Spring Real Estate Investment Trust
春泉產業信託

(a Hong Kong collective investment scheme authorized 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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014 AND CLOSURE OF REGISTER OF UNITHOLDERS

SPRING REAL ESTATE INVESTMENT TRUST

Spring Real Estate Investment Trust ("**Spring REIT**") is a real estate investment trust constituted by a trust deed (the "**Trust Deed**") entered into on 14 November 2013 between Spring Asset Management Limited, as manager of Spring REIT (the "**Manager**"), and DB Trustees (Hong Kong) Limited, as trustee of Spring REIT (the "**Trustee**"). Units of Spring REIT (the "**Units**") were first listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 December 2013 (the "**Listing Date**").

SPRING ASSET MANAGEMENT LIMITED

Spring REIT is managed by Spring Asset Management Limited, a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. The Manager is wholly owned by AD Capital Co., Ltd., ("**AD Capital**") which is a private equity investment firm owned by Development Bank of Japan, Asuka Holdings Co., Ltd., and certain minority shareholders.

Below are the annual results highlights and distribution summary of Spring REIT and its special purpose vehicle (together, the "**Group**") for the year ended 31 December 2014 (the "**Reporting Year**").

RESULTS HIGHLIGHTS

For the Year Ended 31 December	2014	2013	Change
Total Revenue *(US$ million)*	**81.46**	66.35	+22.8%
Net Property Income *(US$ million)*	**62.17**	49.54	+25.5%
Net Property Income Margin	**76.3%**	74.6%	+1.7 ppts

As at 31 December	2014	2013	Change
Gross Assets *(US$ million)*	**1,392.40**	1,403.68	-0.8%
Appraised Property Value *(US$ million)*	**1,306.58**	1,272.78	+2.7%
Appraised Property Value *(RMB million)*	**8,108.00**	7,760.00	+4.5%
Net Assets Attributable to Unitholders *(US$ million)*	**894.15**	862.24	+3.7%
Net Assets Attributable to Unitholders per Unit *(HK$)*	**6.25**	6.09	+2.6%
Total Borrowings *(US$ million)*	**460.68**	504.80	-8.7%
Total Borrowings to Gross Asset Value	**33.1%**	36.0%	-2.9 ppts
Number of Units Outstanding	**1,109,468,088**	1,098,000,000	+1.0%

Note: Spring REIT was listed on 5 December 2013. For results of operation for the period from 5 December 2013 to 31 December 2013 ("**2013 Relevant Period**"), please refer to the section headed "Consolidated Income Statement" in the financial information.

DISTRIBUTION SUMMARY

	2014 Final Distribution	2014 Interim Distribution	2013 Final Distribution	Special Distribution
Total Distribution *(US$ million)*[1]	**17.93**	19.77[3]	2.25	9.91
Distribution per Unit *(HK cent)*[2]	**12.5**	13.9	1.6	7.0
Announcement Date	**18 March 2015**	18 August 2014		17 March 2014
Record Date	**10 April 2015**	12 September 2014		9 April 2014
Payment Date	**22 April 2015**	30 September 2014		16 May 2014

Notes:

1. These total distributions represent 100% of the amount available for distribution for each period. For details of the amount available for distribution, please refer to the section headed "Statement of Distributions" in the financial information.

2. Cumulatively, distribution per Unit for the period from 5 December 2013 (the Listing Date) to 31 December 2014 and the special distribution paid on 16 May 2014 ("**Special Distribution**") amount to HK35.0 cents.

3. The 2014 Interim Distribution amounted to US$19.77 million including the discretionary distribution of US$0.02 million.

Total Distributable Income

Total distributable income ("**TDI**") is the consolidated profit after tax before transactions with the unitholders of Spring REIT (the "**Unitholders**") as adjusted to eliminate the effects of certain non-cash items. For details of the adjustments, please refer to the section headed "Statement of Distributions" in the financial information. TDI to the Unitholders for the year ended 31 December 2014 amounted to approximately US$37.70 million (2013 Relevant Period: US$2.25 million).

Distribution

The Manager has resolved to declare a final distribution to the Unitholders for the period from 1 July 2014 to 31 December 2014 ("**2014 Final Distribution**") of HK12.5 cents per Unit. This represents a 100% distribution of Spring REIT's total amount available for distribution for the period from 1 July 2014 to 31 December 2014. Such 2014 Final Distribution, however, may be subject to adjustment upon the issuance of new units between 1 January 2015 and 10 April 2015 (the "**Record Date**"), if any. For details of the distribution, please refer to the section headed "Statement of Distributions" in the financial information.

All distribution will be paid in Hong Kong dollars. The exchange rate adopted by the Manager for conversion of US dollar to Hong Kong dollar for the 2014 Final Distribution is the average mid-price for HKD/USD opening indicative counter exchange rate, as published by the Hong Kong Association of Banks, for the five (5) business days immediately preceding 31 December 2014.

The Manager confirms that the 2014 Final Distribution is composed only of amount available for distribution for period from 1 July 2014 to 31 December 2014.

Distribution Yield

The distribution per Unit ("**DPU**") for the Reporting Year, which comprises the 2014 Final Distribution of HK12.5 cents per Unit and the interim distribution for the six-month period from 1 January 2014 to 30 June 2014 ("**2014 Interim Distribution**") of HK13.9 cents per Unit, amounts to HK26.4 cents. This represents a distribution yield of approximately 7.2% based on the closing price of HK$3.66 per Unit as at 31 December 2014.

For the period from 5 December 2013 (the Listing Date) to 31 December 2014, the cumulative DPU paid or payable to Unitholders amounts to HK35.0 cents. Based on the closing price of HK$3.66 per Unit as at 31 December 2014, these distributions represent a total distribution yield since the Listing Date of approximately 9.6%.

Distribution Policy

In accordance with the Trust Deed, Spring REIT is required to distribute no less than 90% of TDI to the Unitholders. Pursuant to the offering circular of Spring REIT dated 25 November 2013 (the "**Offering Circular**"), the Manager's policy is to distribute to the Unitholders 100% of Spring REIT's TDI for the 27 days period from the Listing Date to 31 December 2013 and the financial year ended 31 December 2014, and thereafter at least 90% of TDI in each subsequent financial year. The Manager also has the discretion to make distributions over and above the minimum 90% of TDI for any financial year if and to the extent Spring REIT has funds surplus to its business requirements.

Closure of Register of Unitholders

The Record Date of 2014 Final Distribution will be 10 April 2015, Friday. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 9 April 2015, Thursday to 10 April 2015, Friday, both days inclusive, during which period no transfer of Units will be registered. The 2014 Final Distribution is expected to be payable on 22 April 2015, Wednesday to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2014 Final Distribution, all properly completed transfer forms in respect of transfer of Units (accompanied by the relevant Unit certificates) must be lodged with Spring REIT's unit registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 8 April 2015, Wednesday.

CHAIRMAN'S STATEMENT

On behalf of the board of Spring Asset Management Limited (the "**Board**"), the manager of Spring REIT, I am pleased to present the annual results of Spring REIT for the financial year ended 31 December 2014.

Delivering on Our Strategy

Spring REIT had marked its first anniversary of trading on the Stock Exchange after its listing on 5 December 2013. Our overall aim was to manage Spring REIT's portfolio to maximize its long-term value and take advantage of the positive rental reversion cycle in Beijing to increase distributions. As demonstrated in this annual results, we are delighted to have made good progress by delivering to our Unitholders a strong set of results for 2014 with 100% payout of the distributable income, as well as a respectable total return which was partly attributable to improved market awareness and disclosure transparency of Spring REIT. In an effort to improve the capital efficiency of Spring REIT, the Manager has also made good progress in obtaining a new financing which would benefit Spring REIT by a reduced interest margin and a more optimal debt maturity profile.

Strong Full-Year Results

Spring REIT recorded a strong set of results for the Reporting Year. Compared with the year ended 31 December 2013, total revenue in 2014 grew by 22.8% to US$81.46 million and net property income by 25.5% to US$62.17 million. The growth was primarily driven by continued positive rental reversion on the back of proactive leasing management and favourable market conditions in Beijing. As the Manager entered into new and renewal leases at higher spot rents (for a total area equivalent to 38.3% of the total leased gross floor area ("**GFA**") as at 31 December 2014), Spring REIT's monthly average spot rent reached RMB378 per sqm for the year ended 31 December 2014 compared with RMB375 per sqm for 2013. The average monthly spot rent also lifted up the average monthly passing rent to a record high of RMB352 per sqm for the year ended 31 December 2014 from RMB288 per sqm recorded for 2013.

