

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

Interim Report 2016

Managed by
Spring Asset Management Limited



About Spring REIT

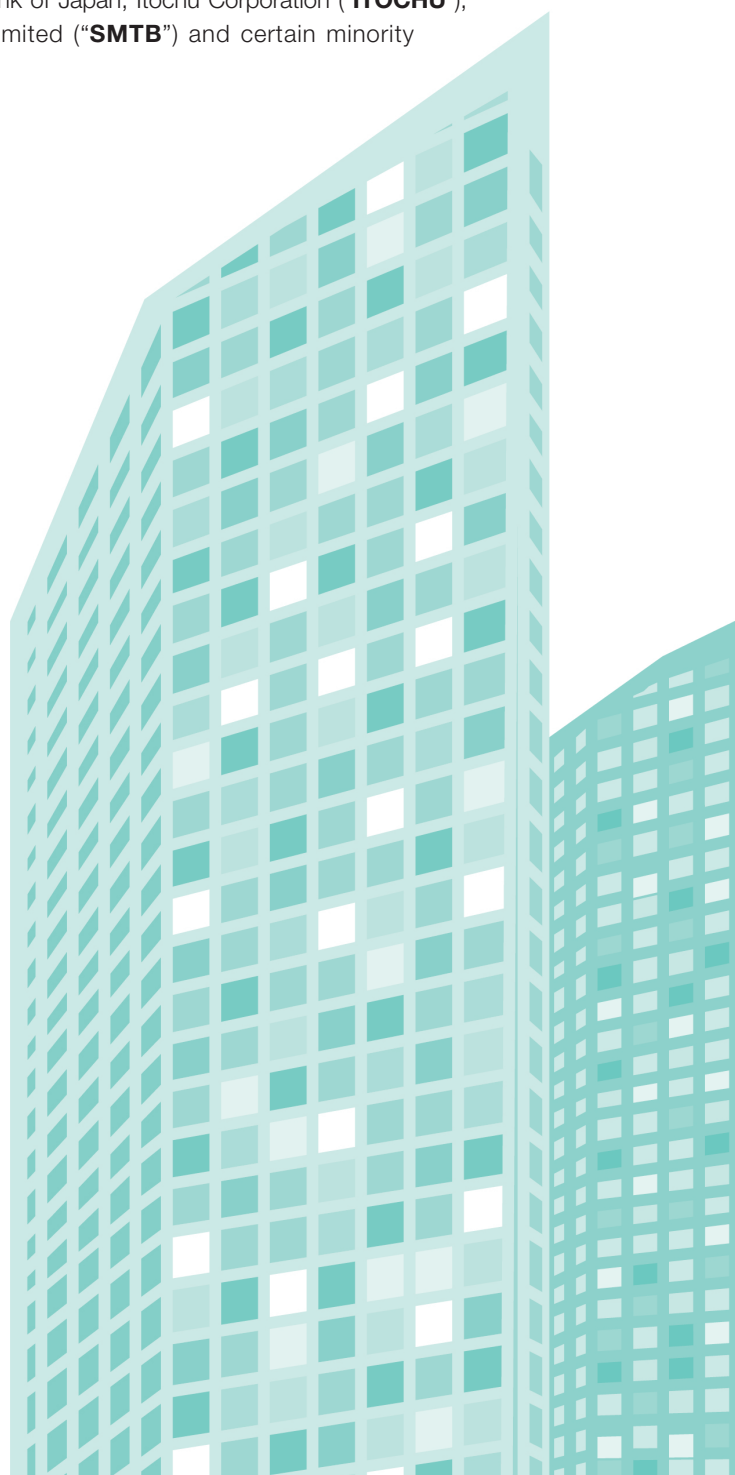
Spring Real Estate Investment Trust (“**Spring REIT**”) is a real estate investment trust constituted by a trust deed entered into on 14 November 2013 as amended by the first supplemental deed dated 22 May 2015 (collectively, the “**Trust Deed**”) between Spring Asset Management Limited, as manager of 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.

About the Manager

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 30 June 2016, 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.

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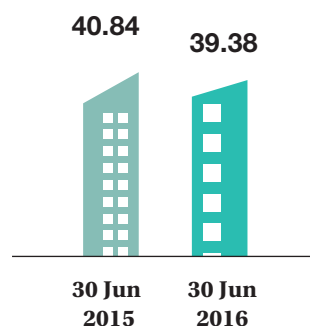
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Financial Highlights

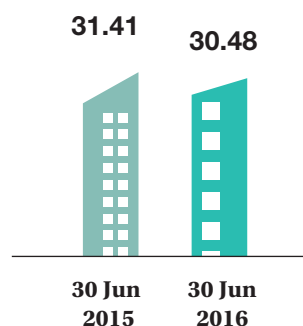
Total Revenue

(US\$ million)



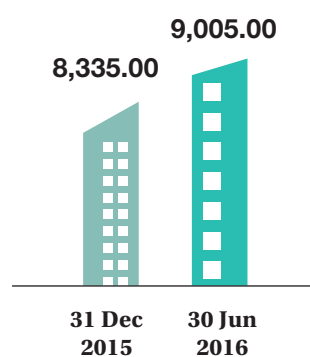
Net Property Income

(US\$ million)

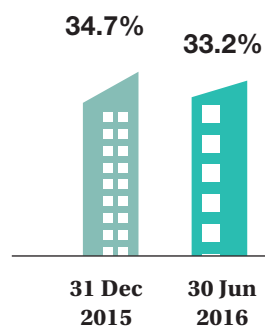


Appraised Property Value

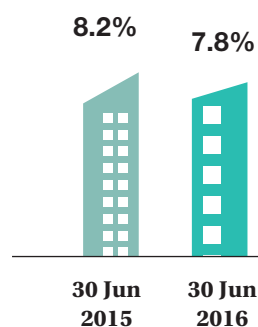
(RMB million)



Total Borrowings to Gross Asset Value



Annualised Distribution Yield



Net Assets per Unit

(HK\$)



Below are the interim results highlights and distribution summary of Spring REIT and its special purpose vehicle (together, the “Group”) for the six months ended 30 June 2016 (the “Reporting Period” or “1H2016”).

Results Highlights

Six Months Ended 30 June	2016	2015	Change
Total Revenue (US\$ million)	39.38	40.84	-3.6%
Net Property Income (US\$ million)	30.48	31.41	-3.0%
Net Property Income Margin	77.4%	76.9%	+0.5 ppts
Distributable Income (US\$ million)	20.42	20.97	-2.6%
Distribution per Unit (HK cents)	13.0	14.0	-7.1%

As at	30 June 2016	31 December 2015	Change
Gross Assets (US\$ million)	1,443.88	1,377.19	+4.8%
Appraised Property Value (US\$ million)	1,354.54	1,283.55	+5.5%
Appraised Property Value (RMB million)	9,005.00	8,335.00	+8.0%
Net Assets per Unit (HK\$)	6.41	5.98	+7.2%
Total Borrowings (US\$ million)	479.79	477.30	+0.5%
Total Borrowings to Gross Asset Value	33.2%	34.7%	-1.5 ppts
Number of Units Outstanding	1,125,370,516	1,120,158,306	+0.5%

Distribution Summary

Distributions	Distribution per Unit	Distribution Yield ²	Annualized Distribution Yield ²
2016 Interim Distribution¹	HK13.0 cents	3.9%	7.8%
2015 Final Distribution	HK12.6 cents	4.2%	8.8%
2015 Interim Distribution	HK14.0 cents	4.1%	
2014 Final Distribution	HK12.5 cents	3.4%	7.2%
2014 Interim Distribution	HK13.9 cents	4.4%	
2013 Final Distribution ³	HK1.6 cents	0.5%	6.8%
2013 Special Distribution	HK7.0 cents	2.2%	N/A

Notes:

1. The record date of 2016 interim distribution is 13 September 2016 (“Record Date”) and the payment date is expected to be 23 September 2016.
2. Distribution yield and annualized distribution yield are calculated using closing price of the Units at the end of each relevant financial period.
3. 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.

Financial Highlights (continued)

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 Adjustments (as defined in the Trust Deed). For details of the Adjustments, please refer to the section headed “Statement of Distributions” in the condensed consolidated financial statements. TDI to the Unitholders for the Reporting Period amounted to approximately USD20.42 million (2015: USD20.97 million).

Distribution

The board of directors (the “**Board**”) of the Manager has resolved to declare an interim distribution for the period from 1 January 2016 to 30 June 2016 of HK13.0 cents per Unit (“**2016 Interim Distribution**”) to Unitholders on the register of Unitholders on 13 September 2016. The 2016 Interim Distribution, however, may be subject to adjustment upon issuance of new Units between 1 July 2016 and the Record Date, if any. 2016 Interim Distribution amounts to HK13.0 cents per Unit (2015: HK14.0 cents per Unit), representing a payout ratio of approximately 92% of Spring REIT’s TDI for the Reporting Period.

Based on the closing price of HK\$3.37 per Unit as at 30 June 2016, the 2016 Interim Distribution represents an annualized distribution yield of 7.8%. For details of the distribution, please refer to the section headed “Statement of Distributions” in the condensed consolidated financial statements.

