

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Spring Real Estate Investment Trust, nor is it a solicitation of any vote or approval in any jurisdiction. This announcement is not for release, publication or distribution into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

RE STRATEGIC INVESTMENTS PTE. LTD.

(incorporated in Singapore with limited liability)

**FURTHER RESPONSE OF THE OFFEROR TO THE RESPONSE
DOCUMENT ISSUED BY SPRING REIT**

**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)**

Financial adviser to the Offeror



UBS AG Hong Kong Branch

References are made to (i) the announcement of RE Strategic Investments Pte. Ltd. (the “**Offeror**”) dated 26 September 2018 (the “**Offer Announcement**”); (ii) the offer document of the Offeror dated 29 September 2018 (the “**Offer Document**”); (iii) the clarification announcement issued by the Offeror dated 4 October 2018 in relation to the press release by PAG Real Estate dated 2 October 2018; (iv) the response document issued by Spring REIT dated 15 October 2018 (the “**Response Document**”) containing, amongst other things, the letter issued by Spring REIT’s independent financial adviser (the “**IFA**”) and the recommendation from the board of directors of the Manager (the “**Board**”) not to accept the Offer; and (v) the announcement issued by the Offeror dated 15 October 2018 in respect of its initial response to the Response Document.

Unless otherwise defined, capitalized terms used herein shall have the same meanings as defined in the Offer Document.

The Offeror would like to provide its additional views on the Response Document by way of this announcement.

RESPONSE FROM THE OFFEROR TO THE VIEWS OF THE BOARD OF DIRECTORS OF THE MANAGER AND THE INDEPENDENT FINANCIAL ADVISER AS SET OUT IN THE RESPONSE DOCUMENT

(a) Rationale for using NAV as valuation benchmark is problematic

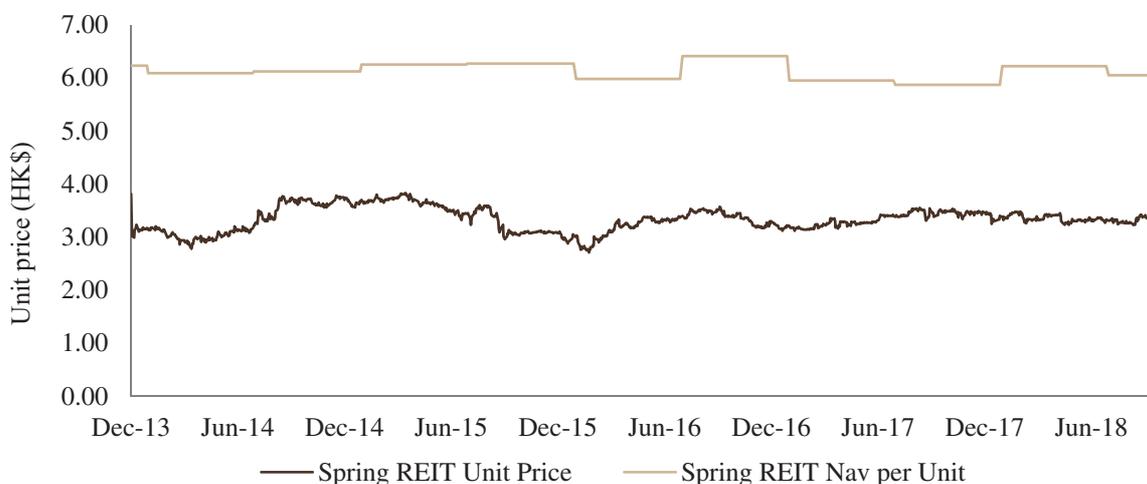
In justifying their views that the Offer Price is not fair and reasonable, the Board and the IFA made multiple references that the Offer Price at below NAV is an indication that the Offeror “undervalue[s] the assets and future prospects of Spring REIT”.

However, Spring REIT has historically never traded above NAV and all Hong Kong REITs trade at below NAV as at the Last Trading Day.