Unit Price Performance, Distributions, and Total Return for 2014

Spring REIT's strategy and financial results have been well received by the market as suggested by its unit price performance. In the Reporting Year, Spring REIT's unit price had been on an uptrend after recovering from a correction during the first quarter of 2014. The unit price closed at HK$3.66 as at 31 December 2014, representing a return of 15.5% from HK$3.17 a year ago. Such unit price return compared favourably to benchmark indices such as Hang Seng Index and Hang Seng REIT Index, which returned 1.3% and 9.7% respectively in 2014.

As to return from distributions, Spring REIT had declared and paid distributions (which comprises the 2013 final distribution, the Special Distribution, and the 2014 Interim Distribution, but excludes the 2014 Final Distribution which is expected to be payable on 22 April 2015, Wednesday) in aggregate of HK22.5 cents per Unit. Based on the closing unit price of HK$3.17 as at 31 December 2013, this represents a distribution yield of 7.1%.

In aggregate, as measured by the returns from unit price appreciation and distributions paid (assuming distributions were reinvested), Spring REIT achieved a total return of 23.2% during the Reporting Year, outperforming Hang Seng Index and Hang Seng REIT Index which had a total return of 5.3% and 16.9%, respectively[1].

2014 Final Distribution

The Board has resolved to declare a final distribution US$17.93 million in total, or HK12.5 cents per Unit, for the period from 1 July 2014 to 31 December 2014. The 2014 Final Distribution is expected to be payable on 22 April 2015, Wednesday to Unitholders whose names appear on the register of Unitholders on 10 April 2015, Friday.

In accordance with the Offering Circular, the Manager's policy is to distribute to the Unitholders 100% of Spring REIT's total distributable income for the 27 days period from the Listing Date to 31 December 2013 and the Reporting Year, and thereafter at least 90% of total distributable income in each subsequent financial year. The Manager also has the discretion to make distributions over and above the minimum 90% of total distributable income for any financial year if and to the extent Spring REIT has funds surplus to its business requirements.

[1] *Source: Bloomberg data. Total return calculation includes capital appreciation and distributions paid out, assuming distributions paid out were reinvested into the underlying security.*

New Financing for Long-Term Stability

The Manager consistently evaluates refinancing options for Spring REIT to maximize its returns on the portfolio and distributions to Unitholders. As announced on 19 December 2014 and 18 February 2015, Spring REIT, through its special purpose vehicle, namely RCA01, had signed a facility agreement with 16 international and local banks in connection to a new five-year floating rate secured term loan facility of US$480.00 million, and a new uncommitted revolving facility of US$20.00 million. The Manager is pleased to report that the US$480.00 million secured term loan received an overwhelming response from the banking community resulting in an oversubscription totalling US$1.47 billion, approximately 3.06 times of the issue size. The US$480.00 million term loan facility is expected to be drawn down in full in April 2015. The proceeds will be mainly used for the early repayment of the existing term loan and general working capital requirements.

There are two main benefits to obtaining such facilities. Firstly, the longer tenure of the new 5-year term loan facilities (compare with the existing 3-year term loan) would enhance the liquidity and financial resources of Spring REIT while reducing the pressure of refinancing on a more frequent manner. Secondly, the lower interest margin of the new term loan facilities of 2.75% (compared with the 3.5% of the existing 3-year term loan) would help reduce finance costs of Spring REIT over the next 5 years.

Composition of Manager's Fees in 2015

Pursuant to an announcement of Spring REIT on 29 December 2014, for the year ending 31 December 2015, the Manager has elected to receive its base fee 20% in the form of cash and 80% in the form of Units, and to receive the variable fee entirely in the form of cash.

Independent Non-executive Directors Remuneration Arrangement

In an effort to better align the interests of the independent non-executive directors of the Manager ("**INEDs**") with those of the Unitholders and provide an alternative mechanism for the INEDs to participate in the long term prospects of Spring REIT, the Manager has adopted in October 2014 an arrangement for the remuneration of the INEDs (the "**INED Remuneration Arrangement**"). The arrangement provides that each INED can elect to be paid partly or all in the form of Units (to be transferred from the Units held by the Manager) in place of cash. For the year 2015, all INEDs had elected to receive 100% of their remuneration in Units. For the avoidance of doubt, no new Units would be issued by Spring REIT because of this arrangement and all remunerations of INEDs either in cash or Units shall be paid from the assets of the Manager, not Spring REIT. The Manager expects no impact from this arrangement to net asset value and distribution per Unit.

In Memoriam

I report with deep regret the passing away of Dr. Tang Tin Sek on 2 December 2014. Dr. Tang was an independent non-executive director of the Board since the listing of Spring REIT. He was also the chairman of the Audit Committee, and a member of both the Remuneration Committee and the Disclosures Committee. On behalf of the Board, I would like to express our sincere appreciation for Dr. Tang's tremendous and valuable contribution to Spring REIT since its listing. Dr. Tang will be long remembered by his fellow directors, the management team and staff.

Outlook

In 2014, economic growth of China further moderated as it continued to rebalance away from a heavy reliance on investment and exports to a more consumption-based growth model. While its GDP growth of 7.4% in 2014 marks China's lowest since 1990, this was still the second highest among the world's largest economies only to fall behind India's 7.5% — a reminder that China remains a powerhouse of the global economy.

In response to the slowing economy, and enabled by a much reduced inflation, the People's Bank of China cut the benchmark lending rate on 21 November 2014 (for the first time since July 2012) and 1 March 2015 by a total 65 basis points, with one-year rates down from 6% to 5.35%. It will take time before the benefits of the rate cuts to the economy become apparent, but they had already served as immediate reliefs to concerns over China's slowdown by demonstrating that the central bank can and is willing to ease its monetary policy in order to sustain economic growth and development.

Meanwhile, for Grade-A office market in Beijing, the underlying tight supply-demand situation is expected to continue in 2015, with new supply of Grade-A office space expected to remain limited relative to the overall inventory. In 2015, about 18.5% of the existing office leases (in GFA terms) of Spring REIT is scheduled to expire, which includes SAP AG's lease that expired in March 2015, with almost the same size of office space already been committed by another renowned tenant Epson (China) Co. Ltd. and its affiliate. Under current economic conditions, we continue to see healthy take-ups for quality office space in Beijing CBD by multinational and domestic corporations that are well-established or benefiting from the growth of domestic sectors. Upon successfully drawdown of the new secured term loan and the repayment of the existing secured term loan (expected in April 2015), the savings from a lower interest margin will also contribute to Spring REIT's financial performance in the coming years.

It remains the Manager's strategy to effectively manage the Spring REIT's portfolio to maintain high occupancy and a well-diversified and high-quality tenant base. We will also continue to enhance communications with Unitholders, while exploring potential acquisitions that would further the prospects of Spring REIT.

Appreciation

I would like to take this opportunity to express my sincere gratitude to all the Unitholders for their trust and support. I would also like to thank the Manager's team and professional parties for their hard work and dedication.

On behalf of the Board, I extend my warmest welcome to Mr. Lam Yiu Kin, who has been appointed as an independent non-executive director of the Manager, as a member (and the chairman) of the Audit Committee and as a member of each of the Disclosures Committee and the Remuneration Committee on 12 January 2015.

Toshihiro Toyoshima
Chairman and Non-executive Director

Spring Asset Management Limited
(as manager of Spring REIT)
18 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Property and Market Overview

The Property

Spring REIT's principal assets includes two Premium Grade office buildings with a total GFA of 120,245 sqm and approximately 600 car parking space at China Central Place, Beijing, China (the "**Property**").

The Property is strategically located in the CBD of Beijing at the intersection of Jianguo Road (建國路) and West Dawang Road (西大望路), between the Third Ring Road and the Fourth Ring Road.

Property Valuation

According to property valuation performed by Colliers International (Hong Kong) Limited, (the "**Principal Valuer**"), the appraised value of the Property as at 31 December 2014 was RMB8,108.00 million (equivalent to US$1,306.58 million), representing an increase of RMB348.00 million or approximately 4.5% over the valuation as at 31 December 2013. The increase in appraised value was attributable to higher rental assumptions based on newly committed leases and a lower capitalisation rate of 6.75% (2013: 7.00%).