All distribution will be paid in Hong Kong dollars. The exchange rate adopted by the Manager for conversion of USD to HK\$ for the 2016 Interim Distribution is the average mid-price of 7.7594 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 30 June 2016.

The Manager confirms that the 2016 Interim Distribution is composed only of consolidated profit after tax before transactions with the Unitholders and non-cash adjustments for the Reporting Period.

Distribution Policy

In accordance with the Trust Deed, 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 2016 Interim Distribution is 13 September 2016, Tuesday. The register of Unitholders is closed for the purpose of determining the identity of Unitholders from 12 September 2016, Monday to 13 September 2016, Tuesday, both days inclusive, during which period no transfer of Units will be registered. The 2016 Interim Distribution is expected to be payable on 23 September 2016, Friday to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2016 Interim 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 9 September 2016, Friday.

Chairman's Statement

Dear Unitholders,

On behalf of the Board, I am pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2016.

2016 Interim Results and 2016 Interim Distribution

In 1H2016, the Group maintained a high average occupancy rate for its properties and delivered a set of relatively stable operating results despite slowdown of China's economy and uncertainties in global economic environment. Compared with a year ago, total revenue and net property income edged down 3.6% and 3.0%, respectively, mainly attributable to a depreciation of the average RMB/USD foreign exchange rate of 4.9% over the same period last year, as the Group's financial statements are reported in USD and rental income collected is in RMB.

Excluding such currency translation impact on financial statements, the total revenue and net property income would have shown a slight growth in RMB terms.

According to a market research conducted by Jones Lang LaSalle, occupancy of Grade-A office space in Beijing's Central Business District ("**Beijing CBD**") decreased to 94.4% at the end of June 2016 from a record high of 96.4% at the end of 2015. While the average rent in Beijing CBD remained stable, the Manager would continue to stay alert to the state of the leasing market and will act proactively to maintain good occupancy rate of the properties of Spring REIT, given the relatively soft economic condition in China.¹

The Board has resolved to declare the 2016 Interim Distribution of HK13.0 cents per Unit for the Reporting Period, as compared to the distribution per unit ("**DPU**") of HK14.0 cents in 1H2015 and HK12.6 cents in 2H2015.

Business Tax to Value-Added Tax Transformation Pilot Program

As disclosed in the announcements of Spring REIT dated 3 May 2016 and 25 July 2016, the Ministry of Finance and the State Administration of Taxation of the PRC on 23 March 2016 jointly issued Circular Caishui [2016] No. 36 ("**Circular 36**") on the comprehensive rollout of the Business Tax ("**BT**") to Value-Added Tax ("**VAT**") Transformation Pilot Program (the "**B2V Reform**"). Pursuant to Circular 36, with effect from 1 May 2016, the B2V Reform expanded to cover industries including construction, real estate, financial services and lifestyle services.

Based on the advice of a tax advisor, as from 1 May 2016, the 5% BT rate formerly applicable to Spring REIT's rental revenue was replaced by VAT at a rate of 11%, subject to applicable input VAT credits, if any. As announced on 25 July 2016, as far as the B2V Reform is concerned, it is not expected to have a material effect to the net property income, net profit, cash flow and the total distributable income of Spring REIT, and Spring REIT as a whole.

Update on Managing RMB Exposure

In the annual report of 2015, we discussed extensively our assessment of the RMB exposure of Spring REIT, as well as the entering into a plain vanilla currency option contract in December 2015 that covers the full USD loan amount for one year in order to mitigate the risk of substantial depreciation in RMB.

During 1H2016, after an initial period of heightened volatility and uncertainty, the RMB/USD exchange rate has shown a gradual depreciation trend against the USD.

With the existing currency option expiring in December 2016, the Manager is currently evaluating different strategies to mitigate its foreign exchange exposure while balancing the return to Unitholders, including but not limited to reducing the risk from asset-liability mismatch of Spring REIT. 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.

¹ Source: Jones Lang LaSalle Research, June 2016

Chairman's Statement (continued)

Environmental, Social and Governance

In accordance with the disclosure requirements set forth in Main Board Listing Rules Appendix 27 — Environmental, Social and Governance Reporting Guide, the Manager is now preparing its first Environmental, Social and Governance (“ESG”) Report, with the assistance from professional advisors. The ESG Report will describe our ESG policies, initiatives and performance for the financial year ended 31 December 2016.

Outlook

Looking into second half of 2016, we expect a relatively tight supply-demand condition in Beijing's Grade-A office market to continue. Nonetheless, we are alert to various macro developments, such as the potential exit of the United Kingdom (“UK”) as a member of the European Union (“EU”), the expected inclusion of the RMB in the Special Drawing Rights basket of currencies of the International Monetary Fund, and the presidential election of the United States in November, which may have an effect to our operating environment.

In China, subdued economic conditions lingered with gross domestic product (“GDP”) growth slowing further to 6.7% in 1H2016 from 6.8% in 2015. However, the faster-growing service sector — which expanded 7.5% in 1H2016 to account for 54% of GDP — continues to underpin the demand for quality office space. At the same time, there are signs of increased budget constraints facing tenants of Grade-A offices in Beijing, especially for multinational corporations with reduced income generated from their China operations.

In 2H2016, we expect scheduled expiry to be about 20.7% of leased GFA. To achieve good rental rates and high occupancy, we will stay focused on our asset management strategy, including to initiate early discussions with expiring tenants to ensure adequate time is allowed should replacement tenants were needed. Despite a slightly weakened operating environment in 1H2016, we have made good progress in lease renewals and we remain confident in delivering a stable leasing operation in the second half.

Macro uncertainties aside, a relatively benign interest rate outlook could make real estate investments that provide transparent and sustainable income even attractive to investors. In an effort to enhance the long-term value of Spring REIT and to diversify its risk profile, the Manager is actively looking for potential investments with stable long-term rental income stream in other parts of the world, including but not limited to other parts of Asia and Western Europe.

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)

23 August 2016

Management Discussion and Analysis

Overview of Spring REIT's Properties



- The portfolio includes all office floors of Office Tower One and Office Tower Two (total GFA of 120,245 sqm) of China Central Place and approximately 600 car parking spaces (total GFA of 25,127 sqm).
- Office Tower One and Office Tower Two are two of the eleven Premium Grade office buildings in Beijing CBD.¹
- Appraised value of RMB9,005.00 million² (equivalent to US\$1,354.54 million)
- Average Occupancy rate of 96%³
- China Central Place is a prime mixed-use complex in Beijing CBD with well-recognized brand hotels and shopping centers.

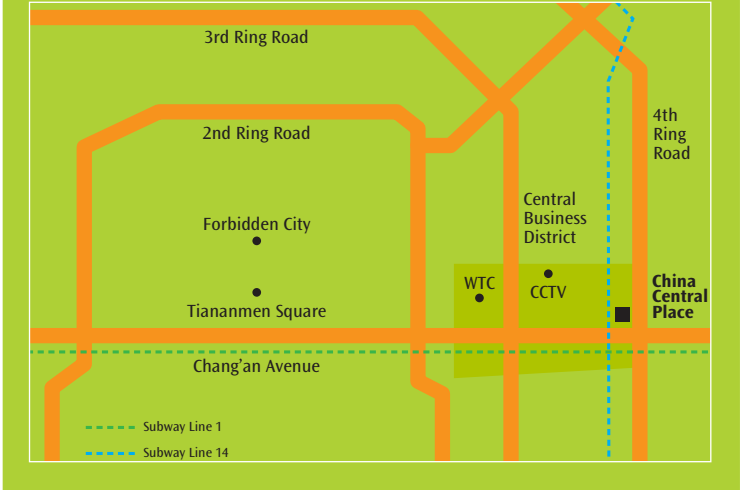
¹ Source: DTZ Consulting
² As at 30 June 2016
³ Average Occupancy for the six months ended 30 June 2016



Accessibility

- Direct access to Beijing Subway Line 1 through the shopping mall
- Directly to Beijing Subway Line 14 access (Opened in December 2015)
- About 20 km away from the Beijing Capital International Airport

Location



Management Discussion and Analysis (continued)

Property and Market Overview

The Property

As a result of the measures taken by the Chinese government to stimulate the economy after the global financial crisis in 2007–2008, multinational corporation began seeking growth in the nation’s political and cultural capital. In subsequent years, Beijing’s Grade-A office market experienced an amalgamation of supply and demand towards the area around the intersection of Jianguo Road East and Third Ring Road and extending eastward to East Fourth Ring Road, now known as Beijing CBD. This area is home to prominent tenants from industries ranging from finance, professional services, hi-tech to media. It represented 25.7% of the city’s total Grade-A office of 7.11 million sqm as at 30 June 2016.¹

Spring REIT’s asset is prominently located at the eastern side of this sprawling business district 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. Spring REIT’s investment properties 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**”).

Property Valuation

The valuation of the Property as at 30 June 2016 was performed by Knight Frank Petty Limited (the “**Principal Valuer**”) who succeeded the previous principal valuer, Colliers International (Hong Kong) Limited on its retirement pursuant to the provisions of the Code on Real Estate Investment Trusts (the “**REIT Code**”). As of 30 June 2016, the Property was value at RMB9,005.00 million (equivalent to USD1,354.54 million), representing an increase of RMB670 million or approximately 8.0% in RMB terms over the valuation as at 31 December 2015. The valuation of the Property was arrived at using the income capitalization approach and cross-checked by the direct comparison approach. The increase in valuation was attributable mainly to a reduction in capitalization rate of 5.77% (31 December 2015: 6.50%) adopted by the Principal Valuer with considerations to the asset performance of the Property and comparable market transactions.

