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SpringREIT

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 2015 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 entered into on 14 November 2013 as amended by the first supplemental deed dated 22 May 2015 (collectively, the "**Trust Deed**") 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.

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. As at 31 December 2015, the Manager is 90.2% owned by Mercuria Investment Co., Limited., ("**Mercuria**", formerly known as AD Capital Co., Ltd., name changed as of 1 January 2016) which is a private equity investment firm jointly owned by Development Bank of Japan, Itochu Corporation ("**ITOCHU**"), Asuka Holdings Co., Ltd., Sumitomo Mitsui Trust Bank, Limited ("**SMTB**") 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 2015 (the "**Reporting Year**" or "**FY2015**").

RESULTS HIGHLIGHTS

For the Year Ended 31 December	**2015**	2014	Change
Total Revenue *(USD million)*	**80.52**	81.46	–1.2%
Net Property Income *(USD million)*	**61.28**	62.17	–1.4%
Net Property Income Margin	**76.1%**	76.3%	–0.2 ppt
Total Distributable Income *(USD million)*	**41.23**	37.70	+9.4%
Distribution per Unit *(HK cents)*	**26.6**	26.4	+0.8%
As at 31 December	**2015**	2014	Change
Gross Assets *(USD million)*	**1,377.19**	1,392.40	–1.1%
Appraised Property Value *(USD million)*	**1,283.55**	1,306.58	–1.8%
Appraised Property Value *(RMB million)*	**8,335.00**	8,108.00	+2.8%
Net Assets per Unit *(HKD)*	**5.98**	6.25	–4.3%
Total Borrowings *(USD million)*	**477.30**	460.68	+3.6%
Total Borrowings to Gross Asset Value	**34.7%**	33.1%	+1.6 ppt
Number of Units Outstanding	**1,120,158,306**	1,109,468,088	+1.0%

DISTRIBUTION SUMMARY

Distributions	**Distribution per Unit**	**Distribution Yield[3]**	**Annualized Distribution Yield[3]**
2015 Final Distribution[1] 2015 Interim Distribution	**HK12.6 cents** HK14.0 cents	**8.8%**	**8.8%**
2014 Final Distribution 2014 Interim Distribution	HK12.5 cents HK13.9 cents	7.2%	7.2%
2013 Final Distribution[2]	HK1.6 cents	0.5%	6.8%
2013 Special Distribution	HK7.0 cents	2.2%	N/A

Notes:

1. The record date of 2015 final distribution will be 8 April 2016 ("**Record Date**") and the payment date is expected to be 20 April 2016.

2. The distribution for the period from 5 December 2013 to 31 December 2013 represented only 27 days of operation. It was paid on 30 September 2014.

3. Distribution yield and annualized distribution yield are calculated using closing price of the Units at the end of each relevant financial period.

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 Unitholders for the year ended 31 December 2015 amounted to approximately USD41.23 million (2014: USD37.70 million).

Distribution

The board of directors (the "**Board**") of the Manager has resolved to declare a final distribution for the period from 1 July 2015 to 31 December 2015 ("**2015 Final Distribution Period**") of HK12.6 cents per Unit ("**2015 Final Distribution**") to Unitholders on the register of Unitholders on 8 April 2016. Such 2015 Final Distribution, however, may be subject to adjustment upon issuance of new Units between 1 January 2016 and the Record Date, if any. Together with the interim distribution of HK14.0 cents per Unit, total distribution for the Reporting Year amounts to a total of HK26.6 cents per Unit (2014: HK26.4 cents per Unit), representing a payout ratio of approximately 93%.

Based on the closing price of HKD3.03 per Unit as at 31 December 2015, the FY2015 DPU represents a distribution yield of 8.8%. 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 USD to HKD for the 2015 Final Distribution is the average mid-price of 7.7507 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 2015.

The Manager confirms that the 2015 Final Distribution is composed only of consolidated profit after tax before transactions with the Unitholders and non-cash adjustments for the 2015 Final Distribution Period.

Distribution Policy

In accordance with the Trust Deed, Spring REIT is required to distribute no less than 90% of TDI to Unitholders. Pursuant to the offering circular of Spring REIT dated 25 November 2013, the Manager's policy was to distribute to the Unitholders 100% of Spring REIT's TDI for the financial year ended 31 December 2014. The Manager's current policy is to distribute to Unitholders at least 90% of TDI in each 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 the 2015 Final Distribution will be 8 April 2016, Friday. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 7 April 2016, Thursday to 8 April 2016, Friday, both days inclusive, during which period no transfer of Units will be registered. The 2015 Final Distribution is expected to be payable on 20 April 2016, Wednesday to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2015 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 6 April 2016, Wednesday.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of the Group for the financial year ended 31 December 2015.

Stable Annual Results and Dividend Distribution

In FY2015, the Group delivered a set of stable operating results. Compared with a year ago, total revenue and net property income edged down 1.2% and 1.4%, respectively, mainly attributable to depreciation of Renminbi ("**RMB**") against USD during 2015, as the Group's financial statements are reported in USD and rental income collected is in RMB.

Excluding such foreign exchange impacts on translation of financial statements, the total revenue and net property income have shown a slight growth in RMB terms. It is encouraging to have achieved a set of stable operating results despite the slowdown in China's economic growth. From within, this is attributable to the high quality and good location of Spring REIT's prime assets and strong execution by the leasing team. At the same time, we believe Spring REIT has benefitted from two external trends. First, underneath a slowdown in China's overall economy, there is a fast-growing service sector, which bodes well for demand of premium office space. Second, the supply-demand condition of Grade-A office space in the Central Business District of Beijing ("**CBD**", or "**Beijing CBD**") remained tight with no major supply during the Reporting Year. According to the market research by Jones Lang LaSalle, vacancy of Grade-A office space in Beijing CBD dropped to a record low of 3.6% at the end of 2015 from 5.1% at the beginning of the year.