Office Market in Beijing CBD

Beijing CBD is a major business district of Beijing located on the east side of the city in Chaoyang District. It has traditionally covered the area around the intersection of Jianguo Road and East Third Ring Road and now extended eastward to include the East Fourth Ring Road. Beijing CBD is home to tenants from a wide range of industries, including finance and insurance, professional services, IT and hi-tech, among others. It is also the largest Grade-A office submarket in Beijing with a total stock of approximately 1.83 million sqm as at the end of 2014, accounting for 28.1% of the city's total Grade-A office space of 6.51 million sqm.[1]

The supply-demand dynamics of the Grade-A office market in Beijing CBD continued to be favorable in 2014. According to market research conducted by Jones Lang LaSalle, there was no new Grade-A office supply in Beijing CBD during 2014[1]. Meanwhile, demand for space in Beijing CBD was healthy, driven by the financial, IT, and professional services sectors. With a net absorption of approximately 120,000 sqm during the year 2014, the average occupancy rate of the Beijing CBD submarket trended higher to 94.9% at the end of 2014, from 88.0% at the end of 2013[1].

According to the market research conducted by Jones Lang LaSalle, future supply in Beijing CBD is expected to mainly come from the Zhongfu Plot, the only large-scale land plot under development in Beijing CBD. Nonetheless, the new supply is not expected to start entering the market until 2017, with the majority of the new supply likely to materialise from 2020 onwards[1]. The Manager will closely monitor the supply pipeline and ensure the Property is effectively managed under different market conditions.

[1] *Source: Jones Lang LaSalle Research, December 2014.*

Operating and Financial Review

Leasing Performance

In 2014, we furthered our efforts in delivering growth through positive rental reversions. Thanks to our proactive leasing management and favourable market conditions, we executed new and renewal leases at an average monthly spot rent of RMB378 per sqm, compared with RMB375 per sqm achieved in 2013. With 38.3% of the leases (in GFA terms as at 31 December 2014) entered into during the year 2014, the Group's passing rent increased. For the year ended 31 December 2014, average monthly passing rent grew 22.2% to RMB352 per sqm, from RMB288 per sqm for 2013.

The Property also enjoyed consistently high occupancy rate averaging around 96% for the year ended 31 December 2014.

In light of uncertainties over the near-term slowdown in the Chinese economy, the Manager will continue to put in efforts on tenant selection in favour of established tenants with strong business fundamentals than those who pay the highest rents but fall short in other aspects. The Manager firmly believes that a quality tenant base will contribute to sustaining the competitiveness of the Property.

Business Performance

The Group recorded excellent performance for the year ended 31 December 2014, as it continued to benefit from positive rental reversions of its premium assets. Total revenue of the Group increased by 22.8% year-on-year for the year ended 31 December 2014 to an all-time high of US$81.46 million.

Property operating expenses rose 14.7% year-on-year to US$19.28 million for the year ended 31 December 2014. Property operating expenses mainly comprise withholding tax, business and other tax (excluding stamp duty), and property tax, which accounted for 87.2% of the total. Property management fee, payable at 2.0% of total revenue, accounted for 8.5% of the property operating expenses.

Net property income rose 25.5% to US$62.17 million slightly higher than the corresponding increase in total revenue. Net property income margin increased by 1.7 percentage points to 76.3% for the year ended 31 December 2014, compared with 74.6% for 2013, reflecting good cost management and positive operating leverage.

Fair value gain of investment property increased to US$56.05 million for the year ended 31 December 2014, representing a 4.5% increase in fair value in RMB terms as compared with the appraised value as at 31 December 2013.

Finance Costs

Total finance costs (which mainly include interest expenses and gains or losses resulting from foreign exchange translations) came in at US$33.74 million for the year ended 31 December 2014, compared with US$17.30 million recorded in 2013. The interest expenses for the year ended 31 December 2014 came in at US$23.50 million, representing a decrease of 18.3% compared with US$28.78 million for 2013. This reduction in interest expenses is mainly attributable to the early principal repayment of US$50.00 million in January 2014, which reduced the notional loan principal amount to US$465.00 million and hence the interest amounts payable.

Non-cash Financial Impacts from Foreign Exchange Fluctuations

Primarily due to an approximately 1.8% depreciation in RMB against the USD, the Group recorded a foreign exchange loss of US$8.38 million during the year ended 31 December 2014 (2013: a gain of US$10.01 million). This is mostly attributable to the foreign currency translation of the USD-denominated term loan facility. Majority of this foreign exchange item is unrealized and therefore non-cash in nature and has no impact on the TDI of Spring REIT.

Currently, there is no currency hedging arrangement for the Group. The Manager will closely monitor and evaluate the development in the foreign exchange market.

Debt Positions

On 28 January 2013, Spring REIT, through RCA01 (the special purpose vehicle wholly owned by Spring REIT), entered into a loan agreement with certain lending banks in connection with a three-year floating rate secured term loan facility in the amount of US$515.00 million to be matured on 27 January 2016 (with an option to extend for a further period of one year) (the "**Existing Term Loan Facility**").

On 28 January 2014, RCA01 made a US$50.00 million early principal repayment, reducing the notional principal amount of the Existing Term Loan Facility to US$465.00 million.

As at 31 December 2014, the Existing Term Loan Facility of US$465.00 million was recognized to be US$460.68 million in the financial statements as of 31 December 2014, as such bank borrowing was carried at amortized cost in accordance with International Financial Reporting Standards. Bank borrowings are recognized initially at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

As at 31 December 2014, the gearing ratio (total borrowings to gross assets value) was 33.1%, down from 36.0% as at 31 December 2013.

Spring REIT, has on 19 December 2014, through its special purpose vehicle, RCA01, accepted and agreed to a form of legally binding commitment letter issued by Australia and New Zealand Banking Group Limited, Deutsche Bank AG, London Branch and Credit Suisse AG, Singapore Branch (collectively, the mandated lead arrangers, underwriters and bookrunners) in connection with a five year floating rate secured term loan facility of US$480.00 million ("**New Secured Term Loan**") and a new uncommitted revolving facility of US$20.00 million (together, the "**New Term Loan Facilities**").

On 18 February 2015, Spring REIT, through RCA01, entered into a facility agreement with respect to the aforementioned five year floating rate secured term loan facility of US$480.00 million and a new uncommitted revolving facility of US$20.00 million.

Upon the expected drawdown of the New Secured Term Loan of US$480.00 million in full in April 2015, the proceeds of which are intended to be used for the early repayment of the Existing Term Loan Facility in the amount of US$465.00 million, financing the fees and expenses incurred and to be incurred by RCA01 in connection with the New Term Loan Facilities, and/or its general working capital requirements. It is also the view of the Manager that, by obtaining the New Term Loan Facilities, the liquidity and financial resources of Spring REIT would be enhanced:

(i) The capital structure of Spring REIT would also be optimized by a longer term financing, reducing the pressure of doing the refinancing on a more frequent manner; and

(ii) Leveraging on the current low interest rate environment and the listed status of Spring REIT, the Manager is able to obtain a facility with a lower interest spread (the Existing Term Loan Facility has an interest margin of 350 basis points, whereas the New Term Loan Facilities have an interest margin of only 275 basis points), meaning that Spring REIT will be able to benefit from a reduced interest margin over the next five years.

Pledged Assets

As at 31 December 2014, Spring REIT's investment property, derivative financial instruments, rent receivables, restricted bank accounts, and RCA01's ordinary shares were pledged to secure the Term Loan Facility.

Throughout the year ended 31 December 2014, both Spring REIT and RCA01 have in material respects complied with all the terms and provisions of the Term Loan Facility.

Cash and Asset Positions

As at 31 December 2014, the Group's unrestricted cash amounted to US$24.29 million, compared with US$67.36 million as at 31 December 2013. The cash is generally placed in short-term deposits mostly denominated in US dollar. The Group's liquidity and financing requirements are reviewed regularly.

As at 31 December 2014, the Group's total time deposits and bank balances amounted to US$84.94 million, compared with US$126.97 million as at 31 December 2013.

As at 31 December 2014, the gross asset value of the Group was US$1,392.40 million, compared with US$1,403.68 million recorded on 31 December 2013.