Appraised Property Values			
	As at 30 June 2016	As at 31 December 2015	Change
RMB/USD	6.6480	6.4937	-2.3%
Appraised Property Value (US\$ million)	1,354.54	1,283.55	+5.5%
Appraised Property Value (RMB million)	9,005.00	8,335.00	+8.0%

¹ Source: Jones Lang LaSalle Research, June 2016

Operating and Financial Review

Leasing Performance

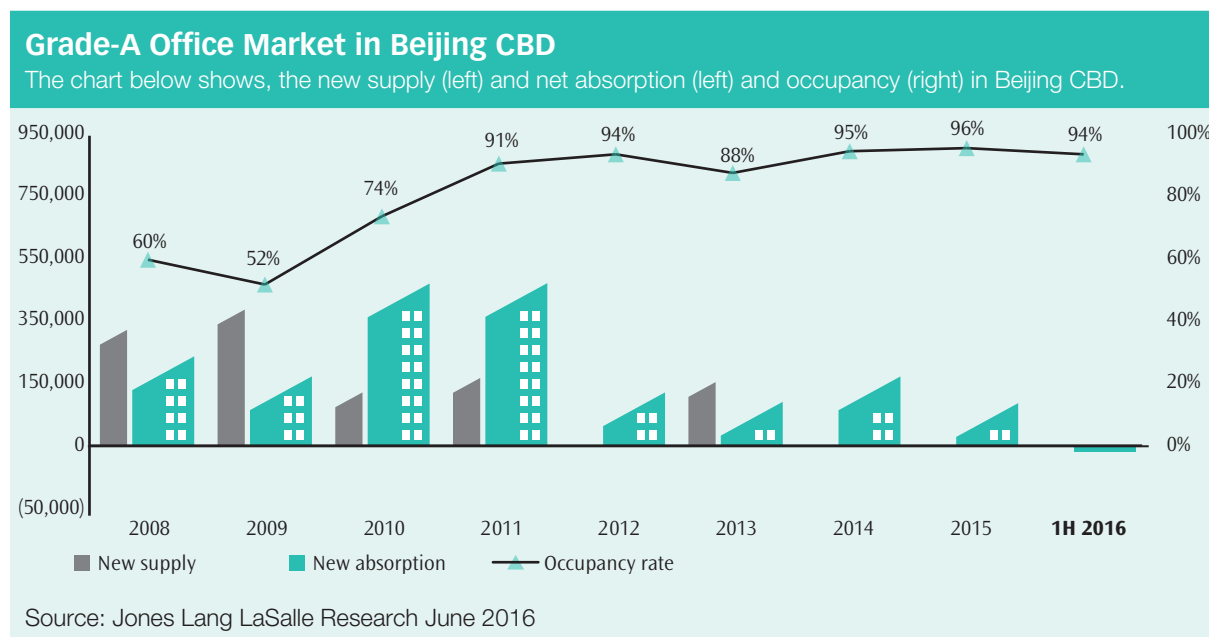
For the six months ended 30 June 2016, average occupancy rate of the Property remained high at 96% (2015: 95%). Gross average monthly passing rent (inclusive of BT or VAT, as applicable) of the Property increased 1.1% year-on-year to RMB360 per sqm. Net average monthly passing rent (exclusive of BT or VAT, as applicable) increased 0.3% year-on-year to RMB339 per sqm.

Passing Rents and Occupancies			
For the Six Months Ended 30 June	2016	2015	Change
Average Monthly Passing Rent (RMB/sqm) ^{Note}			
— Gross passing rent	360	356	+1.1%
— Net passing rent	339	338	+0.3%
Average Occupancy (%)	96%	95%	+1 ppts

Note:

- Under the B2V Reform, effective from 1 May 2016, the 5% BT rate formerly applicable to revenue of leasing of real estate was replaced by VAT at a rate of 11% levied on rental revenue, if there is no further tax circular to change this tax position. With respect to Spring REIT's reporting of passing rent, before the implementation of the B2V Reform, average passing rent of Spring REIT was reported on a BT inclusive basis. After such implementation, average passing rent of Spring REIT is reported on a net of VAT basis.
- In the table above, gross passing rent represents effective passing rent on a gross basis, inclusive of BT or VAT, as applicable. Net passing rent represents effective passing rent on a net basis, exclusive of BT or VAT, as applicable. Changes in net passing rent can be observed to compare the changes in underlying passing rent before and after the B2V Reform.

The Group's leasing performance was stable in 1H2016 despite the Beijing CBD Grade-A office market experienced weaker demand from multinational corporations, as cautious outlook over their operations in China slowed expansion plans and restrained budgets. Meanwhile, demand from domestic companies remained healthy, in particularly from financial, professional services, and technology industries that are benefiting from China's shift to a services-led economy.¹



Management Discussion and Analysis (continued)

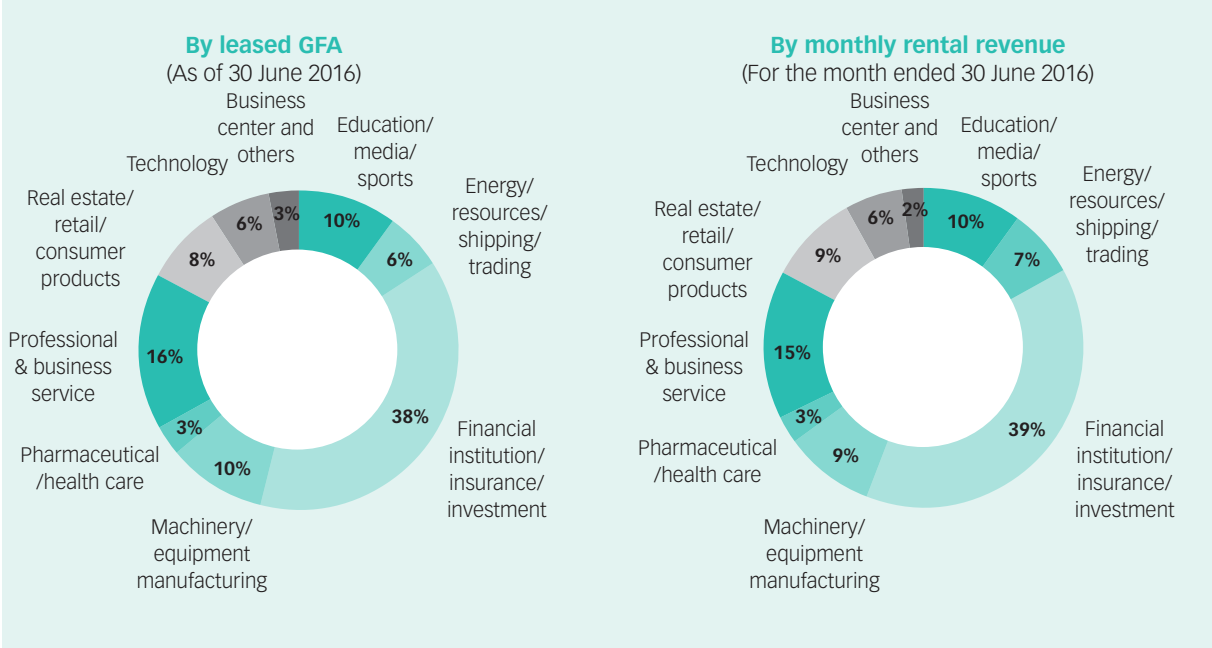
In 1H2016, new and renewed leases equivalent to 24.3% of leased GFA (as at 30 June 2016) were signed and became effective. In the second half of 2016, 20.7% of the leased GFA is scheduled to expire. The Manager will continue to execute a proactive leasing strategy with an aim to maintain a relatively stable passing rent and occupancy rate.

Lease Expiry Profile (Expiring leases as a % of leased GFA)	
Year	Expiring area as % of leased GFA at end-June 2016
2H 2016	20.7%
2017	26.6%
2018	21.0%
2019 & beyond	31.7%

In 2017, two projects with total GFA of 140,400 sqm are expected to come into the Beijing CBD market, and one of which having already started pre-leasing activity and secured around 28% commitment rate. The majority of the new supply from the Zhongfu Plot, being the only large-scale land plot under development in Beijing CBD, is expected to materialize from 2019 onwards.¹

Tenant Mix Analysis

The charts below provide a breakdown of the mix of office tenants of the Property by industry sector as a percentage of leased GFA as at 30 June 2016 and as a percentage of monthly rental revenue for the month ended 30 June 2016.



¹ Source: Jones Lang LaSalle Research, June 2016

Financial Performance

The monthly average exchange rate of RMB/USD depreciated 4.9% in the first six months of 2016, compare with that of the six months ended 30 June 2015.

Primarily due to the depreciation of RMB against USD, total revenue of the Group decreased slightly by 3.6% year-on-year for the Reporting Period to USD39.38 million (2015: USD40.84 million). Excluding this effect, revenue would have shown a slight growth in RMB terms, reflecting the Group's stable leasing performance.