Spring REIT has not traded at or above NAV since it became public on 5 December 2013 (including at the time of IPO where Spring REIT’s IPO price of HK\$3.81 per Unit represented a 38.8% discount to the last audited NAV of HK\$6.23 as of 30 June 2013 and a 36.4% discount to the pro-forma NAV of HK\$5.99 following the issuance of new units at IPO).

On the contrary, the Offer Price represents a mere 19.8% discount to unaudited NAV of HK\$6.05 as at 30 June 2018, which is 24.0% more than Spring REIT has ever traded prior to the Rule 3.5 Announcement, and a premium to the average NAV discount of other Hong Kong REITs.

Spring REIT Unit price and NAV per Unit (from IPO to Last Trading Day)



The Offer Price represents the tightest discount to NAV that Spring REIT has ever achieved in a market where as at the Last Trading Day, all REITs in the Hang Seng REIT Index trade below their NAV, as illustrated in the chart below:

Unit price and NAV per Unit for all REITs in the Hang Seng REIT Index as of the Last Trading Day

Stock code	REIT comparable	Unit price (HK\$)	NAV per Unit (HK\$)	(Discount) to NAV
405-HK	Yuexiu REIT	5.15 ¹	RMB4.78	(4.8%)
823-HK	Link REIT	73.70	83.06	(11.3%)
1426-HK	Spring REIT (Offer Price)	4.85	6.05	(19.8%)
87001-HK	Hui Xian REIT	RMB3.15	RMB4.71	(33.1%)
435-HK	Sunlight REIT	5.27	9.03	(41.6%)
778-HK	Fortune REIT	9.28	16.09	(42.3%)
808-HK	Prosperity REIT	3.06	5.66	(45.9%)
1426-HK	Spring REIT	3.00	6.05	(50.4%)
2778-HK	Champion REIT	5.46	11.05	(50.6%)
1881-HK	Regal REIT	2.24	4.98	(55.0%)
Average (excluding Spring REIT)				(35.6%)

(b) The focus on NAV by the Manager and the IFA is inconsistent with the Manager's past behavior and strategy

The Board and the IFA stated that “the Manager has been actively pursuing opportunities and continuously reviewing its strategies for Spring REIT, which has resulted in two yield-accretive acquisitions on a pro forma basis being proposed in the last 18 months.”

¹ Amount denominated in HK\$ have been translated into RMB at an exchange rate of HK\$1:RMB0.884.

However, the acquisitions made by Spring REIT have in fact resulted in a dilution in NAV per unit and a dilution in the interests of the existing Unitholders.

(i) Dilution to NAV

Spring REIT has previously conducted transactions at substantial discounts to NAV since its IPO, including:

- the dilutive placement of new Units at a 45.4% discount to NAV to China Orient Stable Value Fund Limited in April 2017 (the “**2017 Placement**”); as well as
- the proposed Huizhou Transaction which involves the issuance of consideration units at HK\$3.372 per Unit to a seller (whose holding company holds 9.8% of the Manager), which equates to a 44.3% discount to NAV.

The Offeror is of the view that both transactions, using the Board’s language, “undervalued the assets and future prospects of Spring REIT” and when taken into consideration, the Manager’s acquisition strategy has not demonstrated that it would deliver value anywhere close to NAV for Unitholders.

The Offeror is of the view that the Huizhou Transaction is the latest of a series of questionable decisions the Manager has made that has negatively affected the interests of Unitholders. The Offeror would like to highlight that the Huizhou Transaction, as disclosed in the circular of Spring REIT dated 26 September 2018 (the “**Huizhou Circular**”), will result in an 8.1% dilution of NAV per Unit. In fact, the decline of NAV per Unit from HK\$6.05 (as of 30 June 2018) to HK\$5.56 (as disclosed in the Huizhou Circular) is equivalent to a dilution of Spring REIT’s NAV per Unit to the lowest level since its IPO.

One of the conditions of the Offer is the resolution(s) approving the Huizhou Transaction are not passed by the independent Unitholders at the EGM.

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

All Unitholders who wish to accept the Offer are urged to VOTE AGAINST the Huizhou Transaction at the EGM on 29 October 2018 or instruct their proxies to do so.