The Board has resolved to declare a final distribution of HK12.6 cents per Unit for the 2015 Final Distribution Period. This brings the full-year distribution to HK26.6 cents per Unit, which is 0.8% higher than the total distribution made in 2014.

Refinancing and Capital Management

As reported in the 2015 interim results, the Manager has successfully completed the drawdown of a new 5-year term loan to early repay the old 3-year term loan. Let me recap the key terms of the loans. The old term loan had a principal amount of USD465.00 million, a tenure of 3 years, and interest rate of 3-month USD London Interbank Offered Rate ("**LIBOR**") plus interest margin of 3.5%. The new term loan has a principal amount of USD480.00 million, a tenure of 5 years, interest rate of 3-month USD LIBOR plus interest margin of 2.75%.

The refinancing represented the Manager's strategy in capital management to enhance returns to Unitholders, while maintaining an appropriate level of debt. The exercise has brought tangible financial benefits of a 75 basis points savings in cash interest payment, which is equivalent to approximately USD3.08 million per annum. A longer loan tenure also provides Spring REIT with the flexibility of refinance timing until 2020, which has become increasingly desirable amid high volatilities in financial markets. With respect to outlook of USD interest rate, recent market gyrations appear to have tamed the consensus expectation of further rate hikes, as the meeting minutes of the Federal Reserve noted that prudency is warranted on pace and timing of monetary policy normalization.

As market conditions continue to evolve, as would the capital structure optimal to Spring REIT change. The Manager will continue to closely monitor the financial position of the Group as well as currency and interest rate markets and effect changes accordingly to balance both the short-term and long-term aspects of the risk-return profile of Spring REIT.

Assessing and Mitigating RMB Exposure

We consider distributable income a key performance benchmark of Spring REIT, as it determines the amount available for distribution to Unitholders. Spring REIT's core properties are held for long-term cash flow returns rather than for short-term trading gains. Amid volatility of RMB foreign exchange rate, the Manager pays more attention to ensuring gearing ratio is kept at an appropriate level, rather than non-cash foreign exchange translational loss which has no impact to distributable income.

Looking back in FY2015, RMB was stable against USD in the first 7 months, before its subsequent weakening brought the total depreciation of RMB to 4.4% during the last 5 months of 2015. As much concerns have been placed by the market on the effects of a weaker RMB on companies with operations in China, I shall take this chance to put into perspectives how RMB movements would impact Spring REIT in terms of distributable income, as well as gearing ratio, i.e. total borrowings to gross asset value.

Spring REIT's principal assets include two Premium Grade office buildings with a total GFA of 120,245 sqm and approximately 600 car parking spaces at China Central Place, Beijing, China (the "**Property**"). To start with, the rents are collected in RMB. After paying domestic operating expenses and taxes, the remaining amounts are repatriated out of China to settle offshore expenses, including interest payments and trust expenses mostly in USD and HKD. The residual would then be made available to Unitholders as distributions, payable in HKD.

Now, let us consider the impact of RMB volatility to distributable income. As net property income is translated from RMB to USD in financial results, there is always a component of foreign exchange difference. When RMB was appreciating, such as the couple of years leading up to 2013, it had a positive effect on net property income stated in USD; when RMB was depreciating, such as in 2015, the effect was on the opposite direction.

As a rough estimate, taking into consideration of the currency cost structure of Spring REIT, a 1.0% depreciation in RMB against the USD that persists over 12 months would result in a 1.0% reduction in USD net property income, and a 1.4% reduction in USD distributable income, assuming other things remain the same.

In terms of financial positions, with Spring REIT's investment property valued in RMB, and its term loan liability denominated in USD, a depreciation in RMB would result in a higher gearing ratio.

As Spring REIT's gearing ratio stood at a healthy level of 34.7% at end of 2015, there remains a good margin of safety towards moderate volatility in RMB/USD exchange rate — roughly speaking, a 5% depreciation in RMB would bring gearing ratio to 35.2%. Nonetheless, to mitigate the risk of a substantial depreciation in RMB, in December 2015, the Manager entered into a plain vanilla currency option that covers the full loan amount for 1 year. Given the heightened volatility in the foreign exchange markets, the currency option provides the Manager with the flexibility to fully explore and assess the merits of other hedging or capital management alternatives, while waiting for a more stable market condition.

As China continues the internationalization and marketization of RMB, volatility in RMB exchange rate may increase. To reduce Spring REIT's currency exposure, while balancing the return to Unitholders, the Manager will continue to prepare for converting part or all of the current USD debt into RMB, or the utilization of basic financial hedging instruments such as currency swaps, forwards and options, so that risk controlling measures can be deployed in a timely manner when deemed necessary.

Updates on the Property

While improving the air-quality of Beijing is a priority of the government, the Manager focuses on ways to improve the indoor air-quality for the well-being of the tenants. As an enhancement to the Property, during 2015, the Group has implemented daily monitoring and public displays of outdoor and indoor air qualities, and installed a new air purification system in the Property that filters out majority of PM2.5 pollutants. Selected tenant groups were invited to inspect the purification process and this initiative had received praises from local media.

On 26 December 2015, the central portion of Beijing Subway Line 14 and the expanded Dawanglu Station had commenced operation. Previously, the Property has been served by Beijing Subway Line 1, which runs underneath Chang'an Avenue. Now, with the opening of the new line, passengers of both Line 1 and Line 14 can get off at Dawanglu Station and reach the Property through an underground walkway, further enhancing the connectivity of the Property.

Environmental, Social and Governance

Always mindful of creating long-term value to all stakeholders, the Manager is now working with professional advisors to enhance Environmental, Social and Governance ("**ESG**") disclosures of Spring REIT. We understand that investors are increasingly taking into account a company's ESG's performance when deciding whether to invest or not. By focusing on improving our standard and disclosures on ESG, step-by-step, we endeavor to create sustainable corporate value, while improving our risk management capabilities, corporate image, and access to capital markets.