Property operating expenses fell 5.6% year-on-year to USD8.90 million for the Reporting Period (2015: USD9.43 million). Property operating expenses mainly comprise withholding tax, business and other taxes (excluding stamp duty), and property tax, which accounted for 85.5% of the total property operating expenses. Property management fee, payable at 2.0% of total revenue, accounted for 8.9% of the property operating expenses. Since most property operating expenses are denominated in RMB, the depreciation in RMB also reduced the property operating expenses in USD terms. Furthermore, as BT (which was previously included as a property operating expense) was no longer applied after B2V reform, total property operating expense further decreased.

As a result of the above, net property income declined 3.0% to USD30.48 million (2015: USD31.41 million). Net property income margin remained largely stable at 77.4% for the Reporting Period (2015: 76.9%).

Fair value gain of investment property was USD101.60 million for the Reporting Period (2015: USD9.67 million), which reflected a 8.0% increase in fair value of investment property in RMB terms. The valuation of the Property was appraised by the Principal Valuer using the income capitalization approach and cross-checked by the direct comparison approach. The increase in valuation was attributable mainly to a reduction in capitalization rate of 5.77% (31 December 2015: 6.50%) adopted by the Principal Valuer with considerations to the asset performance of the Property and comparable market transactions.

Attributable to the fair value gain of investment property, profit for the Reporting Period, before transactions with Unitholders reached USD101.05 million (2015: USD22.82 million), an increase of 342.8%.

TDI to Unitholders for the Reporting Period, being the consolidated profit after tax before transactions with Unitholders as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed), edged down 2.6% to USD20.42 million (2015: USD20.97 million).

Finance Costs

Total finance costs was at USD21.74 million for the Reporting Period (2015: USD13.44 million). The increase was primarily due to a foreign exchange loss of USD11.22 million (2015: a gain of USD0.34 million) when USD bank borrowings are translated to RMB which is the functional currency of Spring REIT's subsidiary, RCA01. Such foreign exchange loss was non-cash in nature and did not affect the TDI for the Reporting Period.

With the completion of refinancing in April 2015, the Group's new 5-year term loan carried a contractual interest rate of 3-month USD London Interbank Offered Rate ("USD LIBOR") plus 2.75%, which was 75 basis points lower than that of the previous 3-year term loan. Primarily due to a lower effective interest rate, partly offset by a higher average USD LIBOR during the Reporting Period, the Group's interest expense on bank borrowings amounted to USD10.52 million for the Reporting Period, 7.9% lower than the USD11.42 million in first half of 2015.

Finance Costs		
For the six months ended 30 June	2016	2015
Interest expense on bank borrowings (US\$ million)	10.52	11.42
Foreign exchange gains on bank borrowings (US\$ million)	11.22	-0.34
Other incidental borrowing costs (US\$ million)	-	2.36
Total Finance costs (US\$ million)	21.74	13.44

Management Discussion and Analysis (continued)

Hedging Instruments

On 17 December 2015, the Group entered into a currency option contract to hedge the risk of a substantial depreciation in RMB against USD. 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 at 30 June 2016, the fair value of this currency option was approximately USD2.26 million. A decrease in net fair value of USD4.86 million was recorded for the Reporting Period as a result of time value decrease. The tenure of this currency option may not exactly match that of the Group's bank borrowings.

As market conditions continue to evolve, the Manager will continue to closely monitor the currency as well as the interest rate markets and adopt strategies that, if necessary, reduce the currency and interest rate risks.

Debt Positions

In 2015, Spring REIT, through RCA01, drew down a five-year floating rate secured term loan facility of USD480.00 million ("**2015 Term Loan Facility**") to early repay a previous term loan of USD465.00 million. The 2015 Term Loan Facility bears an interest margin of 2.75% per annum over 3-month USD LIBOR.

The 2015 Term Loan Facility was recognized at USD479.79 million in the financial results as at 30 June 2016. It was initially measured at fair value, net of transaction costs incurred. Subsequently, it is carried at amortized cost with any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest method.

As at 30 June 2016, the gearing ratio, i.e. total borrowings to gross assets value, was 33.2%, compared with 34.7% as at 31 December 2015.

Pledged Assets

As at 30 June 2016, 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 Facility. 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 Facility.

Throughout the Reporting Period, both Spring REIT and RCA01 have in material respects complied with all the terms and provisions of the relevant finance and security documents.

Cash and Asset Positions

As at 30 June 2016, the Group's unrestricted cash amounted to USD32.79 million, compared with USD30.86 million as at 31 December 2015, representing an increase of 6.3%. The Group also had total undrawn bank loan facilities of USD20.00 million (2015: USD20.00 million). 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 30 June 2016, the gross asset value of the Group was USD1,443.88 million, an increase by 4.8% as compared with USD1,377.19 million recorded on 31 December 2015, attributable to a fair value gain on investment property, partly offset by exchange loss on translation.

Net Assets Attributable to Unitholders

During the Reporting Period, net assets attributable to Unitholders increased to USD929.84 million from USD864.22 million as at 31 December 2015.

The net asset value per Unit as at 30 June 2016 was HK\$6.41 (31 December 2015: HK\$5.98). This represented a 90.2% premium to the closing price of the Units of HK\$3.37 on 30 June 2016.

New Units Issued

As at 30 June 2016, the total number of issued Units was 1,125,370,516. A total of 5,212,210 new Units were issued for the payment of 80% of the Manager's base fees during the Reporting Period.

Date	Particulars	No. of Units
31 December 2015	Beginning balance of total number of Units in issue.	1,120,158,306
21 March 2016	Issue of new Units to the Manager at the price of HK\$3.216 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 December 2015.	+2,679,924
10 May 2016	Issue of new Units to the Manager at the price of HK\$3.358 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 2016.	+2,532,286
30 June 2016	Ending balance of total number of Units in issue.	1,125,370,516

Capital Commitments

As at 30 June 2016, 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 Period.

Corporate Governance

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures with a built-in set of checks and balances have been put in place to promote the operation of Spring REIT in a transparent manner. The corporate governance policies of Spring REIT have been adopted with due regard to the requirements under Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), 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 current corporate governance principles emphasize on accountability to all Unitholders, resolution of conflict of interest issues, transparency in reporting, and compliance with relevant procedures and guidelines. The Manager has adopted a 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 legislations and regulations. The Board plays a central support and supervisory role in the corporate governance duties. It will regularly review the Compliance Manual and other policies and procedures on corporate governance and on legal and regulatory compliance, approving changes to governance policies in light of the latest statutory regime and international best practices and reviewing corporate governance disclosures.

With effect from 1 January 2016, Knight Frank Petty Limited (“**Knight Frank**”) was appointed as the new Principal Valuer of Spring REIT by the Trustee pursuant to the REIT Code to succeed Colliers International (Hong Kong) Limited upon its retirement. Knight Frank is an independent qualified professional valuer, which has appropriate professional qualifications and recent experience in the valuation of similar properties in comparable locations.

Throughout the Reporting Period, both the Manager and Spring REIT have in material terms complied with the provisions of the Compliance Manual, the corporate governance policy, the Trust Deed, the REIT Code and applicable provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) and the Listing Rules.

Authorization Structure

Spring REIT is a collective investment scheme constituted as a unit trust and authorized by Securities and Futures Commission (the “**SFC**”) under section 104 of the SFO and regulated by the SFC pursuant to applicable provisions of the SFO, the REIT Code and the Listing Rules. The Manager has been authorized by the SFC under section 116 of the SFO to conduct the regulated activities of asset management. As at the date of this report, Mr. Lau Jin Tin, Don (the Executive Director of the Manager), Mr. Nobumasa Saeki (the Executive Director of the Manager) and Mr. Chung Wai Fai (the 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). The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

Roles of the Trustee and the Manager

The Trustee and the Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Spring REIT on behalf of the Unitholders and to oversee the activities of the Manager in accordance with and for compliance with the Trust Deed, and the regulatory requirements applicable to Spring REIT.

The Manager is responsible for managing Spring REIT in accordance with the Trust Deed and ensuring that the financial and economic aspects of Spring REIT's assets are managed in the sole interest of the Unitholders.

The relationship between the Trustee, the Manager and the Unitholders is set out in the Trust Deed, as may be amended and supplemented from time to time.

Board of Directors of the Manager

The Board of the Manager currently comprises seven members, with two Executive Directors and five Non-executive Directors (including three Independent Non-executive Directors ("INEDs")). The Board of Directors of the Manager during the Reporting Period is set out below:

Non-executive Directors

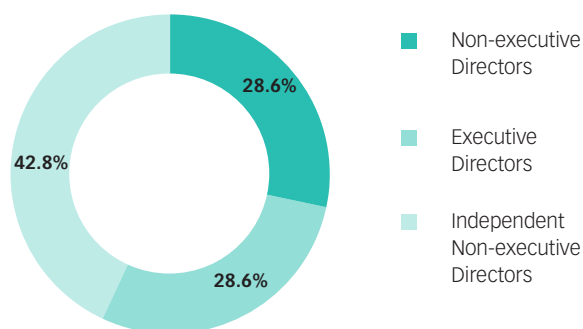
Toshihiro Toyoshima (*Chairman*)
Hideya Ishino

Executive Directors

Lau Jin Tin, Don
Nobumasa Saeki

INEDs

Simon Murray
Lam Yiu Kin
Liping Qiu



Communication with Unitholders

During the Reporting Period, an annual general meeting of Spring REIT was held on 26 May 2016 to provide a forum for communication between the Board and the Unitholders.