(ii) Dilution to Unitholders' interests

In addition to a dilution in NAV per Unit, the Huizhou Transaction will dilute existing Unitholders' interests through the issuance of a maximum of 22.0% new Units to a seller whose holding company holds 9.8% of the Manager, at an issue price of only HK\$3.372 (representing a 44.3% discount to NAV). This effectively further dilutes the interests of Spring REIT's existing Unitholders, and the transaction represents a second dilutive issuance of new Units in the span of 18 months (following the 2017 Placement) at a substantial discount to NAV.

(iii) Limited yield accretion

The Offeror notes that while the Huizhou Transaction is purported to be distributions per unit ("DPU") accretive, annualizing the pro-forma 1H2018 DPU (HK\$0.256 per year) as disclosed in the Huizhou Circular would still yield a lower DPU provided to Unitholders than in 2014 (HK\$0.264 per year) and 2015 (HK\$0.266 per year), the first two years after Spring REIT was listed on the Stock Exchange.

Spring REIT's DPU have trended downward since 2015, with its annual distributions having declined 20.7% from 2015 (HK\$0.266 per year) to 2017 (HK\$0.211 per year), despite an increase in distribution payout from 93% to 100%. While the Offeror acknowledges that Spring REIT recorded a 26.3% year-on-year increase in DPU between 1H2017 (HK\$0.095) and 1H2018 (HK\$0.12), the Offeror also notes that this was partly due to the low distribution of HK\$0.095 per Unit paid out in 1H2017, which itself represented a 26.9% decrease year-on-year from 1H2016 (HK\$0.13). When considering the overall trend of distributions since IPO, it appears that the Manager has not demonstrated its ability to provide increasing value to Unitholders.

(c) The claim that Unitholders can derive NAV from strategic options is unsubstantiated

In attempting to justify its views that the Offer Price is not fair and reasonable, the IFA made multiple references to the possibility of the assets being sold at NAV after the strategic review, which can include a disposal of assets and termination of Spring REIT and delisting from the Stock Exchange.

However, it remains highly uncertain whether NAV could ever be monetized under any manager. The IFA failed to take into account critical factors such as processes to the termination and delisting of REITs.

(i) Strategic review may result in other options being implemented

The Offeror intends to initiate a strategic review after the close of the Offer if the Offer becomes unconditional, and a third party independent expert will be appointed by the New Manager to undertake the strategic review (the “**Independent Third Party Expert**”). The Offeror would like to reiterate that a sale of assets is only one of many strategic options that the Independent Third Party Expert may recommend following the strategic review. Other options include acquisitions of assets, asset enhancement, changes in capital structure, refinancings, mergers and internalization of management. Under the REIT Code, the New Manager will be obligated to act in the best interests of all Unitholders when appointing the Independent Third Party Expert to conduct the strategic review and implementing recommendations that result from the strategic review. Critical factors such as the substantial approval and timing requirements to termination, delisting and execution risks will be taken into consideration by the Independent Third Party Expert in the strategic review, amongst various other factors.

(ii) Processes to termination and delisting

Even if the Independent Third Party Expert recommends the liquidation of assets and delisting of Spring REIT, substantial approval and timing requirements are necessary for such proposal to be implemented, including stringent unitholders and regulatory approvals.

Pursuant to the Takeovers Code and the REIT Code, in the case of a disposal of assets and/or operations which would result in either the REIT not being suitable to remain authorized by the SFC or a withdrawal of the listing of the units from the Stock Exchange, the proposal would be required to be approved by at least 75% of votes attaching to disinterested units cast at the unitholders’ meeting and no more than 10% of the votes attaching to all the disinterested units voting against it.

Accordingly, the IFA’s argument that Unitholders should expect the results of other strategic options to achieve NAV or more is also unsubstantiated as it can be impracticable to monetize full NAV due to the reasons set out above.

(d) Persistent underperformance of Spring REIT compared to its peers in the Hang Seng REIT Index

Spring REIT is the worst performing REIT compared to its peers in the Hang Seng REIT Index in terms of unit price since its IPO (based on the comparison of Spring REIT’s IPO price of HK\$3.81 and the opening prices of other Hang Seng REIT Index constituents on the date of the IPO of Spring REIT).