A Token of Recognition

Spring REIT has received the "Hong Kong Outstanding Enterprises Award 2015"[1] from Economic Digest on 6 November 2015. As a relatively new listed company in Hong Kong, it is very encouraging to be recognized for our efforts in upholding good governance practices. We will continue to manage and develop Spring REIT for the benefit of our unitholders and the community at large.

[1] The Hong Kong Outstanding Enterprises Award was first organized in 2004 by Economic Digest, a professional finance magazine with a long history and the largest readership among its peers in Hong Kong. The awards identify areas of corporate excellence including business performance, corporate governance and recognition from minority shareholders.

Broader Alliance

During the Reporting Year, the Manager's parent company Mercuria had brought in ITOCHU and SMTB as its shareholders.

ITOCHU is a leading trading conglomerate in Japan as well as a Fortune Global 500 company. It has business presence in 65 countries and regions around the world, and its real estate division provides services that extend from development and construction to sales, operation, leasing, brokering and financial management of real estate projects, with a geographical focus in Japan and other parts of Asia.

SMTB is a leading trust bank group in Japan. It offers a wide spectrum of financial services including financing, consulting, real estate management and asset management services.

By establishing closer business relationships with ITOCHU and SMTB, Mercuria is well positioned to leverage the experience and resources of ITOCHU and SMTB in order to facilitate future cooperation on business opportunities in real estate area, including the potential to identify and present Spring REIT with real estate investment opportunities.

Outlook

Looking into 2016, uncertainties over the operating environment will continue.

In China, transition in economy has continued as GDP growth slowed further to 6.9% in 2015 from 7.3% in 2014. While at this rate, China is still among the fastest growing economies in the world, the prolonged slowdown has had an impact to business confidence. On a brighter note though, a fast-growing service sector — which expanded 8.3% in 2015 to account for more than half of GDP for the first time should have a positive influence on the demand for quality office space.

Elsewhere, the tumbling in crude oil price has also impeded confidence in the financial markets. Meanwhile, as several European central banks and more recently Bank of Japan began to experiment with negative interest rate policies, it is yet to be seen how these developments will interact with the pace of global recovery.

Spring REIT has maintained occupancy rates above 95% for the past 5 years, amid these uncertainties, the Manager will stay focused on our asset management strategy to achieve good leasing performance. In 2016, we expect scheduled expiry equivalent to about 46.4% in leased GFA terms. This size is relatively large, considering our office leases are typically of a 3-year tenure. To prepare for this cycle, the Manager has initiated early discussions with expiring tenants to ensure adequate time is allowed should replacements are needed. We have made good progress in lease renewals and we remain confident in delivering a stable leasing operation. Working with professional tax advisors, the Manager is preparing for the transformation from business tax to value-added tax in China that is expected to cover the real estate sector in 2016.

From real estate investment industry's past experience, excellent investment opportunities tends to emerge during periods of uncertainties. With a broadened investment scope endorsed by Unitholders at an extraordinary general meeting in May 2015 and the consequential changes to the Trust Deed, Spring REIT now has greater flexibility with respect to geographical scope and targeted property types. During the Reporting Year, the Manager has explored various real estate projects in China, Japan and Southeast Asia. We will continue our efforts to identify potential investments that can enhance the value of Spring REIT and its distributions to Unitholders.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all the Unitholders for their trust and support, especially at times when external environment is less certain. I would also like to thank the Manager's team and the professional parties for their hard work and dedication.

Toshihiro Toyoshima
Chairman and Non-executive Director

Spring Asset Management Limited
(as manager of Spring REIT)
16 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Property and Market Overview

The Property

Beijing CBD is a major business district of Beijing situated to the east of the city center in Chaoyang District. Traditionally covered the area around the intersection of Jianguo Road and East Third Ring Road, it has 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, hi-tech and media, among others. It represented the largest Grade-A office stock in Beijing of approximately 1.83 million sqm as at the end of 2015, accounting for 27.3% of the city's total Grade-A office space of 6.71 million sqm.[1]

Spring REIT's principal assets include 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 is prominently 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 East Third Ring Road and the East Fourth Ring Road.

Property Valuation

The valuation of Spring REIT's Property as at 31 December 2015 was appraised at RMB8,335.00 million (equivalent to USD1,283.55 million), representing an appreciation of RMB227.00 million or approximately 2.8% in RMB terms over the valuation as at 31 December 2014, according to a valuation performed by Colliers International (Hong Kong) Limited (the "**Principal Valuer**") on the Property.

Operating and Financial Review

Leasing Performance

With a net absorption of approximately 27,280 sqm and no new supply during the year 2015, the average vacancy rate in Beijing CBD dropped further to 3.6% at the end of 2015, from 5.1% at the end of the previous year[1].

Against this backdrop, the Group recorded a set of stable operating results for the year ended 31 December 2015. Average monthly passing rent of the Property grew 0.9% to RMB355 per sqm, from RMB352 per sqm for 2014, on the back of stable rental reversion.

The Property achieved a high occupancy rate averaging around 95% for 5 consecutive years since 2011. During 2015, new and renewed leases equivalent to 25.2% of leased gross floor area ("**GFA**") (as at 31 December 2015) have been signed and became effective.

[1] *Source: Jones Lang LaSalle Research, December 2015.*

In 2016, there will be 46.4% of leases scheduled to expire. With the continuing tight demand-supply condition in Beijing office market and strong execution of our leasing strategy, we are optimistic in maintaining a relatively stable passing rent and occupancy rates as the fourth quarter achieved effective spot rents maintaining at above RMB375 per sqm.

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 2019 onwards[1].

Financial Performance

Monthly average exchange rate of RMB/USD depreciated 2.0% in 2015, compare with that of 2014. Mostly attributable to RMB depreciation, the financial performance of the Group as reported in USD was slightly weaker than its results in 2014.

Total revenue of the Group decreased slightly by 1.2% year-on-year for the year ended 31 December 2015 to USD80.52 million (2014: USD81.46 million), largely due to the depreciation of RMB against USD.

