which is a market where the Manager has no relevant track record or active presence), together with the dilutive placement of new Units, negatively affected distributions per Unit from 2016 to 2017. This placement of Units, at a discount of 45.4% to NAV, significantly diluted the voting rights and economic interests of the Unitholders.

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

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

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

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

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

Proposed transition arrangements for the change of manager

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

- (i) The current property management company in respect of China Central Place Office Towers 1 and 2 and the relevant car parks (the “**Beijing Properties**”) is Beijing Hua-re Real Estate Consultancy Co. Ltd. (the “**Current Beijing Property Manager**”), which is an affiliated company of the current Manager. Simultaneously with the proposed change of manager, the

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property management company in respect of the Beijing Properties is proposed to be changed to a new property management company (the “**Proposed Beijing Property Manager**”), which will be an independent third party with appropriate level of professional qualifications, to be selected after a rigorous review and selection process in the interests of the Unitholders.

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

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

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

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

MAINTAINING THE LISTING STATUS OF SPRING REIT

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

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

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

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GENERAL MATTERS RELATING TO THE OFFER

Overseas Qualifying Unitholders

The making of the Offer to persons who are not residents in Hong Kong may be affected by the laws and regulations of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax and regulatory requirements in their own jurisdictions. It is the responsibility of any Overseas Qualifying Unitholders wishing to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection with the Offer, including obtaining any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Any acceptance by any Overseas Qualifying Unitholders will be deemed to constitute a representation and warranty from such Overseas Qualifying Unitholders to the Offeror that the local laws and requirements have been complied with. Overseas Qualifying Unitholders should consult their professional advisers if in doubt.

ADDITIONAL INFORMATION

Your attention is also drawn to the accompanying Form of Acceptance and the additional information set out in the appendices to this Offer Document, all of which form part of this Offer Document.

Following the despatch of the Offer Document by the Offeror, Spring REIT will be required under the Takeovers Code to send all Unitholders the Response Document within 14 days. The Response Document will include the views of the board of directors and the independent board committee of the Manager on the Offer, and the letter of advice from the independent financial adviser appointed by the Manager in relation to the Offer. Unitholders are advised to read the Offer Document and the Response Document before taking any action in respect of the Offer.

Yours faithfully,
For and on behalf of
UBS AG Hong Kong Branch

Samson Lo
Managing Director

David Xiong
Executive Director

Yours faithfully
For and on behalf of
UBS AG Hong Kong Branch



Samson Lo
Managing Director



David Xiong
Executive Director