Conflicts of Interest and Business Competitions with Mercuria Investment Co., Limited

Mercuria may exercise influence over the affairs of Spring REIT through its control over the Manager and RCA Fund 01, L.P. ("**RCA Fund**"). As at 30 June 2016, the Manager is 90.2% owned by Mercuria and some of its Non-executive Directors are also directors and/or senior executives of Mercuria. Besides, RCA Fund, which is managed by Mercuria pursuant to a management agreement between Mercuria and RCA Fund (acting through its general partner, RCAC), holds 30.67% interest in Spring REIT as at 30 June 2016. Mercuria will therefore have the ability to influence RCA Fund's right as a Unitholder in respect of the affairs of Spring REIT (in so far as such matters are subject to the vote by the Unitholders and RCA Fund is not required to abstain from voting), including in relation to approval of significant corporate transactions, such as acquisitions and disposals. In addition, Mercuria has interest in Units of Spring REIT directly or through various subsidiaries, including in particular, the Manager which has received and will continue to receive Units of Spring REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Spring REIT.

Corporate Governance (continued)

Mercuria is principally engaged in investing in companies and projects in growth sectors in Japan, China and other countries and regions of Asia and it has made selective investments in the property market. There may be circumstances where Spring REIT will have to compete directly with Mercuria and/or its subsidiaries or associates for acquisitions or disposals of properties as well as for tenants within the Asian markets. There can be no assurance that conflicts of interest will not arise between Spring REIT and Mercuria in the future.

All conflicts of interest are managed by the Board in accordance with the articles of association of the Manager, the Compliance Manual and other relevant policies and guidelines issued for and adopted by Spring REIT. The Manager has also established various procedures to deal with potential conflicts of interest issues, including but not limited to:

- (i) unless with the approval of the SFC, the Manager will not manage any real estate investment trust other than Spring REIT nor manage other real estate assets other than those in which Spring REIT has an ownership interest or investment;
- (ii) the Manager will ensure that it will be able to function independently from its shareholders and all executive officers are employed by the Manager on a full time basis and be dedicated to the operations of Spring REIT;
- (iii) the Manager also has INEDs and the Audit Committee which provide independent checks on the performance of the executive officers and ensure that the executive officers manage and operate Spring REIT independent from Mercuria;
- (iv) the Manager has established procedures to deal with conflicts of interest under the Compliance Manual;
- (v) the Manager has established internal control systems to ensure that connected party transactions between Spring REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the wavier conditions imposed by the SFC) and that other potential conflicts of interest that may arise are monitored;
- (vi) all conflicts of interest involving a significant Unitholder or a Director will be required to be managed by a physical Board meeting rather than a written resolution and all INEDs who, and whose associates, have no material interest in the matter should be present at such Board meeting; and
- (vii) where a Director has material interests, whether direct or indirect, in a matter which is the subject of a resolution proposed at a Board meeting of the Manager, such interested Director shall disclose his interest to the Board and shall abstain from voting on the resolution concerned.

Conflicts of Interest and Business Competitions with the Property Manager

Under the Property Management Agreement entered into between RCA01 and Beijing Hua-re Real Estate Consultancy Co., Ltd., (the “**Property Manager**”), the Property Manager provides lease management services, building management services and cash management services for the Property on an exclusive basis subject to the overall management and supervision of the Manager. The Property Manager is currently 40% owned by Mercuria and 60% by third parties. If the Property Manager were to manage a property which competes with the Property, there may be potential conflicts of interests between Spring REIT and the Property Manager in respect of the performance of property management services in relation to the Property or other properties.

To eliminate the likelihood of any potential future conflicts of interest, the Property Manager has a team of operational staff dedicated exclusively to providing property management services to the Property. Besides, the Property Manager has delegated to Beijing CCP & Savills Property Services Management Co. Ltd., (the “**Building Manager**”) responsibilities of maintenance, repair and upkeep of common areas, common facilities and public structures, operation of the building services systems and maintenance of building security. With respect to property management services, the Manager does not anticipate any significant likelihood of conflicts of interests arising between Spring REIT and the Property Manager.

Compliance with the Dealings Code

To monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings in the securities of Spring REIT by the Directors and the Manager (the “**Dealings Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”). Pursuant to the Dealings Code, all Directors, the Manager and the senior executives, officers and employees of the Manager and subsidiaries of the Manager or the special purpose vehicles of Spring REIT (collectively, the “**Management Persons**”) who wish to deal in the Units, and because of his/her office or employment with the Manager, the relevant subsidiaries of the Manager or the relevant special purpose vehicles of Spring REIT, is likely to be in possession of unpublished price sensitive information in relation to the securities of Spring REIT must first have regard to the provisions analogous to those set out in Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions applied to the securities of Spring REIT. In addition, the Management Persons must not make any unauthorized disclosure of confidential information obtained in the course of his/her or its service to any other person or make any use of such information for the advantage of him/her/itself or others.

Specific enquiry has been made with the Management Persons who have confirmed that they have complied with the required standard set out in the Dealings Code throughout the Reporting Period.

Disclosure on INED Remuneration Arrangement

Pursuant to the announcement of the Manager dated 24 October 2014, the Manager has adopted an arrangement for the remuneration of INEDs (the “**INED Remuneration Announcement**”). As stated in the INED Remuneration Announcement, the Manager is required to disclose in the interim report and annual report of Spring REIT of the following matters:

INED	Remuneration for the Reporting Period ⁽ⁱ⁾ (HK\$)	Election for Percentage of Fee in Units during the Reporting Period	Units paid as Remuneration during the Reporting Period ⁽ⁱⁱ⁾
Mr. Simon Murray	HK\$180,000	100%	54,000
Mr. Liping Qiu	HK\$180,000	100%	54,000
Mr. Lam Yiu Kin	HK\$180,000	100%	54,000

Notes:

- (i) Each INED’s remuneration remains unchanged during the Reporting Period. This fee was determined after arm’s length negotiation between each INED and the Manager, with reference to market conditions, the experience and qualifications of each INED.
- (ii) For each INED’s current beneficial interest in Spring REIT and the change (if any) in their respective beneficial interest in Spring REIT during the Reporting Period, please see the section headed “Disclosure of Interest” below.

Review of Interim Report

The consolidated interim results of Spring REIT for the Reporting Period have been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their respective terms of reference.

The consolidated interim results of Spring REIT for the Reporting Period have also been reviewed by the external auditor of Spring REIT in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

Corporate Governance (continued)

Change in Information of Directors of the Manager

The Manager received notification regarding the following change of Directors' information:

Director	Change in Information
Mr. Simon Murray	Re-designated from a non-executive director to an independent non-executive director of IRC Limited (a company listed on the Stock Exchange (stock code: 1029)) with effect from 16 March 2016.
Mr. Lam Yiu Kin	Appointed as an independent non-executive director of Nine Dragons Paper (Holdings) Limited (a company listed on the Stock Exchange (stock code: 2689)) with effect from 3 March 2016.
Mr. Liping Qiu	北京庫客音樂股份有限公司, of which Mr. Qiu is and continues to be a director was quoted on the National Equities Exchange and Quotations on 4 August 2016.

Save as disclosed above, the Manager has not been notified of any change in Director's information.

Purchase, Sale or Redemption of Units

During the Reporting Period, there was no repurchase, sale or redemption of the Units by the Manager on behalf of Spring REIT or any of the special purpose vehicles owned and controlled by Spring REIT.

Public Float of the Units

Base of information that is publicly available and within the knowledge of the Directors, Spring REIT maintained a public float of not less than 25% of the issued and outstanding Units as of 30 June 2016.

Investment in Property Development and Relevant Investments

During the Reporting Period, 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); or (ii) Relevant Investments (as defined in Paragraph 7.2B of the REIT Code).

Connected Party Transactions

Information in respect of the connected party transactions entered into during the Reporting Period between the Spring REIT Group (as defined in the Offering Circular) and its connected persons (as defined in Paragraph 8.1 of the REIT Code), which are governed by Chapter 8 of the REIT Code, other than those transactions that are excluded pursuant to waivers granted by the SFC and/or exempted from the disclosure requirements, is set out in this section.

Connected Party Transactions — Income

The following table sets forth information on connected party transactions (other than those transactions disclosed under the section headed “Connected Party Transaction with Trustee Connected Persons” below) from which the Spring REIT Group derived its income during the Reporting Period:

Name of Connected Party	Relationship with Spring REIT	Nature of Connected Party Transaction	Income for the Reporting Period RMB	Rental Deposit received as at 30 June 2016 RMB
摩丘利亞(北京)投資諮詢有限公司	Associated company of the Manager and associate of a director of the Manager ¹	Leasing	483,472	284,809
ITOCHU (China) Holding Co., Ltd.	Associated company of the Manager ²	Leasing	4,143,907	2,512,205

Notes:

1. 摩丘利亞(北京)投資諮詢有限公司 (formerly AD Capital (Beijing) Investment Consulting Co. Ltd.) is wholly owned by Mercuria, which holds 90.2% shareholding in the Manager. Both Mr. Toshihiro Toyoshima, the chairman and Non-Executive Director of the Manager, and Mr. Hideya Ishino, a Non-Executive Director of the Manager, are also the directors of 摩丘利亞(北京)投資諮詢有限公司.
2. ITOCHU Corporation holds 28.3% of the total issued share capital of Mercuria which in turn holds 90.2% shareholding in the Manager.