Property operating expenses fell 0.3% year-on-year to USD19.24 million for the year ended 31 December 2015 (2014: USD19.29 million). Property operating expenses mainly comprise withholding tax, business and other tax (excluding stamp duty), and property tax, which accounted for 86.4% of the total. Property management fee, payable at 2.0% of total revenue, accounted for 8.4% of the property operating expenses. Most property expenses denominated in RMB, hence RMB depreciation also similarly reduced the property expense.

As a result, net property income declined 1.4% to USD61.28 million (2014: USD62.17 million). Net property income margin remained stable at 76.1% for the year ended 31 December 2015 (2014: 76.3%).

TDI to Unitholders for the year ended 31 December 2015 amounted to approximately USD41.23 million, a 9.4% increase from USD 37.70 million in 2014, due to a lower base in 2014 that is mainly attributable to one-off loan arrangement fees related to refinancing.

Fair value gain of investment property was USD35.54 million for the year ended 31 December 2015, which reflected a 2.8% increase in fair value of investment property in RMB terms. This gain was attributable to a higher asking rent assumption of RMB430 per sqm (2014: RMB425 per sqm) that reflects the prevailing market conditions and a slightly lower capitalization rate assumption of 6.5% (2014: 6.75%) on the back of lower interest rate in China by the Principal Valuer.

[1] *Source: Jones Lang LaSalle Research, December 2015.*

Finance Costs

Total finance costs came in at USD46.84 million for the Reporting Year, comparing with USD33.74 million recorded in 2014. The increase was due to foreign exchange loss when USD bank borrowings are translated to RMB which is the functional currency of Spring REIT's subsidiary, RCA01. Such foreign exchange loss of USD21.47 million (2014: USD7.84 million) was non-cash in nature and did not affect the distributable income in FY2015. The other incidental borrowing costs of USD2.36 million represented the derecognition of unamortized loan arrangement fee when the Group early repaid the 3-year term loan upon the successful refinancing in April 2015. As the new 5-year term loan has a lower contractual interest rate at 3-month USD LIBOR plus 2.75%, compared with the old 3-year term loan's 3-month USD LIBOR plus 3.5%, the lower interest margin contributed to a 2.1% decrease in interest expense on bank borrowings to USD23.01 million for the Reporting Year, comparing with USD23.50 million in 2014.

Hedging Instruments

On 17 December 2015, the Group entered into a buy USD currency option contract to hedge against potential depreciation in RMB. The currency option has a notional principal amount of USD480.00 million with a strike rate of USD1 to RMB7.5 for a period of 1 year. As of 31 December 2015, the fair value of this currency option was approximately USD7.12 million. A moderate increase in net fair value of USD0.02 million was recorded for FY2015 as a result of slight weakening of the RMB against the USD since the purchase of the option towards 31 December 2015. The tenure of this currency option may not exactly match with that of the Group's bank borrowings.

As of 31 December 2015, the Group's existing interest rate option that caps the 3-month USD LIBOR rate at 1.3% is valued at USD0.00 million, expiring in January 2016 and recorded a fair value loss of USD85,000 for FY2015 (2014: USD695,000) on account of this interest rate option.

Debt Positions

On 18 February 2015, Spring REIT, through RCA01, entered into a facility agreement with 16 international and local banks in connection to a new five-year floating rate secured term loan facility of USD480.00 million and a new uncommitted revolving facility of USD20.00 million (collectively, the "**2015 Term Loan Facilities**"). The 2015 Term Loan Facilities bear an interest margin of 2.75% per annum over 3-month USD LIBOR.

On 30 April 2015, the term loan facility was drawn down with the proceeds applied to the early repayment of the entire previous USD465.00 million term loan facility (the "**2013 Term Loan Facility**") that was to fall due on 27 January 2016. The 2013 Term Loan Facility had an interest margin of 3.5% per annum over 3-month USD LIBOR.

As at 31 December 2015, Spring REIT had in place total loan facilities of USD500.00 million, comprising of term loan facility of USD480.00 million which was fully drawn down and an uncommitted facility of USD20.00 million that remained undrawn. As a result, total outstanding borrowings increased by 3.2% year-on-year to USD480.00 million for the year ended 31 December 2015 (2014: USD465.00 million).

The term loan facility of USD480.00 million was recognized to be USD477.30 million in the financial results as at 31 December 2015, 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 2015, the gearing ratio, i.e. total borrowings to gross assets value, was 34.7%, compared with 33.1% as at 31 December 2014.

Pledged Assets

As at 31 December 2015, Spring REIT's investment property, rent receivables, restricted bank accounts, currency option, RCA01's ordinary shares and all future trade receivables were pledged to secure the 2015 Term Loan Facilities. In addition, RCA01's restricted bank accounts were charged to, or otherwise subject to the control of, the security agent to secure the 2015 Term Loan Facilities.

Throughout the year ended 31 December 2015, both Spring REIT and RCA01 have in material respects complied with all the terms and provisions of the finance and security documents.

Cash and Asset Positions

As at 31 December 2015, the Group's unrestricted cash amounted to USD30.86 million, compared with USD24.29 million as at 31 December 2014, representing an increase of 27.0%. The Group also had total undrawn bank loan facilities of USD20.00 million (2014: nil). With these financial resources, Spring REIT has sufficient liquid assets to satisfy its working capital and operating requirements. The cash is generally placed in short-term deposits mostly denominated in USD. The Group's liquidity and financing requirements are being reviewed regularly.

As at 31 December 2015, the gross asset value of the Group was USD1,377.19 million, a slight decrease by 1.1% as compared with USD1,392.40 million recorded on 31 December 2014.

The reduction of gross assets was mainly attributable to the exchange losses on translation of financial results from RMB to USD.

Net Assets Attributable to Unitholders

During the Reporting Year, net assets attributable to Unitholders decreased to USD864.22 million from USD894.15 million a year ago.

The net asset value per Unit as at 31 December 2015 was HKD5.98 (31 December 2014: HKD6.25). This represented a 97.4% premium to the closing price of the Units of HKD3.03 on 31 December 2015.