The Offeror has noted the IFA's view in its letter that apart from unit price performance, it is important to consider the distribution yield, the price to total distributable income ("TDI") and the price to book ratios given the investment nature of REIT. In the letter from the IFA, the IFA has repeatedly emphasized that Spring REIT's P/TDI (price to TDI ratio) and P/B (price to book ratio) are above the mean of all REITs listed in Hong Kong based on the Unit price as of 12 October 2018, which is after the Rule 3.5 Announcement was published. The Offeror considers the comparison to be inappropriate given that Unit prices rose to historically unprecedented levels after the Rule 3.5 Announcement as a result of the Offer. Although the IFA has also mentioned P/TDI and P/B ratios based on the Last Trading Day, it has failed to inform Unitholders that Spring REIT's P/TDI and P/B ratios are in fact the second worst amongst Hang Seng REIT Index constituents.

The Offeror is of the view that the questionable acquisition decisions of the Manager have contributed to the aforementioned decrease in value to Unitholders.

(e) Spring REIT has the weakest performance amongst its peers in the Hang Seng REIT Index as measured by total return performance

The Manager has stated that the Offer is a one-off monetization proposition to Unitholders which contradicts the investment philosophy of its income-seeking Unitholders, and that the Offer would result in the Unitholders giving up their long term steady distributions.

The Offeror would like to remind Unitholders that the Offer (with the premium of approximately 61.7% to the closing price of the Units on the Last Trading Day) would provide Unitholders with the equivalent of approximately 8 years of cumulative distributions upfront (based on annualized average distributions), independent of the uncertain future performance of Spring REIT, thus allowing long-term investors to cash in on a one-off lump sum and reinvest their proceeds from the Offer on other more value-adding long-term investments.

When analyzing the unit price performance of Spring REIT amongst its peers, the IFA has used the closing unit price of Spring REIT on the date of IPO (HK\$3.20 per Unit) as the starting point. This approach does not provide Unitholders who acquired Spring REIT units at the time of IPO at the offering price of HK\$3.81 per Unit with an adequate picture of the economic returns generated from Spring REIT Units during their holding period up to and including the Last Trading Day.

Total return, on the other hand, takes into account both unit price performance and gross dividends / distributions received during the holding period. This metric would provide Unitholders with a full picture of the returns generated from investing in

Spring REIT Units since the time of IPO. The comparison of Spring REIT's total return with its listed REIT peers on the Stock Exchange could also allow Unitholders to compare Spring REIT's performance with other REITs, while taking into account the distributions received since IPO.

Set out in the table below is the peer comparison of the total return of all constituents of the Hang Seng REIT Index, as well as the Hang Seng Index and the Hang Seng REIT Index, over the period from 4 December 2013, being the date prior to Spring REIT's IPO (and in the case of Spring REIT, the IPO price on 5 December 2013), up to and including 24 September 2018, being the Last Trading Day:

Stock code	REIT comparable	Last unit trading price/index closing price on 4 December 2013 (HK\$)	Last unit trading price/index closing price on 24 September 2018 (HK\$)	Total return during the period from 4 December 2013 to 24 September 2018 (4 December 2013 = 0%)
1426-HK	Spring REIT	3.81	3.00	11.52%
		(IPO Price)		
435-HK	Sunlight REIT	3.02	5.27	133.57%
823-HK	Link REIT	38.20	73.70	130.24%
2778-HK	Champion REIT	3.50	5.46	99.34%
778-HK	Fortune REIT	6.30	9.28	94.14%
405-HK	Yuexiu REIT	3.84	5.15	89.88%
808-HK	Prosperity REIT	2.29	3.06	78.71%
1881-HK	Regal REIT	2.23	2.24	42.76%
87001-HK	Hui Xian REIT	3.87	3.15	21.75%
			Average	77.99%
HSI	Hang Seng Index	23,729	27,499	38.94%
HSREIT	Hang Seng REIT Index	5,416	7,284	81.30%