Connected Party Transactions (continued)

Connected Party Transactions — Expenses

The following table sets forth information on connected party transactions (other than those disclosed under the section headed “Connected Party Transactions with Trustee Connected Persons” below) in which the Spring REIT Group incurred its expenses during the Reporting Period:

Name of Connected Party	Relationship with Spring REIT	Nature of Connected Party Transaction	Expenses for the Reporting Period RMB
Beijing Hua-re Real Estate Consultancy Co., Ltd.	Associated company of the Manager ¹	Property management	5,205,127

Note:

1. Beijing Hua-re Real Estate Consultancy Co., Ltd. is 40% owned by Mercuria which also holds 90.2% shareholding in the Manager.

Connected Party Transactions with Trustee Connected Persons

The following tables set forth information on connected party transactions entered into with the Trustee Connected Persons (as defined in the Offering Circular) during the Reporting Period:

Name of Connected Party	Relationship with Spring REIT	Nature of Connected Party Transaction	Income/(Expense) for the Reporting Period RMB
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Leasing Transactions

Deutsche Bank AG and its associated companies	Trustee Connected Persons	Leasing	22,884,447 ¹
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Ordinary Banking and Financial Services

Deutsche Bank AG	Trustee Connected Persons	Interest income received/ receivable on bank deposits	1,783,677
Deutsche Bank AG	Trustee Connected Persons	Loan Interest	(5,013,399) ²
Deutsche Bank AG	Trustee Connected Persons	Bank charges	(7,901)

Notes:

1. As at 30 June 2016, the Spring REIT Group received from the Trustee Connected Persons a rental deposit of RMB6,803,393. A rental deposit by way of bank guarantee provided by Deutsche Bank (China) Co., Ltd. was held by RCA01 (a special purpose vehicle wholly owned and controlled by Spring REIT) as at 30 June 2016.
2. On 30 April 2015, RCA01 concluded the US\$500,000,000 term loan and revolving facilities with a syndicate of banks. Deutsche Bank AG, London Branch was appointed as one of the mandated lead arrangers, underwriters and bookrunners and acted as one of the lenders for the financing. The outstanding principal balance of these facilities were US\$480,000,000 as at 30 June 2016.

Connected Party Transactions with Trustee Connected Persons — Leases with annual income exceeding HK\$1 million

The following table sets forth information on leasing transactions with the connected persons with annual income that exceeds HK\$1 million during the Reporting Period.

Name of Connected Party	Relationship with Spring REIT	Nature of Connected Party Transaction	Rental income for the Reporting Period RMB
Deutsche Bank (China) Company Ltd.	Trustee connected person	Lease for the whole of 26th, 27th and 28th floors of Tower 1, China Central Place and signage income	12,152,418
Zhong De Securities	Trustee connected person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place and signage income	10,732,028

Confirmation By The INEDs

The INEDs have confirmed that they have reviewed the terms of all relevant connected party transactions above and that they are satisfied that these transactions have been entered into:

- (a) in the ordinary and usual course of business of Spring REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Spring REIT than terms available to or from (as appropriate) independent third parties;
- (c) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any; and
- (d) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

Connected Party Transactions (continued)

Terms and Remuneration of Services Provided by the Manager, the Trustee and the Principal Valuer

Pursuant to note 2 to Paragraph 8.10 of the REIT Code, services provided by the Manager, the Trustee and the Principal Valuer to Spring REIT as contemplated under the constitutive documents shall not be deemed connected party transactions but particulars of such services (except where any such services has a value of not more than HK\$1 million), such as terms and remuneration, shall be disclosed in the relevant semi-annual or annual report.

During the Reporting Period, the Manager's fee paid in the form of Units amounted to HK\$17,122,056.14 and the Manager's fee paid in the form of cash amounted to HK\$11,266,998.45. The Manager had elected for 20% of its base fee to be paid in the form of cash and 80% of its base fee to be paid in the form of Units. During the Reporting Period, a variable fee of HK\$6,959,484.42 was also paid entirely in cash to the Manager.

During the Reporting Period, the fee paid to the Trustee under the Trust Deed were less than HK\$1 million.

During the Reporting Period, the fees payable to Knight Frank (the new Principal Valuer) and Colliers International (Hong Kong) Ltd. (the retired Principal Valuer) were less than HK\$1 million.

Particulars of services provided by the Manager, including terms and remuneration, are set out in note 11 of the condensed consolidated financial statements of Spring REIT for the Reporting Period.

Disclosure of Interests

The REIT Code requires connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT to disclose their interests in the Units. In addition, pursuant to the Trust Deed, certain provisions of Part XV of the SFO are deemed to apply to each of the Directors or chief executives of the Manager and also indirectly to certain persons interested in or having a short position in the Units.

Interests Held by the Manager, the Directors, Senior Executives and Officers of the Manager

As at 30 June 2016, the interests and short positions held by the Manager, the Directors, senior executives and officers of the Manager in the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of the Trust Deed and certain provisions of Part XV of the SFO are set out below:

Name	Capacity/ Nature of Interest	As at 30 June 2016		As at 31 December 2015		Change in % interest
		Number of Units Interested (Long Position)	Approximate % of interest ⁵	Number of Units Interested (Long Position)	Approximate % of interest ⁵	
The Manager						
Spring Asset Management Limited ¹	Beneficial owner/ Beneficial interest	12,302,516	1.09%	11,938,306	1.07%	+0.02%
Directors						
Toshihiro Toyoshima	Beneficial owner/ Personal interest	700,000	0.06%	700,000	0.06%	0.00%
Lau Jin Tin, Don	Beneficial owner/ Personal interest	200,000	0.02%	200,000	0.02%	0.00%
Nobumasa Saeki	Beneficial owner/ Personal interest	400,000	0.04%	400,000	0.04%	0.00%
Hideya Ishino	Beneficial owner/ Personal interest	49,000	0.00%	49,000	0.00%	0.00%
Simon Murray ²	Beneficial owner/ Personal interest	186,000	0.02%	132,000	0.01%	+0.01%
Liping Qiu ³	Beneficial owner/ Personal interest	186,000	0.02%	132,000	0.01%	+0.01%
Lam Yiu Kin ⁴	Beneficial owner/ Personal interest	159,000	0.01%	105,000	0.01%	0.00%
Senior Executives						
Alice Yu	Beneficial owner/ Personal interest	170,000	0.02%	170,000	0.02%	0.00%

Notes:

1. After issuance of an aggregate of 5,212,210 new Units to the Manager during the Reporting Period as payment of part of the Manager's fee, the Manager beneficially owned 12,302,516 Units at 30 June 2016 (31 December 2015: 11,938,306).
2. Mr. Simon Murray received the Units in lieu of cash, pursuant to the announcement made by the Manager on 24 October 2014 regarding the arrangement for remuneration of Independent Non-executive Director paid out of the Manager's own asset. As at 30 June 2016, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by Mr. Simon Murray.
3. Mr. Liping Qiu received the Units in lieu of cash, pursuant to the announcement made by the Manager on 24 October 2014 regarding the arrangement for remuneration of Independent Non-executive Director paid out of the Manager's own asset. As at 30 June 2016, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by Mr. Liping Qiu.

Disclosure of Interests (continued)

- Mr. Lam Yiu Kin received the Units in lieu of cash, pursuant to the announcement made by the Manager on 24 October 2014 regarding the arrangement for remuneration of Independent Non-executive Director paid out of the Manager's own asset. As at 30 June 2016, there had been no change to (i) the Independent Non-executive Director's remuneration; and (ii) the annual election made by Mr. Lam Yiu Kin.
- The percentages expressed are based on the total number of issued Units of 1,125,370,516 as at 30 June 2016 and 1,120,158,306 as at 31 December 2015 respectively.

Save as disclosed, none of the Manager, the Directors, senior executives and officers of the Manager had beneficially interested (or deemed to be interested) in the Units or held any short position in the Units as at 30 June 2016 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO as deemed to be applicable by virtue of the Trust Deed.

Interests Held by Significant Holders

As at 30 June 2016, the interests or short positions held by the significant holders in the Units which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of the Trust Deed and certain provisions of Part XV of the SFO are set out below:

Name	Capacity/ Nature of interest	As at 30 June 2016		As at 31 December 2015		Change in % interest
		Units Interested (Long Position)	Approximate % of Issued Units ¹	Units Interested (Long Position)	Approximate % of Issued Units ¹	
RCA Fund ²	Beneficial owner/ Beneficial interest	345,204,000	30.67%	345,204,000	30.82%	-0.15%
RCAC ²	Interest of controlled corporation/ corporate interests	345,204,000	30.67%	345,204,000	30.82%	-0.15%

Notes:

- The percentages expressed are based on the total number of issued Units of 1,125,370,516 as at 30 June 2016 and 1,120,158,306 as at 31 December 2015 respectively.
- Based on the information available to the Manager, RCAC is a general partner of the RCA Fund. RCAC has the exclusive right on the management, control and operation of the RCA Fund and is deemed to have corporate interest in the Units held by the RCA Fund.