New Units Issued

As at 31 December 2015, the total number of issued Units was 1,120,158,306, compared with that at 31 December 2014, a total of 10,690,218 new Units were issued during the Reporting Year.

Date	Particulars	No. of Units
31 December 2014	Beginning balance of total number of Units in issue.	1,109,468,088
23 March 2015	Issue of new Units to the Manager at the price of HKD3.807 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 December 2014.	+3,079,589
8 May 2015	Issue of new Units to the Manager at the price of HKD3.642 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's Base Fee for the 3 months period ended 31 March 2015.	+2,338,431
11 August 2015	Issue of new Units to the Manager at the price of HKD3.566 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's Base Fee for the 3 months period ended 30 June 2015.	+2,415,054
28 October 2015	Issue of new Units to the Manager at the price of HKD3.088 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's Base Fee for the 3 months period ended 30 September 2015.	+2,857,144
31 December 2015	Ending balance of total number of Units in issue.	1,120,158,306

Capital Commitments

As at 31 December 2015, the Group's capital commitments were not significant.

Employees

Spring REIT is managed by the Manager and did not directly employ any staff during the Reporting Year.

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 maintaining good corporate governance practices and procedures. The corporate governance principles emphasize on accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, compliance with relevant procedures and guidelines. 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 2015 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 (Chapter 571 of the laws of Hong Kong) 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 Reporting Year.

Investments in Property Development and Relevant Investments

As at 31 December 2015, Spring REIT did not enter into any (i) investments in Property Development and Related Activities (as defined in paragraph 2.16A of the REIT Code); and (ii) Relevant Investments (as defined in paragraph 7.2B of the REIT Code).

Foreign Account Tax Compliance Act ("FATCA")

Spring REIT met the "regularly traded on an established securities market" criteria for the calendar year of 2014 and should therefore be excluded from having "**financial accounts**" under FATCA for the calendar year 2015, and hence was not required to perform account due diligence, reporting or withholding for its account holders under FATCA for the calendar year 2015.

Public Float of the Units

Based on information that is publicly available and within the knowledge of the Manager, Spring REIT maintained a public float of not less than 25% of the issued and outstanding Units as at 31 December 2015.

Review of Annual Results

The consolidated annual 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 agreed by the auditor of Spring REIT, PricewaterhouseCoopers, Certified Public Accountants, to the amounts set out in the Spring REIT's consolidated financial statements for the Reporting Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Issuance of the Annual Report 2015

The annual report of Spring REIT for the year ended 31 December 2015 will be published on the respective websites of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and Spring REIT at www.springreit.com, and will be sent to Unitholders on or before 30 April 2016.

Annual General Meeting

The 2016 annual general meeting of Spring REIT will be held on or around 26 May 2016, 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, 16 March 2016

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 STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December	
		2015	2014
	Notes	***US$'000***	*US$'000*
Revenues	*5*	**80,515**	81,458
Property operating expenses	*6*	**(19,239)**	(19,285)
Net property income		**61,276**	62,173
General and administrative expenses	*7*	**(9,320)**	(10,309)
Fair value gain of investment property	*12*	**35,543**	56,048
Other losses, net	*8*	**(854)**	(1,252)
Operating profit		**86,645**	106,660
Finance income		**559**	467
Finance costs on interest-bearing borrowings	*9*	**(46,837)**	(33,742)
Profit for the year, before transactions with Unitholders		**40,367**	73,385
Distributions paid to Unitholders:			
— 2013 special distribution		**–**	(9,912)
— 2013 final distribution		**–**	(2,248)
— 2014 interim distribution		**–**	(19,768)
— 2014 final distribution *(note i)*		**(17,931)**	–
— 2015 interim distribution *(note i)*		**(20,135)**	–
		2,301	41,457
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		**(34,791)**	27,062
Amount arising from exchange reserve movements regarding translations of financial statements		**37,092**	14,395
		2,301	41,457

Notes:

(i) 2015 interim distribution and 2014 final distribution of US$20,135,000 and US$17,931,000 respectively were paid during the year ended 31 December 2015. Total distribution for the year ended 31 December 2015 is presented in the statement of distributions.

(ii) 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.

The notes on pages 27 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Before transactions with Unitholders US$'000	Transactions with Unitholders (note i) US$'000	After transactions with Unitholders US$'000
For the year ended 31 December 2015				
Profit for the year		**40,367**	**(3,275)**	**37,092**
Other comprehensive loss:				
Items that may be reclassified to consolidated income statement				
Exchange losses on translation of financial statements		**(37,092)**	**–**	**(37,092)**
Total comprehensive income for the year	*ii*	**3,275**	**(3,275)**	**–**
For the year ended 31 December 2014				
Profit for the year		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)	–

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of US$38,066,000 (2014: US$31,928,000), and change in net assets attributable to Unitholders excluding issuance of new units, of a decrease of US$34,791,000 (2014: an increase of US$27,062,000).

(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, the total comprehensive income, after transactions with Unitholders is zero.

The notes on pages 27 to 46 are an integral part of these consolidated financial statements.

STATEMENT OF DISTRIBUTIONS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	US$'000	*US$'000*
Profit before transactions with Unitholders	**40,367**	73,385
Adjustments:		
— Fair value gain of investment property	**(35,543)**	(56,048)
— Fair value losses of derivative financial instruments	**72**	695
— Manager's fee payable in units in lieu of cash	**4,477**	5,918
— Amortization of transaction cost for the bank borrowings	**7,278**	5,372
— Derecognization of loan arrangement fee upon early repayment of previous bank borrowings	**2,358**	–
— Foreign exchange losses	**22,225**	8,377
Distributable income for the year *(note i)*	**41,234**	37,699
Total distribution of the year *(note ii)*	**38,389**	37,699
Represented by:		
Interim distribution, paid *(note iii)*	**20,135**	19,768
Final distribution, to be paid	**18,254**	17,931
Total distribution of the year	**38,389**	37,699
Percentage of total distribution over distributable income for the year	**93%**	100%
Distributions per unit to Unitholders		
— Interim distribution per unit, paid *(note iii)*	**HK14.0 cents**	HK13.9 cents
— Final distribution per unit, to be paid *(note iv)*	**HK12.6 cents**	HK12.5 cents
Distribution per unit for the year *(note iv)*	**HK26.6 cents**	HK26.4 cents

Notes:

(i) Under the terms of the Trust Deed, the distributable income represents the profit for the year 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.