Source: Bloomberg

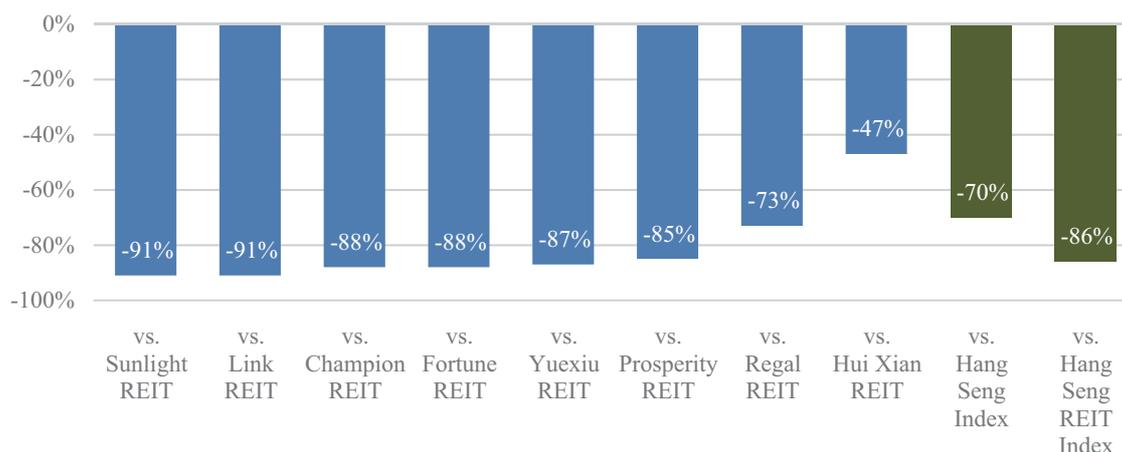
As shown in the peer comparison table on the total return, since its IPO on 5 December 2013, Spring REIT's total return was 11.52%. This implies that if a Unitholder acquired HK\$10,000 worth of Spring REIT units at the time of IPO, his/her investment would have increased to HK\$11,520 on the Last Trading Day. **During the period, Spring REIT recorded the lowest total return as compared to peers.**

In comparison, the Unitholder would have achieved much higher return if he/she invested into other REITs in the Hang Seng REIT Index, the Hang Seng Index or the Hang Seng REIT Index. Since Spring REIT's IPO and up to the Last Trading Day:

- The Hang Seng REIT Index recorded total return of 81.30% (investment payout of HK\$18,130 or 57.4% premium to Spring REIT during the period);
- Sunlight REIT recorded total return of 133.57% (investment payout of HK\$23,357 or 102.8% premium to Spring REIT during the period); and
- Link REIT recorded total return of 130.24% (investment payout of HK\$23,024 or 99.9% premium to Spring REIT during the period).

Set out below is a summary of Spring REIT's underperformance relative to REIT peers, the Hang Seng Index and the Hang Seng REIT Index, as measured by total return since Spring REIT's IPO.

Spring REIT's Underperformance since IPO vs. Peers and Indices



Unitholders should consider whether the current Manager can deliver long term or short term value anywhere near the Offer Price in light of the performance of Spring REIT as described above.

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. Unitholders are advised to read the Offer Document and the Response Document carefully before taking any action in respect of the Offer.

By Order of the Board of
**RE STRATEGIC INVESTMENTS
PTE. LTD.**
Mochizuki Yuki
Director

Hong Kong, 18 October 2018

As at the date of this announcement, the sole director of the Offeror is Mr. Mochizuki Yuki.

As at the date of this announcement, the board of directors of RES Investments GP (the general partner of the limited partnership which wholly-owns the Offeror) comprises Mr. Jon-Paul Toppino and Mr. John Jack Scales Keese.

The directors of the Offeror and RES Investments GP jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The information relating to the Spring REIT Group in this announcement has been extracted from or based on the published information of Spring REIT, including its annual report for the year ended 31 December 2017, its monthly return for the month ended 30 September 2018 and the Response Document. The only responsibility accepted by the directors of the Offeror and RES Investments GP in respect of such information is for the correctness and fairness of its reproduction or presentation.