Save as disclosed above and the information available to the Manager, no other significant holders were beneficially interested (or deemed to be interested) in the Units or held any short position in the Units as at 30 June 2016 which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO as deemed to be applicable by virtue of the Trust Deed.

Interests Held by Substantial Unitholders under the SFO

As at 30 June 2016, the interests and short positions, in the Units held by persons who were interested in 5% or more but less than 10% in the Units (other than the Manager, Directors or senior executives and officers of the Manager or significant holders of Spring REIT) which were required to be disclosed to the Manager and the Stock Exchange pursuant to the provisions of the Trust Deed and certain provisions of Part XV of the SFO are set out below:

Name	Capacity/ Nature of interest	As at 30 June 2016		As at 31 December 2015		Change in % interest
		Number of Units Interested (Long Position)	Approximate % of Issued Units ¹	Number of Units Interested (Long Position)	Approximate % of Issued Units ¹	
Asuka Asset Management Co., Ltd. ²	Beneficial owner/ Beneficial Interest	77,861,000	6.92%	77,861,000	6.95%	-0.03%
BT Cayman Limited ³	Beneficial owner/ Beneficial Interest	63,710,000	5.66%	–	–	+5.66%
PAG Holdings Limited ⁴	Interest of controlled corporation/ corporate interests	63,710,000	5.66%	–	–	+5.66%

Notes:

1. The percentages expressed are based on the total number of issued Units of 1,125,370,516 as at 30 June 2016 and 1,120,158,306 as at 31 December 2015 respectively.
2. Asuka Asset Management Co., Ltd. had beneficial interest in 77,861,000 Units and held these Units in the capacity as beneficial owner.
3. BT Cayman Limited had beneficial interest in 63,710,000 Units and held these Units in the capacity as beneficial owner.
4. The 63,710,000 Units held by PAG Holdings Limited are the same parcel of Units held beneficially by BT Cayman Limited.

Save as disclosed above and the information available to the Manager, the Manager is not aware of any other persons who were beneficially interested (or deemed to be interested) in 5% or more but less than 10% in the Units or held any short position in the Units as at 30 June 2016 (other than the Manager, Directors or senior executives and officers of the Manager or significant holders of Spring REIT) which were required to be notified to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO as deemed to be applicable by virtue of the Trust Deed

Interests Held by Other Connected Persons of Spring REIT

As at 30 June 2016, saved as disclosed above and the information available to the Manager, the Manager is not aware of any other connected persons of Spring REIT, including the Trustee and the Principal Valuer, who was beneficially interested (or deemed to be interested) in the Units or held any short position in the Units which were required to be notified to the Manager and the Stock Exchange pursuant to Part XV of the SFO as deemed to be applicable by virtue of the Trust Deed.

Report on Review of Interim Financial Information

**TO THE BOARD OF DIRECTORS OF SPRING ASSET MANAGEMENT LIMITED
(as “Manager” of SPRING REAL ESTATE INVESTMENT TRUST)**

Introduction

We have reviewed the interim financial information set out on pages 27 to 50, which comprises the condensed consolidated statement of financial position of Spring Real Estate Investment Trust (the “Spring REIT”) and its subsidiary (together, the “Group”) as at 30 June 2016 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and net assets attributable to Unitholders and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors of the Manager are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2016

Condensed Consolidated Income Statement

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Revenues	6	39,376	40,840
Property operating expenses	7	(8,900)	(9,426)
Net property income		30,476	31,414
General and administrative expenses	8	(4,493)	(4,793)
Fair value gain of investment property	13	101,601	9,669
Other losses, net	9	(5,071)	(318)
Operating profit		122,513	35,972
Finance income		272	282
Finance costs on interest-bearing borrowings	10	(21,740)	(13,438)
Profit for the period, before transactions with Unitholders		101,045	22,816
Distributions paid to Unitholders:			
— 2014 final distribution		—	(17,931)
— 2015 final distribution (note i)		(18,238)	—
		82,807	4,885
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		63,410	5,588
Amount arising from exchange reserve movements regarding translations of financial statements		19,397	(703)
		82,807	4,885

Notes:

- (i) 2015 final distribution of US\$18,238,000 for the year ended 31 December 2015 was paid during the six months ended 30 June 2016. Total distribution for the six months ended 30 June 2016 is presented in the statement of distributions.
- (ii) Earnings per unit, based upon profit for the period, before transactions with Unitholders and the weighted average number of units in issue, are set out in note 12.

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Before transactions with Unitholders (Unaudited) US\$'000	Transactions with Unitholders (Note i) (Unaudited) US\$'000	After transactions with Unitholders (Unaudited) US\$'000
For the six months ended 30 June 2016				
Profit for the period		101,045	(81,648)	19,397
Other comprehensive income: <i>Items that may be reclassified to the condensed consolidated income statement</i>				
Exchange losses on translation of financial statements		(19,397)	-	(19,397)
Total comprehensive income for the period	(ii)	81,648	(81,648)	-

	Note	Before transactions with Unitholders (Unaudited) US\$'000	Transactions with Unitholders (Note i) (Unaudited) US\$'000	After transactions with Unitholders (Unaudited) US\$'000
For the six months ended 30 June 2015				
Profit for the period		22,816	(23,519)	(703)
Other comprehensive income: <i>Items that may be reclassified to the condensed consolidated income statement</i>				
Exchange gains on translation of financial statements		703	-	703
Total comprehensive income for the period	(ii)	23,519	(23,519)	-

Notes:

- (i) Transactions with Unitholders comprise the distributions paid to Unitholders of US\$18,238,000 (2015: US\$17,931,000), and change in net assets attributable to Unitholders, excluding issuance of new units, of an increase of US\$63,410,000 (2015: US\$5,588,000).
- (ii) In accordance with the Trust Deed, Spring REIT is required to distribute not less than 90% of total distributable income to the 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 condensed consolidated income statement. Accordingly, the total comprehensive income, after transactions with Unitholders is zero.

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

Statement of Distributions

For the six months ended 30 June 2016

	Note	2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Profit for the period, before transactions with Unitholders		101,045	22,816
Adjustments:			
— Fair value gain of investment property	13	(101,601)	(9,669)
— Fair value losses of derivative financial instruments	9	4,862	85
— Manager's fee payable in units in lieu of cash		2,196	2,212
— Amortization of transaction costs for the bank borrowings		2,492	3,296
— Derecognition of loan arrangement fee upon early repayment of previous bank borrowings	10	—	2,358
— Unrealized foreign exchange losses/(gains)		11,427	(124)
Distributable income for the period (note i)		20,421	20,974
Total distribution of the period (note ii)		18,828	20,135
Percentage of total distribution over distributable income for the period		92%	96%
Distributions per unit to Unitholders for the period			
— Interim Distribution per unit (notes iii and iv)		HK13.0 cents	HK14.0 cents

Notes:

- (i) Under the terms of the Trust Deed, the distributable income represents the profit for the period before transactions with Unitholders, adjusted to eliminate the effects of certain adjustments (as defined in the Trust Deed) which have been recorded in the condensed consolidated income statement for the period.
- (ii) In accordance with the terms of the Trust Deed, Spring REIT is required to distribute to Unitholders not less than 90% of its total distributable income for each financial year. The Manager also has the discretion to make distributions over and above the minimum 90% of Spring REIT's total distributable income if and to the extent Spring REIT has funds surplus to meet its business requirements.
- (iii) Interim distribution per unit of HK13.0 cents for the six months ended 30 June 2016 is calculated based on the interim distribution to be paid to Unitholders of US\$18,828,000 for the first half of 2016 and 1,125,370,516 units in issue as at 30 June 2016, without taking into account any consideration or subdivision of units which may have occurred between the dates of declaration of the distribution and 13 September 2016 (the "Record Date"). Distributions to Unitholders for the six months ended 30 June 2016 represent a payout ratio of 92% (2015: 96%) of Spring REIT's total distributable income for the period. The interim distribution for the six months ended 30 June 2016 is expected to be paid on 23 September 2016. Such interim distribution per unit, however, is subject to adjustment upon the issuance of new units between 1 July 2016 and Record Date, if any.
- (iv) All distributions to Unitholders are determined and paid in HK\$.