(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 5 December 2013 (the "Listing Date") to 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) The interim distribution per unit for the six months ended 30 June 2015 was calculated based on the interim distribution of US$20,135,000 for the period and 1,114,886,108 units in issue as at 30 June 2015. The interim distribution was paid to Unitholders on 17 September 2015.

(iv) The final distribution per unit of HK12.6 cents for the year ended 31 December 2015 is calculated based on the final distribution to be paid to Unitholders of US$18,254,000 for the second half of the financial year and 1,120,158,306 units in issue as at 31 December 2015, rounded to the nearest HK0.1 cent, may be subject to adjustment upon the consolidation, subdivision or issuance of new units between 1 January 2016 and 8 April 2016 (the "Record Date"), if any. The final distribution for the year ended 31 December 2015 is expected to be paid to Unitholders on 20 April 2016.

The final distribution per unit of HK12.5 cents for the year ended 31 December 2014 was calculated based on the final distribution paid to the Unitholders of US$17,931,000 for the second half of 2014 and 1,109,468,088 units in issue as at 31 December 2014, rounded to the nearest HK0.1 cent. The final distribution for the year ended 31 December 2014 was paid to Unitholders on 22 April 2015.

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

The notes on pages 27 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

		As at 31 December	
		2015	2014
	Notes	***US$'000***	*US$'000*
Non-current assets			
Investment property	*12*	**1,283,552**	1,306,583
Derivative financial instruments	*13*	**–**	85
Total non-current assets		**1,283,552**	1,306,668
Current assets			
Trade and other receivables	*14*	**1,455**	784
Derivative financial instruments	*13*	**7,117**	–
Restricted bank balances	*15*	**54,208**	60,657
Cash and cash equivalents	*15*	**30,857**	24,286
Total current assets		**93,637**	85,727
Total assets		**1,377,189**	1,392,395
Current liabilities			
Trade and other payables	*16*	**13,258**	13,970
Rental deposits	*16*	**22,406**	23,588
Total current liabilities		**35,664**	37,558
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	*17*	**477,301**	460,683
Total liabilities, excluding net assets attributable to Unitholders		**512,965**	498,241
Net assets attributable to Unitholders		**864,224**	894,154
Units in issue *('000)*	*18*	**1,120,158**	1,109,468
Net asset value per unit attributable to Unitholders			
In US$		**0.77**	0.81
In HK$		**5.98**	6.25

The notes on pages 27 to 46 are an integral part of these consolidated financial statements.

For and on behalf of the Board of Directors of
Spring Asset Management Limited, as the Manager

Lau Jin Tin, Don	**Nobumasa Saeki**
Executive Director	*Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Reserve *(note)* *US$'000*	Net assets attributable to Unitholders *US$'000*	Total *US$'000*
As at 1 January 2015	**–**	**894,154**	**894,154**
Profit for the year, before transactions with Unitholders	**–**	**40,367**	**40,367**
Exchange losses on translation of financial statements	**(37,092)**	**–**	**(37,092)**
Amount arising from exchange reserve movements *(note i)*	**37,092**	**(37,092)**	**–**
Distributions paid to Unitholders:			
— 2014 final distribution	**–**	**(17,931)**	**(17,931)**
— 2015 interim distribution	**–**	**(20,135)**	**(20,135)**
Change in net assets attributable to Unitholders for the year ended 31 December 2015, excluding issues of new units	**–**	**(34,791)**	**(34,791)**
Issuance of units	**–**	**4,861**	**4,861**
As at 31 December 2015	**–**	**864,224**	**864,224**

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

	Reserve *(note)* *US$'000*	Net assets attributable to Unitholders *US$'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

The notes on pages 27 to 46 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 its units are listed on the main board of The Stock Exchange of Hong Kong Limited (the "HKSE") 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 as amended by First Supplemental Deed dated 22 May 2015 (together the "Trust Deed"), 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 the trustee of 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 own and invest in income-producing real estate assets.

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

Amendments and improvements to existing standards adopted by the Group

The Group has adopted all of the amendments and improvements to existing standards issued by the International Accounting Standard Board that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2015.

Amendments and improvements to existing standards effective in 2015 which are relevant to the Group's operations:

IAS 19 (2011) Amendments	Defined Benefit Plans: Employee Contribution
Annual Improvements Project	Annual Improvements 2010–2012 cycle
Annual Improvements Project	Annual Improvements 2011–2013 cycle

The adoption of these amendments and improvements to existing standards does not have a material impact on the accounting policies or results and the financial position of the Group and/or as the disclosure set out in these consolidated financial statements.

New standards, amendments to standards and improvements to existing standards not yet adopted

The following new standards, amendments to standards and improvements to existing 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 1 Amendment	Disclosure Initiative	1 January 2016
IAS 16 and IAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IAS 16 and IAS 41 Amendment	Agriculture: Bearer Plants	1 January 2016
IAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
IAS 28 and IFRS 10 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 10, IFRS 12 and IAS 28 Amendment	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
Annual Improvements Project	Annual Improvements 2012–2014 cycle	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Group will apply the above new standards, amendments and improvements to existing standards as and when they become effective. The Group has yet to commence an assessment of the impact of these new standards, amendments and improvements to existing standards, and anticipated that the adoption of these new standards, amendments and improvements to existing standards whether they 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 2015 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 it 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 in full on consolidation. 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. The transaction price for an arm's length transaction reflects the fair value of the derivatives. The difference between the transaction price and the value using valuation technique that not all the data is from observable markets is amortized over the life of the derivatives on a systematic basis.