The reduction of both the cash and cash equivalents, total time deposits and bank balances and gross assets was mostly because of the early principal repayment of US$50.00 million of the Term Loan Facility on 28 January 2014 and the payment of distributions to Unitholders.

Net Assets Attributable to Unitholders

During the Reporting Year, the appraised value of the Property recorded a 4.5% year-on-year increase to RMB8.11 billion (31 December 2013: RMB7.76 billion). As a result, net assets attributable to Unitholders increased to US$894.15 million from US$862.24 million a year ago.

The net asset value per Unit as at 31 December 2014 was HK$6.25 (31 December 2013: HK$6.09). This represents a 70.8% premium to the closing price of the Units of HK$3.66 on 31 December 2014.

New Units Issued

As at 31 December 2014, the total number of issued Units was 1,109,468,088. As compared with the position of 31 December 2013, a total of 11,468,088 new Units were issued during the Reporting Year.

Date	**Particulars**	**No. of Units**
31 December 2013	Beginning balance of total number of Units in issue.	1,098,000,000
21 March 2014	Issue of new Units to the Manager at the price of HK$2.871 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's fees for the 27 days period from 5 December 2013 (the Listing Date) to 31 December 2013.	+1,164,987
23 May 2014	Issue of new Units to the Manager at the price of HK$3.049 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's fees for the 3 months period ended 31 March 2014.	+3,694,154
28 July 2014	Issue of new Units to the Manager at the price of HK$3.357 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's fees for the 3 months period ended 30 June 2014.	+3,430,494
30 October 2014	Issue of new Units to the Manager at the price of HK$3.608 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's fees for the 3 months period ended 30 September 2014.	+3,178,453
31 December 2014	Ending balance of total number of Units in issue.	1,109,468,088

Capital Commitments

As at 31 December 2014, the Group did not have any significant capital commitments.

Employees

Spring REIT is managed by the Manager and did not directly employ any staff as at 31 December 2014.

CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Spring REIT in a transparent manner and with built-in checks and balances. The corporate governance policies of Spring REIT have been adopted with due regard to the requirements under Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, with necessary changes as if those rules were applicable to real estate investment trusts in Hong Kong.

The Manager was established for the sole purpose of managing Spring REIT. The Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles emphasize on a quality board of directors, sound internal control, transparency and accountability to all Unitholders. The Manager has adopted its compliance manual (the "**Compliance Manual**") for use in relation to the management and operation of Spring REIT, which sets out the key processes, systems and measures, and certain corporate governance policies and procedures to be applied for compliance with all applicable regulations and legislation.

Throughout the Reporting Year, both the Manager and Spring REIT have in material terms complied with the provisions of the Trust Deed, the Code on Real Estate Investment Trusts (the "**REIT Code**") and applicable provisions of the Securities and Futures Ordinance (the "**SFO**") and the Listing Rules.

The Manager and Spring REIT have also in material terms complied with the provisions of the Compliance Manual and the corporate governance policy throughout the Reporting Year. Key components of the governance framework and the corporate governance report for the year ended 31 December 2014 will be set out in the forthcoming annual report.

Authorization Structure

Spring REIT is a collective investment scheme authorised by the Securities and Futures Commission (the "**SFC**") under Section 104 of the SFO and regulated by certain laws, regulations and documents including the provisions of the REIT Code. The Manager is licensed by the SFC under Section 116 of the SFO to conduct the regulated activity of asset management. As at the date of this announcement, Mr. LAU Jin Tin, Don (Executive Director of the Manager), Mr. Nobumasa SAEKI (Executive Director of the Manager) and Mr. CHUNG

Wai Fai (Senior Vice President of the Manager) are the responsible officers of the Manager pursuant to the requirements under Section 125 of the SFO and Paragraph 5.4 of the REIT Code. Mr. Lau Jin Tin, Don, an Executive Director, was appointed by the SFC as an approved person of the Manager pursuant to Sections 104(2) and 105(2) of the SFO.

DB Trustees (Hong Kong) Limited, in its capacity as trustee of Spring REIT, is registered as a trust company under Section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong). It is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

Purchase, Sale or Redemption of Units

There was no purchase, sale or redemption of the Units by the Manager on behalf of Spring REIT or any of the special purpose vehicles that are owned and controlled by Spring REIT during the year ended 31 December 2014.

Investments in Property Development and Relevant Investments

As at 31 December 2014, Spring REIT did not enter into any (i) investments in Property Development and Related Activities (as defined in the REIT Code); and (ii) Relevant Investments (as defined in the REIT Code).

Foreign Account Tax Compliance Act ("FATCA")

Hong Kong and the United States ("**U.S.**") have signed a Model 2 inter-governmental agreement ("**IGA**") on 13 November 2014. Pursuant to the IGA, a Hong Kong "financial institutions" will need to register with US Internal Revenue Service ("**IRS**"). As Spring REIT is recognised as a "financial institution" for the purpose of FATCA, the Manager, in its capacity as the "Sponsoring Entity" of Spring REIT, has registered with the IRS on 27 June 2014 and the registration was approved on 29 June 2014.

Public Float of the Units

Based on information that is publicly available and within the knowledge of the directors of the Manager, Spring REIT has maintained a public float of not less than 25% of the issued and outstanding Units as at 31 December 2014.

Review of Final Results

The consolidated final results of Spring REIT for the Reporting Year have been reviewed by the Disclosures Committee and Audit Committee of the Manager in accordance with their respective terms of reference. The consolidated annual results of Spring REIT for the Reporting Year have also been audited by the auditor of Spring REIT, PricewaterhouseCoopers, Certified Public Accountants, in accordance with International Auditing Standards.

Issuance of the Annual Report 2014

The annual report of Spring REIT for the year ended 31 December 2014 will be published on the respective websites of the Stock Exchange at www.hkexnews.hk and Spring REIT at www.springreit.com, and will be sent to Unitholders on or before 30 April 2015.

Annual General Meeting

The 2015 annual general meeting of Spring REIT will be held on or around 14 May 2015, Thursday, notice of which will be published and given to Unitholders in due course.

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

Hong Kong, 18 March 2015

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

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**Year ended 31 December**		For the period from 5 December 2013 (date of listing) to 31 December
		2014	2013	2013
		US$'000	*US$'000*	*US$'000* *(note iv)*
Revenues	*5*	**81,458**	66,349	5,377
Property operating expenses	*6*	**(19,285)**	(16,813)	(1,467)
Net property income		**62,173**	49,536	3,910
General and administrative expenses	*7*	**(10,309)**	(4,959)	(619)
Fair value gain of investment property	*12*	**56,048**	49,184	–
Other losses, net	*8*	**(1,252)**	(7,021)	(266)
Operating profit		**106,660**	86,740	3,025
Finance income		**467**	384	85
Finance costs on interest-bearing borrowings	*9*	**(33,742)**	(17,302)	456
Profit for the year, before transactions with Unitholders *(note i)*		**73,385**	69,822	3,566
Distributions paid to Unitholders:				
— 2013 special distribution *(note ii)*		**(9,912)**	–	
— 2013 final distribution *(note iii)*		**(2,248)**	–	–
— 2014 interim distribution *(note iii)*		**(19,768)**	–	–
		41,457	69,822	3,566
Represented by:				
Change in net assets attributable to Unitholders, excluding issuance of new units		**27,062**	7,354	7,354
Amount arising from exchange reserve movements regarding translations of financial statements/profit for the year after transactions with Unitholders		**14,395**	62,468	(3,788)
		41,457	69,822	3,566

Notes:

(i) Earnings per unit, based upon profit for the year, before transactions with Unitholders and the weighted average of number of units in issue, is set out in note 11.

(ii) This represents the 2013 special distribution of US$9,912,000 paid during the year.

(iii) 2014 interim distribution and 2013 final distribution of US$19,768,000 and US$2,248,000 respectively were paid during the year. Total distribution for the year ended 31 December 2014 is presented in the statement of distributions.