(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 and deposits held at call with banks 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.

(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 in the consolidated financial statements.

(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 in the consolidated financial statements.

(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. It 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, primarily with respect to the US$.

The Group entered into one plain vanilla foreign exchange option to buy US$ and sell RMB with notional principal amounts of US$480 million in December 2015 to hedge the foreign exchange rate risk arising from the US$480 million loan denominated in US$. The foreign exchange option contract had a strike price of US$1 to RMB7.5 and would expire in December 2016.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against the US$ with all other variables held constant, profit for the year would have increased by US$17,943,000/decrease by US$15,745,000 (2014: increase/decrease by US$21,011,000) 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 2015, if interest rates had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been US$1,975,000 (2014: US$1,900,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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 as well as 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 tenants, credit risk exposure is minimized by undertaking transactions with a large number of counterparties and conducting credit evaluations on prospective tenants before lease agreements are entered into with 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.

(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$'000*	**Over 5 years** *US$'000*
At 31 December 2015				
Other payables	**2,432**	**–**	**–**	**–**
Rental deposits	**9,603**	**6,075**	**6,715**	**13**
Interest payable on borrowings	**17,595**	**20,584**	**54,388**	**–**
Interest-bearing borrowings	**–**	**–**	**480,000**	**–**

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

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	
	2015	2014
	US$'000	*US$'000*
Total borrowings *(note 17)*	**477,301**	460,683
Total assets	**1,377,189**	1,392,395
Gearing ratio	**34.7%**	33.1%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 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).

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

At 31 December 2015	**Level 1** ***US$'000***	**Level 2** ***US$'000***	**Level 3** ***US$'000***	**Total** ***US$'000***
Asset				
Derivative financial instruments	**–**	**–**	**7,117**	**7,117**
At 31 December 2014				
Asset				
Derivative financial instruments	–	85	–	85

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

Valuation techniques used to derive the fair values of the derivatives are as follows:

For the year ended 31 December 2015, the level 3 derivative financial instruments represented plain vanilla foreign exchange option with inputs which are not based on observable market data. The difference between the transaction price and the value using valuation technique of which not all the data is from observable markets, is amortized over the life of the derivatives on a systematic basis. The value so derived from using option models' valuation technique relies on spot currency exchange rates and volatility of the underlying currency.

For the year ended 31 December 2014, 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.

The disclosures of the investment property, that is measured at fair value, are set out in note 12.

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 executive directors of the Manager, who is 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:

	2015	2014
	US$'000	*US$'000*
Revenues		
Rental income	**78,154**	79,678
Car park income	**678**	803
Other income *(note)*	**1,683**	977
	80,515	81,458

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

6 PROPERTY OPERATING EXPENSES

	2015	2014
	US$'000	*US$'000*
Property management fee	**1,618**	1,636
Property tax *(note i)*	**3,955**	4,034
Business and other tax *(note ii)*	**4,591**	4,624
Withholding tax *(note iii)*	**8,142**	8,221
Leasing commission	**803**	635
Others	**130**	135
	19,239	19,285

Notes:

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

(ii) Business 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

	2015	2014
	US$'000	*US$'000*
Manager's fee *(note i)*	**7,503**	7,397
Trustee fee	**251**	235
Valuation fee	**48**	50
Others	**1,518**	2,627
	9,320	10,309

Notes:

(i) The breakdown of the Manager's fee was set out in note 10.

8 OTHER LOSSES, NET

	2015	2014
	US$'000	*US$'000*
Derivative financial instruments at fair value through income statement:		
Net fair value losses	**72**	695
Foreign exchange losses	**756**	538
Other miscellaneous loss	**26**	19
	854	1,252

9 FINANCE COSTS

	2015	2014
	US$'000	*US$'000*
Interest expenses on bank borrowings *(note i)*	**23,010**	23,503
Foreign exchange losses on bank borrowings *(note ii)*	**21,469**	7,839
Other incidental borrowing costs *(note iii)*	**2,358**	2,400
Total	**46,837**	33,742

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 losses on bank borrowings during the year ended 31 December 2014 and 2015, were mainly arisen from the depreciation of RMB against US$.

(iii) Other incidental borrowing costs include loan arrangement fee and derecognition of unamortized loan arrangement fee.

10 MANAGER'S FEE

	2015	2014
	US$'000	*US$'000*
Base fee	**5,607**	5,542
Variable fee	**1,896**	1,855
	7,503	7,397

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

	2015	2014
	US$'000	*US$'000*
Profit for the year, before transactions with Unitholders	**40,367**	73,385
Weighted average number of units for the year for calculating basic earnings per unit	**1,114,844,025**	1,103,194,007
Adjustment for units issuable in respect of the Manager fee	**2,958,587**	3,155,592
Weighted average number of units for the year for calculating diluted earnings per unit	**1,117,802,612**	1,106,349,599
Basic earnings per unit based upon profit before transactions with Unitholders	**US$3.62 cents**	US$6.65 cents
Diluted earnings per unit based upon profit before transactions with Unitholders	**US$3.61 cents**	US$6.63 cents

12 INVESTMENT PROPERTY

Detail of the movements of investment property is as follows:

	2015	2014
	US$'000	*US$'000*
At beginning of the year	**1,306,583**	1,272,778
Exchange differences recognized in other comprehensive income	**(58,574)**	(22,243)
Changes in fair value recognized in consolidated income statement	**35,543**	56,048
At end of the year	**1,283,552**	1,306,583

The investment property comprises office towers 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 2015, 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 not connected to the Group who holds a recognized relevant professional qualification and has 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 2015 and 2014, 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.

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

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 values of the properties 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 independent qualified 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 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*
As at 31 December 2015			
Recurring fair value measurements investment property	**–**	**–**	**1,283,552**
As at 31 December 2014			
Recurring fair value measurements investment property	–	–	1,306,583

There were no transfers between levels 1, 2 and 3 during the year of 2015.