(iv) The financial results from 5 December 2013 (date of listing) to 31 December 2013 were disclosed for Unitholder's benefit of understanding the performance of Spring REIT after the listing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Before transactions with Unitholders US$'000	Transactions with Unitholders US$'000 (note i)	After transactions with Unitholders US$'000
For the year ended 31 December 2014				
Profit for the year/change in net assets attributable and distribution paid to Unitholders		**73,385**	**(58,990)**	**14,395**
Other comprehensive loss:				
Items that may be reclassified to consolidated income statement				
Exchange losses on translation of financial statements		**(14,395)**	**–**	**(14,395)**
Total comprehensive income for the year	*ii*	**58,990**	**(58,990)**	**–**
For the year ended 31 December 2013				
Profit for the year/change in net assets attributable to Unitholders		69,822	(7,354)	62,468
Other comprehensive income:				
Items that will not be reclassified subsequently to consolidated income statement				
Exchange gains on translation of financial statements		14,760	–	14,760
Items that may be reclassified to consolidated income statement				
Exchange gains on translation of financial statements		3,788	–	3,788
Total comprehensive income for the year		88,370	(7,354)	81,016

Notes:

(i) Transactions with Unitholders comprise the 2013 special distributions paid to Unitholders of US$9,912,000, 2013 final distribution of US$2,248,000, 2014 interim distribution of US$19,768,000 and change in net assets attributable to Unitholders, excluding issuance of new units of US$27,062,000 (2013: US$7,354,000).

(ii) In accordance with the Trust Deed, Spring REIT is required to distribute not less than 90% of total distributable income to Unitholders for each financial year. Accordingly, the units contain contractual obligations of Spring REIT to pay cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with International Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders' funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issuance of new units, are part of finance costs which are recognized in the consolidated income statement. Accordingly, since the listing of the Spring REIT, the total comprehensive income, after transactions with Unitholders is zero.

STATEMENT OF DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2014

	For the year ended 31 December 2014 *USD'000*	For the period from 5 December 2013 (date of listing) to 31 December 2013 *USD'000*
Profit before transactions with Unitholders	**73,385**	3,566
Adjustments:		
— Fair value gain of investment property	**(56,048)**	–
— Fair value losses of derivative financial instruments	**695**	28
— Manager fee payable in units in lieu of cash	**5,918**	410
— Amortization of transaction cost for the bank borrowings	**5,372**	570
— Unrealized foreign exchange losses/(gains)	**8,377**	(2,326)
Distributable income for the year/period *(note i)*	**37,699**	2,248
Interim distribution, paid *(note iii)*	**(19,768)**	–
Amount available for final distribution	**17,931**	2,248
Final distribution, to be paid	**17,931**	2,248
Total distribution of the year/period *(note ii)*	**37,699**	2,248
As a percentage of amount available for distribution	**100%**	100%
Distributions per unit to Unitholders		
— Interim distribution per unit, paid *(note iii)*	**HK 13.9 cents**	–
— Final distribution per unit, to be paid *(note iv)*	**HK 12.5 cents**	HK 1.6 cents
Distribution per unit for the year/period *(note iv)*	**HK 26.4 cents**	HK 1.6 cents
Special distribution per unit, paid *(note v)*	**–**	HK 7.0 cents
Total	**HK 26.4 cents**	HK 8.6 cents

Notes:

(i) Under the terms of the Trust Deed, the distributable income represents the profit for the year/period before transactions with Unitholders, adjusted to eliminate the effects of certain non-cash transactions which have been recorded in the consolidated income statement for the year/period.

(ii) In accordance with the terms of the Trust Deed, Spring REIT is required to distribute to Unitholders not less than 90% of its total distributable income for each financial year. As disclosed in the offering circular dated 25 November 2013, it is the Manager's intention to distribute 100% of Spring REIT's total distributable income for the period from the Listing Date to 31 December 2013 and the financial year ended 31 December 2014, and thereafter not less than 90% of its total distributable income for each subsequent financial period. The Manager also has the discretion to make distributions over and above the minimum 90% of Spring REIT's total distributable income if and to the extent Spring REIT has funds surplus to meet its business requirements.

(iii) Interim distribution of US$19,768,000 included (i) distributable income for the six months ended 30 June 2014 of US$19,748,000 and (ii) discretionary distribution of US$20,000. The interim distribution per unit for the six months ended 30 June 2014 was calculated based on the interim distribution of US$19,768,000 for the period and 1,102,859,141 units in issue as at 30 June 2014. The interim distribution was paid to Unitholders on 30 September 2014.

(iv) The final distribution per unit of HK12.5 cents for the year ended 31 December 2014 is calculated based on the final distribution to be paid to Unitholders of US$17,931,000 for the second half of the financial year and 1,109,468,088 units in issue as at 31 December 2014. The final distribution for the year ended 31 December 2014 is expected to be paid to Unitholders on 22 April 2015. Such final distributions per unit, however, may be subject to adjustment upon the issuance of new units between 1 January 2015 and 10 April 2015 (the "record date"), if any.

The final distribution per unit of HK1.6 cents for the period from 5 December 2013 to 31 December 2013 is calculated based on the final distribution paid to the Unitholders of US$2,248,000 for the period and 1,102,859,141 units in issue as at 30 June 2014, rounded to the nearest HK$0.1 cent. The final distribution for the year ended 31 December 2013 was paid to Unitholders on 30 September 2014.

(v) A special distribution per unit of HK 7.0 cents amounting to a total of US$9,912,000 was declared by the Manager on 17 March 2014, and was paid on 16 May 2014.

(vi) All distributions to Unitholders are determined and paid in HK$.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		As at 31 December	
		2014	2013
	Notes	***US$'000***	*US$'000*
Non-current assets			
Investment property	*12*	**1,306,583**	1,272,778
Derivative financial instruments	*13*	**85**	780
Total non-current assets		**1,306,668**	1,273,558
Current assets			
Trade and other receivables	*14*	**784**	3,156
Restricted bank balances	*15*	**60,657**	59,610
Cash and cash equivalents	*15*	**24,286**	67,360
Total current assets		**85,727**	130,126
Total assets		**1,392,395**	1,403,684
Current liabilities			
Trade and other payables	*16*	**13,970**	14,728
Rental deposits	*16*	**23,588**	21,913
Total current liabilities		**37,558**	36,641
Net current assets		**48,169**	93,485
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	*17*	**460,683**	504,799
Total liabilities, excluding net assets attributable to Unitholders		**498,241**	541,440
Net assets attributable to Unitholders		**894,154**	862,244
Total assets less current liabilities		**1,354,837**	1,367,043
Units in issue *('000)*	*18*	**1,109,468**	1,098,000
Net asset value per unit attributable to Unitholders			
In US$		**0.81**	0.78
In HK$		**6.25**	6.09

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Reserves *US$'000* *(note)*	Net assets attributable to Unitholders *US$'000*	Total *US$'000*
As at 1 January 2014	**–**	**862,244**	**862,244**
Profit for the year, before transactions with Unitholders	**–**	**73,385**	**73,385**
Exchange losses on translation of financial statements	**(14,395)**	**–**	**(14,395)**
Amount arising from exchange reserve movements	**14,395**	**(14,395)**	**–**
Distributions paid to Unitholders:			
— 2013 special distribution	**–**	**(9,912)**	**(9,912)**
— 2013 final distribution	**–**	**(2,248)**	**(2,248)**
— 2014 interim distribution	**–**	**(19,768)**	**(19,768)**
Change in net assets attributable to Unitholders for the year ended 31 December 2014, excluding issues of new units	**–**	**27,062**	**27,062**
Issuance of units	**–**	**4,848**	**4,848**
As at 31 December 2014	**–**	**894,154**	**894,154**

Note: Reserves include exchange reserve, arising from translation of financial statements, and retained earnings, representing amount set aside to offset exchange reserve movements.

	Equity				
	Pre-listing equity				
	Other reserves	**Retained earnings**	**Reserves** *(note)*	**Net assets attributable to Unitholders**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 1 January 2013	182,028	584,019	–	–	766,047
Profit for the year, before transactions with Unitholders	–	66,256	–	3,566	69,822
Exchange gains on translation of financial statements	14,760	–	3,788	–	18,548
Amount arising from exchange reserve movements	–	–	(3,788)	3,788	–
Total comprehensive income for the year/change in net assets attributable to Unitholders	14,760	66,256	–	7,354	88,370
Exchange gains on translation of redeemable preference shares	4,924	–	–	–	4,924
Dividend:					
— Reimbursement of issuance cost to RCA Fund 01, LP. ("RCA Fund")	–	(1,445)	–	–	(1,445)
— Dividend payable to RCA01's redeemable preference shareholders	–	(43,589)	–	–	(43,589)
Issuance of units:					
— Units issued to RCA Fund to acquired RCA01	(201,712)	(605,241)	–	806,953	–
— Units issued to public	–	–	–	47,937	47,937
	196,788	(650,275)	–	854,890	7,827
As at 31 December 2013	–	–	–	862,244	862,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 GENERAL INFORMATION

Spring REIT is a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Spring REIT was established on 25 November 2013 and was listed on The Stock Exchange of Hong Kong Limited on 5 December 2013. Spring REIT is governed by the Trust Deed entered into between Spring Asset Management Limited (the "Manager") and DB Trustees (Hong Kong) Limited (the "Trustee") on 14 November 2013, and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong. The addresses of the registered offices of the Manager, Spring Asset Management Limited, and of the trustee of the Spring REIT, DB Trustees (Hong Kong) Limited, are Room 2801, 28/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong and 52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

The principal activity of Spring REIT and RCA01, its wholly owned subsidiary (together, the "Group") is to invest in income-producing real estate assets.

The consolidated financial statements are presented in United States dollars ("US$"). The functional currency of Spring REIT is in Hong Kong dollars ("HK$"), the distribution of Spring REIT is determined and paid in HK$.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during the year unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), the requirements of the Trust Deed and the relevant disclosure requirements as set out in Appendix C of the REIT Code issued by the Securities and Futures Commission of Hong Kong.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

New standards, amendments and interpretations adopted by the Group

The Group has adopted all of the new and revised standards and amendments issued by the International Accounting Standard Board that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2014.

New standards, amendments and interpretations effective in 2014 which are relevant to the Group's operations:

IAS 32 Amendments	Financial Instruments: Presentation on Assets and Liabilities Offsetting
IAS 36 Amendments	'Impairment of assets' on Recoverable Amount Disclosure
IAS 39 Amendments	'Financial Instruments: Recognition and Measurement' Novation of derivatives
IFRS 10, IFRS 12 Amendments and IAS 27	Consolidation for Investment Entities
IFRIC Interpretation 21	Levies

The adoption of these new standards, amendments and interpretations does not have a material impact on the accounting policies or results and the financial position of the Group.

New standards, amendments, interpretations or improvements to existing standards not yet adopted

The following new or revised standards, amendments to standards are in issue but not yet effective, and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
IAS 19 Amendments	Defined Benefit Plans: Employee Contribution	1 July 2014
Annual Improvements 2012	Annual Improvements to IFRSs 2010–2012 cycle	1 July 2014
Annual Improvements 2013	Annual Improvements to IFRSs 2011–2013 cycle	1 July 2014
IAS 16 and IAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IAS 16 and IAS 41 Amendments	Agriculture: Bearer Plant	1 January 2016
IAS 27 Amendments	Equity Method in Separate Financial Statements	1 January 2016
IAS 28 and IFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
Annual Improvements 2014	Annual Improvements to IFRSs 2012–2014 cycle	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

The Group will apply the above new standards, interpretation, amendments or improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the impact of these new standards, interpretation, amendments or improvements to existing standards, and anticipated that the adoption of new standards, interpretation, amendments or improvements to existing standards will not have a material effect on the Group's operating result or financial position.

(b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of Spring REIT and its subsidiary as at 31 December 2014 and their results for the year then ended.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, for rental income in the ordinary course of the Group's activities. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Rental and car park income

Operating lease rental income from investment property is recognized in the consolidated income statement on a straight-line basis over the terms of lease agreements. Lease incentives provided, such as rent-free periods, are amortized on a straight-line basis and are recognized as a reduction of rental income over the respective term of the lease.

(ii) Interest income

Interest income is recognized on a time proportion basis using the effective interest method.

(d) Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss.

(e) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at its fair value at the end of each reporting year. The change in the fair value is recognized in the consolidated income statement.

(f) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognized as deferred rent receivables. The aggregate benefit of incentives is recognized as a reduction of rental income on a straight-line basis.

(g) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(h) Interest-bearing borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(i) Borrowing costs

Borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

(j) Payables and provisions

(i) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(ii) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

(iii) Rental deposit

Rental deposits arise when the Group enters into lease agreement directly with a tenant. Such deposits are included in current liabilities, as they are expected to be realized in the Group's normal business operating cycle.

(k) Taxation

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the People's Republic of China ("PRC") where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The Group is a foreign enterprise established outside the PRC, and paid withholding taxation charged at 10% over the revenues derived from the investment property. Deferred tax liabilities have not been established for the withholding taxation, since the withholding tax, which is based on gross revenues rather than profits, is an operating expense.

(l) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Spring REIT's functional currency is Hong Kong dollars. The consolidated financial statements are presented in United States dollars to facilitate analysis of financial information by Unitholders.

The Group's functional currency is different from the presentation currency and the results and financial position are translated into the presentation currency as follows:

(i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within other gains or losses.

Translation differences on non-monetary financial assets and liabilities such as derivatives held at fair value through profit or loss are recognized in the consolidated income statement as part of the fair value gains or losses. Translation differences on other non-monetary financial assets are included in other comprehensive income.

(m) Unitholders' funds as a financial liability

In accordance with the Trust Deed, Spring REIT is required to distribute to Unitholders not less than 90% of the Group's total distributable income for each financial year. Accordingly, the units contain a contractual obligation of the trust to pay to its Unitholders cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with IAS 32: Financial Instruments: Presentation. This liability is shown on the consolidated statement of financial position as the net assets attributable to Unitholders.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Market risk

(i) Foreign exchange risk

The subsidiary of the Group operates in the PRC with functional currency in Renminbi ("RMB") and is therefore exposed to foreign exchange risk arising from commercial transactions, and from recognized assets and liabilities that are denominated in non-functional currency. This is primarily with respect to the US$.

The Group currently does not have foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider entering into forward foreign exchange contracts to reduce the exposure should the need arise.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against the US$ with all other variables held constant, profit for the year would have been increased/decreased by US$21,011,000 (2013: US$23,282,000) respectively, mainly as a result of foreign exchange differences on translation of monetary assets and liabilities being denominated in a currency that is not the functional currency items such as cash and bank balance, derivative financial instruments, other payables and borrowings. Foreign exchange differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from its long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits at variable rate. Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use plain vanilla interest rate caps to manage the risk where the Group forecasts a significant rise in interest rate in the foreseeable future.

The Group entered into two plain vanilla interest rate caps with notional principal amounts of US$260 million and US$255 million in February 2013 to economically hedge the interest rate risk arising from the variable rate bank borrowings with principal amount of US$515 million at draw down. The US dollar London Interbank Offered Rate ("LIBOR") interest rate is capped at 1.3% until the maturity of the caps in January 2016.

As at 31 December 2014, if interest rates had been 10 basis points higher/lower with all other variables held constant, profit for the year would have been US$380,000 (2013: US$388,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings offset by bank deposits at variable rate.

(b) Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under financial contracts. The Group is exposed to credit risk on its deposits with financial institutions, derivative financial instruments, trade and other receivables.

For deposits with financial institutions, the Group has limited its credit exposure by restricting their selection of financial institutions to reputable banks with sound credit ratings.

In respect of credit exposures to trade and other receivables, credit risk exposure is minimized by undertaking transactions with a large number of counterparties and conducting credit reviews on prospective tenants. Monthly rentals are payable in advance by tenants in accordance with the leases. The Group also has policies in place to ensure that rental security deposits are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses is made for irrecoverable amounts.

In respect of rental receipts handled by the property manager, no significant credit risk is expected as the bank account which receives rental income of the Group is under the supervision of the Manager.

(c) Liquidity risk

Cash flow forecasting is performed by the Group's finance function ("Group Finance"). Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities (note 17) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial position ratio targets and, if applicable external regulatory or legal requirements.

Liquidity risk management includes maintaining sufficient cash, the availability of funding from operating cash flow and seeking stable financing activities. The Group will continue to monitor market conditions to assess the possibility of arranging longer term refinancing at favorable rates and extending the maturity profile of its debts.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows which comprise both interest and principal cash flows.