Key unobservable inputs used to determine fair values

(a) Capitalization rate

This is estimated based on the market lease over market value on comparable. The higher the capitalization rates used, the lower the fair values of the investment property. In the 31 December 2015 valuation, a capitalization rate of 6.50% (2014: 6.75%) was used in the income capitalization approach; and a net terminal capitalization rate of 5.50% (2014: 5.75%) was used in the discounted cash flow method.

(b) Discount rate

This was 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 2015 valuation, a discount rate of 8.75% (2014: 8.75%) was used in the discounted cash flow method.

(c) *Base rent*

Base rent is the standard rent payable under the lease, exclusive of any other charges and reimbursements. This was estimated based on the market lease comparable. The higher the base rent used, the higher the fair values of the investment property. For the year ended 31 December 2015, an average gross monthly office unit base rent of RMB430 (2014: RMB425) per square meter was used in the valuation.

As at 31 December 2015, 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$64.2 million (2014: US$65.3 million) higher/lower.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	2015	2014
	US$'000	*US$'000*
Non-current		
Fair value of the interest rate caps *(Note i)*	**–**	85
Current		
Fair value of the currency option *(Note ii)*	**7,117**	–
	7,117	85

Notes:

(i) 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 was used to hedge the floating interest payments of the debt instruments.

The aggregated notional principal amount of outstanding plain vanilla interest rate caps as at 31 December 2015 was US$515 million (2014: US$515 million).

The Group recorded fair value losses on interest rate caps for the year ended 31 December 2015 amounting to US$85,000 (2014: US$695,000) (note 8) which were charged to the consolidated income statement.

(ii) The Group has entered into a currency option as part of its financial risk management but did not account for these as accounting hedges under IAS 39. Plain vanilla currency option was used to hedge the relevant foreign exchange rate risk.

The aggregated notional principal amount of the currency option as at 31 December 2015 was US$480 million (2014: Nil).

The Group recorded fair value gains on currency option for the year ended 31 December 2015 amounting to US$13,000 (2014: Nil) (note 8) which were charged to the consolidated income statement.

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

14 TRADE AND OTHER RECEIVABLES

	2015	2014
	US$'000	*US$'000*
Rent receivables	**53**	–
Deferred rent receivables	**1,000**	729
Prepayment	**402**	55
	1,455	784

Notes:

(i) Trade and other receivables were 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. There were no specific credit terms given to the tenants.

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

(iii) As at 31 December 2015 and 2014, the Group's rent receivables and all future rent receivables were pledged to secure the Group's bank borrowings (note 17).

15 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	2015	2014
	US$'000	*US$'000*
Restricted bank balances	**54,208**	60,657
Cash and cash equivalents	**30,857**	24,286
	85,065	84,943

Cash and cash equivalents and restricted bank balances were denominated in the following currencies:

	2015	2014
	US$'000	*US$'000*
US$	**51,153**	50,113
RMB	**32,644**	34,195
HK$	**1,268**	635
	85,065	84,943

Restricted bank balances were related to bank accounts restricted under the bank borrowing facility agreements and were charged to the facility agent, Australia and New Zealand Banking Group Limited, to secure 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 was an amount in RMB equivalent to US$1,000 as at 31 December 2015 (2014: US$635,000).

16 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	2015	2014
	US$'000	*US$'000*
Rental deposits *(note i)*	**22,406**	23,588
Trade and other payables:		
Rental receipts in advance	**6,870**	6,448
Provision for withholding tax	**698**	1,375
Provision for other taxes *(note ii)*	**391**	411
Accrued expenses and other payables	**5,299**	5,736
	13,258	13,970

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 was as follows:

	2015	2014
	US$'000	*US$'000*
Within 1 year	**9,603**	4,645
Over 1 year	**12,803**	18,943
	22,406	23,588

(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

	2015	2014
	US$'000	*US$'000*
Non-current		
Bank borrowings	**477,301**	460,683

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

	2015	2014
	US$'000	*US$'000*
6 months or less	**477,301**	460,683

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

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

Notes:

(i) A new term loan facility, with principal of US$480 million was drawn on 30 April 2015 to repay the previous term loan facility of US$465 million. The new term loan facility will be repayable in full on 29 April 2020. The borrowing bears interest of 2.75% above 3-month LIBOR. The Group had also entered into a US$20 million uncommitted revolving facility, which is to be used to facilitate the general working capital needs of the Group in the future. Both the new term loan facility and uncommitted revolving facility are guaranteed by the Trustee. The Group's subsidiary's shares were pledged to secure the Group's term loan facility and uncommitted revolving facility.

(ii) As at 31 December 2015 and 2014, the Group's investment property (note 12), rent receivables and all future rent receivables (note 14), restricted bank accounts (note 15) and Group's subsidiary's shares were pledged to secured the Group's term loan facilities. As at 31 December 2015, the Group's currency option (2014: interest rate caps) (note 13) was pledged to secure the Group's term loan facilities.

18 UNITS IN ISSUE

	Number of units
Balance as at 31 December 2014	1,109,468,088
New units issued for Manager's fee	10,690,218
Balance as at 31 December 2015	**1,120,158,306**

Traded market value of the units as of 31 December 2015 was HK$3.03 per unit. Based on 1,120,158,306 units, the market capitalization was US$437.91 million.

19 FUTURE MINIMUM RENTAL RECEIVABLES

As at 31 December 2015, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases was as follows:

	2015	2014
	US$'000	*US$'000*
Within 1 year	**59,452**	75,745
After 1 year, but within 5 years	**47,616**	64,801
After 5 years	**204**	–
	107,272	140,546

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2014: 3 years).

20 SUBSIDIARY

Name	**Place of establishment and kind of legal entity/place of operations**	**Principal activities**	**Particulars of issued share capital**	**Interest held**
Directly held:				
RCA01	Cayman Islands, limited liability	Property investment	1,000 of US$1 each	100%

21 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015	2014
	US$'000	*US$'000*
Improvement projects to existing investment properties	**726**	–

22 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue by the Manager on 16 March 2016.