	Within 1 year *US$'000*	**Between 1 and 2 years** *US$'000*	**Between 2 and 5 years** *US$'000*
At 31 December 2014			
Accruals and other payables	**2,604**	**–**	**–**
Rental deposit	**4,645**	**9,412**	**9,531**
Interest payable on borrowings	**19,484**	**1,589**	**–**
Interest-bearing borrowings	**–**	**465,000**	**–**

	Within 1 year *US$'000*	Between 1 and 2 years *US$'000*	Between 2 and 5 years *US$'000*
At 31 December 2013			
Accruals and other payables	1,292	–	–
Rental deposit	5,106	4,971	11,836
Interest payable on borrowings	20,947	25,960	2,251
Interest-bearing borrowings	–	–	515,000

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Unitholders.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total assets.

	As at 31 December	
	2014 *US$'000*	2013 *US$'000*
Total borrowings *(note 17)*	**460,683**	504,799
Total assets	**1,392,395**	1,403,684
Gearing ratio	**33.1%**	36.0%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See note 12 for disclosures of the investment property that is measured at fair value.

The following table presents financial instruments that are measured at fair values.

At 31 December 2014	**Level 1** ***US$'000***	**Level 2** ***US$'000***	**Level 3** ***US$'000***	**Total** ***US$'000***
Asset				
Derivative financial instruments	**–**	**85**	**–**	**85**

At 31 December 2013	Level 1 *US$'000*	Level 2 *US$'000*	Level 3 *US$'000*	Total *US$'000*
Asset				
Derivative financial instruments	–	780	–	780

There were no transfers between levels 1 and 2 during the year.

Valuation techniques used to derive level 2 fair values:

The level 2 derivative financial instruments represented plain vanilla interest rate cap contracts which are not traded in an active market. The fair values of these derivative financial instruments are based on prices quoted by financial institutions, which are determined using forward prices at the end of the reporting period.

There were no changes in valuation techniques during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates of fair value of investment property

The fair value of each investment property is individually determined at each reporting date by independent valuer using valuation techniques. Details of the judgement and assumptions have been disclosed in note 12.

(b) Estimates of fair values of derivatives

Fair values of derivative financial instruments have been arrived at using valuations provided by the counterparty banks for each reporting year with reference to market data such as interest rates and exchange rates. Actual results may differ when assumptions and selections of valuation technique changes.

(c) Taxation

The Group is a foreign enterprise established outside the PRC. The Group is subject to various taxes in the PRC. Significant judgement is required in determining the provision for taxation including deferred taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxation and deferred tax.

5 REVENUE AND SEGMENT INFORMATION

The Group holds an investment property in the PRC and is principally engaged in property investment. Revenue mainly consists of rental income from tenants. Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker, that are used to make strategic decisions. Given that management review the operating results of the Group on an aggregate basis, no segment information is therefore presented.

The Group's revenues from tenants are derived solely from its operation in the PRC and the non-current assets of the Group are also mainly located in the PRC.

An analysis of revenues of the Group is as follows:

	Year ended 31 December		For the period from 5 December 2013 (date of listing) to 31 December
	2014	2013	2013
	US$'000	*US$'000*	*US$'000*
Rental income	**79,678**	65,746	5,277
Car park income	**803**	494	38
Other income *(note)*	**977**	109	62
	81,458	66,349	5,377

Note: Other income mainly represents compensation paid by tenants for early termination of lease.

6 PROPERTY OPERATING EXPENSES

	Year ended 31 December		For the period from 5 December 2013 (date of listing) to 31 December
	2014	2013	2013
	US$'000	*US$'000*	*US$'000*
Property management fee	**1,636**	1,374	128
Property tax *(note i)*	**4,034**	3,954	287
Business and other tax *(note ii)*	**4,624**	3,989	357
Withholding tax *(note iii)*	**8,221**	6,940	647
Leasing commission	**635**	409	13
Others	**135**	147	35
	19,285	16,813	1,467

Notes:

(i) Property taxes represent real estate tax and land use tax.

(ii) Business tax and other taxes represent business tax, urban construction and maintenance tax, education surcharge and stamp duty.

(iii) Withholding tax in the PRC is calculated based on 10% of the revenues received from rental operation.

7 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December		For the period from 5 December 2013 (date of listing) to 31 December
	2014	2013	2013
	US$'000	*US$'000*	*US$'000*
Manager fee *(note i)*	**7,397**	513	513
Asset management fee *(note i)*	**–**	3,710	–
Trustee fee	**235**	31	31
Valuation fee	**50**	20	3
Others *(note ii)*	**2,627**	685	72
	10,309	4,959	619

Notes:

(i) Pursuant to an agreement signed between RCA01 and AD Capital Co., Ltd, an asset management fee would be charged to RCA01 for services such as casualty insurance review, monitoring of the property manager, construction, renovation and leasing of the Group's investment property, financial reporting, financing and business plan preparation. The asset management agreement was terminated on 2 December 2013, and thereafter has been replaced by the Trust Deed, which the Manager is entitled to receive a manager fee after the listing of the Spring REIT on 5 December 2013. The breakdown of the Manager's fee was set out in note 10.

(ii) Others mainly comprise legal fees, advisory fees and other professional fee.

8 OTHER LOSSES, NET

	Year ended 31 December		For the period from 5 December 2013 (date of listing) to 31 December
	2014	2013	2013
	US$'000	*US$'000*	*US$'000*
Derivative financial instruments at fair value through profit or loss:			
Net fair value losses	**695**	1,652	28
Foreign exchange losses	**538**	5,338	238
Other miscellaneous loss	**19**	31	–
	1,252	7,021	266

9 FINANCE COSTS

	Year ended 31 December		For the period from 5 December 2013 (date of listing) to 31 December
	2014	2013	2013
	US$'000	*US$'000*	*US$'000*
Interest expenses on bank borrowings *(note i)*	**23,503**	28,778	2,108
Foreign exchange losses / (gains) on bank borrowings *(note ii)*	**7,839**	(15,343)	(2,564)
Other incidental borrowing costs *(note iii)*	**2,400**	3,867	–
Total	**33,742**	17,302	(456)

Notes:

(i) Interest expenses on bank borrowings comprised contractual loan interest and amortized loan arrangement fee, which were recognized using the effective interest rate method.

(ii) Foreign exchange losses and gains on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies to RMB. The exchange gains and losses on bank borrowings during the year ended 31 December 2013 and 2014, were mainly arisen from the appreciation and depreciation of RMB against US$ respectively.

(iii) Others incidental borrowing costs comprise loan arrangement fee, derecognition of unamortized loan arrangement fee and bank charge.

10 MANAGER'S FEE

	Year ended 31 December		For the period from 5 December 2013 (date of listing) to 31 December
	2014	2013	2013
	US$'000	*US$'000*	*US$'000*
Base fee	**5,542**	395	395
Variable fee	**1,855**	118	118
	7,397	513	513

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as the manager of Spring REIT, which is the aggregate of:

(i) Base fee at 0.4% per annum of the value of the Deposited Property (as defined in the Trust Deed).

(ii) Variable fee at 3.0% per annum of the Net Property Income (as defined in the Trust Deed) (before deduction therefrom of the base fee and variable fee).

11 EARNINGS PER UNIT

	For the year ended 31 December 2014 *US$'000*	For the period from 5 December 2013 (date of listing) to 31 December 2013 *US$'000*
Profit for the year/period, before transactions with Unitholders	**73,385**	3,566
Weighted average number of units for the year/period for calculating basic earnings per unit	**1,103,194,007**	1,098,000,000
Adjustment for units issuable in respect of the Manager fee	**3,155,592**	1,003,894
Weighted average number of units for the year/period for calculating diluted earnings per unit	**1,106,349,599**	1,099,003,894
Basic earnings per unit based upon profit before transactions with Unitholders	**US 6.65 cents**	US 0.32 cents
Diluted earnings per unit based upon profit before transactions with Unitholders	**US 6.63 cents**	US 0.32 cents

12 INVESTMENT PROPERTY

Detail of the movements of investment property is as follows:

	For the year ended 31 December 2014 *US$'000*	2013 *US$'000*
At beginning of the year	**1,272,778**	1,186,859
Exchange differences recognized in other comprehensive income	**(22,243)**	36,735
Changes in fair value recognized in consolidated income statement	**56,048**	49,184
At end of the year	**1,306,583**	1,272,778

The investment property comprises office tower 1 & 2 and approximately 600 car parking spaces located at No. 79 and 81 Jianguo Road, Beijing, the PRC. Land use rights have been granted to RCA01 for a 50-year term expiring on 28 October 2053.

As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment property (2013: Nil).

As at 31 December 2014, the investment property was pledged to secure the Group's bank borrowings (note 17).

Valuation Process

The Group's investment property was valued by an independent professionally qualified valuer who holds a recognized relevant professional qualification and have recent experience in the locations and segments of the investment property valued.

The Manager reviewed the valuations performed by the independent valuer for financial reporting purpose. Discussions of valuation processes and results are held between the Manager and the independent valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2014 and 2013, the fair values of the investment property have been determined by Colliers International (Hong Kong) Limited. The independent valuer used the discounted cash flow method and income capitalization approach for the valuation.

Changes in Level 2 and 3 fair values are revisited at each reporting date. As part of this discussion, the team presented reports that explain the reasons for the fair value movements.

Valuation techniques

The discounted cash flow method in the context of property valuation is defined in International Valuation Standards as a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property. In operating real property, periodic cash flow is typically estimated as gross income less vacancy and operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value which is anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

The income capitalization approach estimates the value of the property on an open market basis by capitalizing net rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. In calculating the net rental income, no deduction has been made from the net passing rental income which is exclusive of property management fee. In this valuation method, the total rental income is divided into a current passing rental income over the existing lease term (the term income) and a potential future reversionary rental income over the residual land use term (the reversionary income). The term value involves the capitalization of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease over the residual land use rights term and is capitalized on a fully leased basis. It is then discounted back to the date of valuation. In this approach, the valuer has considered the term yield and reversionary yield. The term yield is used for capitalization of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

Fair value hierarchy

	Fair value measurements at 31 December 2014 using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	US$'000	*US$'000*	*US$'000*
Recurring fair value measurements investment property	–	–	1,306,583

There were no transfers between levels 1, 2 and 3 during the year of 2014.

Key unobservable inputs used to determine fair values

(a) Capitalization rate

This is estimated based on the market lease over market value on comparables. The higher the capitalization rates used, the lower the fair values of the investment property. In the 31 December 2014 valuation, a capitalization rate of 6.75% (2013: 7%) is used in the income capitalization approach; and a net terminal capitalization rate of 5.75% (2013: 6%) is used in the discounted cash flow method.

(b) Discount rate

This is estimated based on cost of capital of a rate of return used to convert a monetary sum, payable or receivable in the future into present value. The higher the discount rates used, the lower the fair values of the investment property. In the 31 December 2014 valuation, a discount rate of 8.75% (2013: 9%) is used in the discounted cash flow method.

(c) Base rent

This is estimated based on the market lease comparables. The higher the base rent used, the higher the fair value of the investment property. For the year ended 31 December 2014, an average gross monthly office unit base rent of RMB425 (2013: RMB410) per square meter is used in the valuation.

As at 31 December 2014, if the market value of investment property had been 5% higher/lower with all other variables held constant, the carrying value of the Group's investment property would have been US$65,329,000 (2013: US$62,700,000) higher/lower.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
Non-current assets		
Interest rate caps	**85**	780

The Group has entered into certain interest rate caps as part of its financial risk management but did not account for these as accounting hedges under IAS 39. Plain vanilla interest rate cap is used to hedge the interest payments of variable debt instruments and the relevant floating interest rate risk.

The aggregated notional principal amount of outstanding plain vanilla interest rate caps as at 31 December 2014 was US$515 million (2013: US$515 million).

The Group recorded fair value losses on derivative financial instruments for the year ended 31 December 2014 amounting to US$695,000 (2013: US$1,652,000) (note 8) which were charged to the consolidated income statement.

The maximum exposure to credit risk at the reporting date is the carrying values of the derivative financial instruments.

As at 31 December 2014 and 2013, the Group's derivative financial instruments were pledged to secure the Group's bank borrowings (note 17).

14 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
Deferred rent receivables	**729**	3,147
Prepayment	**55**	9
	784	3,156

Notes:

(i) Trade and other receivables are denominated in RMB and the carrying amounts of these receivables approximate their fair values.

Monthly rentals are payable in advance by tenants in accordance with the leases while daily gross receipts from car parks are received from the car park operators in arrears.

(ii) The Group's exposure from outstanding rent receivables is generally fully covered by the rental deposits from the corresponding tenants (note 16).

(iii) As at 31 December 2014 and 2013, the Group's rent receivables and all future rent receivables were pledged to secure the Group's bank borrowings (note 17).

There is no rent receivable as at 31 December 2014 and 2013.

15 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
Restricted bank balances	**60,657**	59,610
Cash and cash equivalents	**24,286**	67,360
Total time deposits and bank balances	**84,943**	126,970

Restricted bank balances and unrestricted, cash and cash equivalents and are denominated in the following currencies:

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
US$	**50,113**	49,365
RMB	**34,195**	30,803
HK$	**635**	46,692
JPY	**–**	110
	84,943	126,970

Restricted bank balances are related to bank accounts restricted under the bank borrowing facility agreements and were charged to the facility agent, the Australia and New Zealand Banking Group Limited, of the Group's bank borrowings (note 17). Prior consent from facility agent must be obtained before transfer and withdrawal of funds in the restricted bank accounts.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. Included in the unrestricted bank balances, there is an amount of US$635,000 which is denominated in RMB (2013: US$5,000).

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
Bank balances	**84,943**	126,860
Short-term bank deposits	**–**	110
	84,943	126,970

16 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
Rental deposits ***(note i)***	**23,588**	21,913
Trade and other payables		
Rental receipts in advance	**6,448**	8,639
Provision for withholding tax	**1,375**	743
Provision for other taxes *(note ii)*	**411**	410
Accrued expenses and other payables	**5,736**	4,936
	13,970	14,728

Notes:

(i) Rental deposits are classified as current liabilities on the basis that it is expected to be realized in the Group's normal rental business operating cycle. The ageing analysis is as follows:

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
Within 1 year	**4,645**	5,106
Over 1 year	**18,943**	16,807
	23,588	21,913

(ii) Provision for other taxes represents provision for business tax, urban construction and maintenance tax, education surcharge and stamp duty.

The carrying amounts of rental deposits and trade and other payables approximate their fair values.

17 INTEREST-BEARING BORROWINGS

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
Non-current		
Bank borrowings	**460,683**	504,799

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting year are as follows:

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
6 months or less	**460,683**	504,799

The carrying amounts of bank borrowings approximate their fair value, as the borrowings were at floating interest rate.

The Group's bank borrowings are denominated in US$.

Notes:

(i) A term loan facility (the "Term Loan Facility"), with principal of US$515 million was drawdown on 28 January 2013. The amount is wholly repayable on 27 January 2016. The borrowing bears interest of 3.5% above 3-months LIBOR. On 28 January 2014, RCA01, the special purpose vehicle wholly owned by Spring REIT, made a US$50,000,000 early principal repayment of the Term Loan Facility. As at 31 December 2014, the notional principle amount of the Term Loan Facility was US$465 million (2013: US$515 million).

(ii) As at 31 December 2014 and 2013, the Group's investment property (note 12), derivative financial instruments (note 13), rent receivables and all future rent receivables (note 14), restricted bank accounts (note 15), and the Group's subsidiary's shares was pledged to secure the Group's Term Loan Facilities.

(iii) On 18 February 2015, the Group had entered into a new US$480 million term loan, and a US$20 million uncommitted revolving facility. The expected drawdown date of the loan is in April 2015, which will be utilized to repay the existing US$465 million term loan. The uncommitted revolving facility is to be used to facilitate the general working capital needs of the Group in the future.

18 UNITS IN ISSUE

	Number of units
Balance as at 31 December 2013	1,098,000,000
New units issued for Manager fee	11,468,088
Balance as at 31 December 2014	1,109,468,088

Traded market value of the units as of 31 December 2014 was HK$3.66 per unit. Based on 1,109,468,088 units, the market capitalization was US$523.6 million.

19 FUTURE MINIMUM RENTAL RECEIVABLES

As at 31 December 2014, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December	
	2014	2013
	US$'000	*US$'000*
Within 1 year	**75,745**	60,912
After 1 year, but within 5 years	**64,801**	78,246
	140,546	139,158

Note: most of the operating leases are on fixed terms and of terms of 3 years (2013: 3 years).