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
Non-current asset			
Investment property	13	1,354,543	1,283,552
Total non-current asset		1,354,543	1,283,552
Current assets			
Trade and other receivables	14	3,524	1,455
Derivative financial instruments	15	2,255	7,117
Restricted bank balances	16	50,765	54,208
Cash and cash equivalents	16	32,794	30,857
Total current assets		89,338	93,637
Total assets		1,443,881	1,377,189
Current liabilities			
Trade and other payables	17	12,941	13,258
Rental deposits	17	21,308	22,406
Total current liabilities		34,249	35,664
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	18	479,793	477,301
<i>Total liabilities, excluding net assets attributable to Unitholders</i>		514,042	512,965
Net assets attributable to Unitholders		929,839	864,224
Units in issue ('000)	19	1,125,371	1,120,158
Net asset value per unit attributable to Unitholders			
In US\$		0.83	0.77
In HK\$		6.41	5.98

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

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

Lau Jin Tin, Don
Executive Director
23 August 2016

Nobumasa Saeki
Executive Director
23 August 2016

Condensed Consolidated Statement of Changes in Equity and Net Assets Attributable to Unitholders

For the six months ended 30 June 2016

	Reserves (Unaudited) US\$'000	Net assets attributable to Unitholders (Unaudited) US\$'000
As at 1 January 2016	–	864,224
Profit for the six months ended 30 June 2016, before transactions with Unitholders	–	101,045
Exchange losses on translation of financial statements	(19,397)	–
Amount arising from exchange reserve movements	19,397	(19,397)
Distribution paid to Unitholders – 2015 final distribution	–	(18,238)
Change in net assets attributable to Unitholders for six months ended 30 June 2016, excluding issues of new units	–	63,410
Issuance of units	–	2,205
As at 30 June 2016	–	929,839
As at 1 January 2015	–	894,154
Profit for the six months ended 30 June 2015, before transactions with Unitholders	–	22,816
Exchange gains on translation of financial statements	703	–
Amount arising from exchange reserve movements	(703)	703
Distribution paid to Unitholders – 2014 final distribution	–	(17,931)
Change in net assets attributable to Unitholders for six months ended 30 June 2015, excluding issues of new units	–	5,588
Issuance of units	–	2,610
As at 30 June 2015	–	902,352

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Cash flows from operating activities			
Cash generated from operations	20	25,101	27,803
Interest received		272	282
Net cash from operating activities		25,373	28,085
Cash flows from financing activities			
Proceeds from borrowings, net of transaction cost		-	471,924
Repayment of borrowings		-	(465,000)
Interest paid		(8,027)	(8,125)
Distributions to Unitholders		(18,238)	(17,931)
Decrease in restricted bank balances		2,686	3,167
Net cash used in financing activities		(23,579)	(15,965)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		30,857	24,286
Exchange gains/(losses) on cash and cash equivalents		143	(757)
Cash and cash equivalents at the end of the period		32,794	35,649

The notes on pages 33 to 50 are an integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

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 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 the Spring REIT, DB Trustees (Hong Kong) Limited, are Room 2801, 28/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong and 52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

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

The condensed consolidated interim financial information is 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 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim financial reporting” issued by the International Accounting Standards Board. The condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements as at 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015 as described in those annual financial statements.

Amendment and improvements adopted by the Group

The Group has adopted, for the first time, the following amendment and improvements issued by the International Accounting Standard Board that are relevant to the Group’s operations and mandatory for annual accounting periods beginning 1 January 2016.

Amendment and improvements effective in 2016 which are relevant to the Group’s operations:

IAS 1 Amendment	Disclosure Initiative
Annual Improvements Project	Annual Improvements to IFRSs 2012–2014 cycle

The adoption of these amendment and improvements does not have a material impact on the accounting policies or results and the financial position of the Group.

Notes to the Condensed Consolidated Interim Financial Information (continued)

3 Accounting policies (continued)

New standards and amendments which are not yet effective

The following new standards and amendments 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 7 Amendment	Disclosure Initiative	1 January 2017
IAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealized Loss	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty 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 13.

4 Critical accounting estimates and judgements (continued)

(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 issued 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 Financial risk and capital risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since the year end.

Notes to the Condensed Consolidated Interim Financial Information (continued)

6 Revenues 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. The chief operating decision-maker has been identified as the managing director of the Manager. Management determines the operating segments based on the Group's internal reports, which are then submitted to the managing director for performance assessment and resources allocation. Given that management reviews 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:

	Six months ended 30 June	
	2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Rental income (note i)	37,699	39,463
Car park income	319	341
Other income (note ii)	1,358	1,036
	39,376	40,840

Notes:

- (i) With effect from 1 May 2016, the business tax formerly applicable to the Group was replaced by the value-added tax ("VAT"). VAT is a tax detached from selling price and pursuant to the IFRS, the rental income from 1 May 2016 onwards is presented in the financial statements as excluding any VAT collected by Spring REIT on behalf of the relevant tax authorities. Relevant business tax of rental income borne by the Group before 1 May 2016 was included in property operating expenses (note 7).
- (ii) Other income mainly represents compensation paid by tenants for early termination of lease.

7 Property operating expenses

	Six months ended 30 June	
	2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Property management fee	796	813
Property tax (note i)	1,901	1,997
Business and other tax (note ii)	1,822	2,317
Withholding tax (note iii)	3,976	4,092
Leasing commission	339	141
Others	66	66
	8,900	9,426

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. With effect from 1 May 2016, the business tax formerly applicable to the Group was replaced by the VAT.
- (iii) Withholding tax in the PRC is calculated based on the rental revenues at a rate of 10%.

8 General and administrative expenses

	Six months ended 30 June	
	2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Manager's fee (note i)	3,579	3,777
Trustee fee	119	124
Valuation fee	8	18
Auditor's remuneration	104	86
Legal and other professional fees (note ii)	659	762
Others	24	26
	4,493	4,793

Notes:

- (i) The breakdown of the Manager's fee was set out in note 11.
- (ii) Legal and other professional fees mainly comprise advisory fees and other professional fees.

Notes to the Condensed Consolidated Interim Financial Information (continued)

9 Other losses, net

	Six months ended 30 June	
	2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Derivative financial instruments at fair value through profit or loss:		
Net fair value losses	4,862	85
Foreign exchange losses	206	217
Other miscellaneous losses	3	16
	5,071	318

10 Finance costs on interest-bearing borrowings

	Six months ended 30 June	
	2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Interest expense on bank borrowings (note i)	10,519	11,421
Foreign exchange losses/(gains) on bank borrowings (note ii)	11,221	(341)
Other incidental borrowing costs (note iii)	–	2,358
Total	21,740	13,438

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 Renminbi ("RMB"). The exchange losses and gains on bank borrowings during the six months ended 30 June 2016 and 2015, were mainly arisen from depreciation and appreciation of RMB against US\$ respectively.
- (iii) Other incidental borrowing costs in 2015 represent derecognition of unamortized loan arrangement fee. In April 2015, the Group early repaid a bank borrowing, resulting in a derecognition of loan arrangement fee upon early repayment of bank borrowings of US\$2,358,000 during the six months ended 30 June 2015.

11 Manager's fee

	Six months ended 30 June	
	2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Base fee	2,747	2,834
Variable fee	832	943
	3,579	3,777

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as 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).
- (iii) Based on the election made by the Manager dated 9 December 2015 in relation to the Manager's elections for the Base Fee to be paid to the Manager in the form of cash as to 20% and in the form of Units as to 80%, and Variable Fee to be paid to the Manager in the form of cash entirely, arising from any real estate of Spring REIT for the year ending 31 December 2016 in accordance with the Trust Deed.

12 Earnings per unit

	As at 30 June 2016 (Unaudited) US\$'000	As at 30 June 2015 (Unaudited) US\$'000
Profit for the period, before transactions with Unitholders	101,045	22,816
Weighted average number of units for the period for calculating basic earnings per unit	1,122,383,752	1,111,867,172
Adjustment for units issuable in respect of the Manager's fee	2,427,696	2,415,054
Weighted average number of units for the period for calculating diluted earnings per unit	1,124,811,448	1,114,282,226
Basic earnings per unit based upon profit before transactions with Unitholders	US9.0 cent	US2.1 cent
Diluted earnings per unit based upon profit before transactions with Unitholders	US9.0 cent	US2.1 cent

Distribution per unit is presented in the statement of distributions on page 29 of the condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information (continued)

13 Investment property

Detail of the movements of investment property is as follows:

	For the period ended 30 June 2016 (Unaudited) US\$'000	For the year ended 31 December 2015 (Audited) US\$'000
At beginning of the period/year	1,283,552	1,306,583
Exchange differences recognized in other comprehensive income	(30,610)	(58,574)
Changes in fair value recognized in consolidated income statement	101,601	35,543
At end of the period/year	1,354,543	1,283,552

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, a wholly owned subsidiary of the Trust, for a 50-year term expiring on 28 October 2053.

As at 30 June 2016 and 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment property.

As at 30 June 2016 and 31 December 2015, the investment property was pledged to secure the Group's bank borrowings (note 18).

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 have recent experience in the locations and segments of the investment property valued.

The Manager reviewed the valuations performed by the independent valuer for financial reporting purpose. Discussions of valuation processes and results are held between the Manager and the independent valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 30 June 2016, the fair values of the investment property have been determined by Knight Frank Petty Limited (2015: Colliers International (Hong Kong) Limited). The independent valuer adopted the income capitalisation approach and cross-checked by the direct comparison approach (2015: income capitalization approach and discounted cash flow method) for the valuation.

There were no transfer between levels 1, 2 and 3 during the period.

13 Investment property (continued)

Valuation techniques

The income capitalization approach estimates the values of the properties on an open market basis by capitalizing 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 rental income, no deduction has been made from the 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.

The direct comparison approach is based on comparing the properties to be valued directly with other comparable properties which recently changed hands.

Description	Fair value measurements at 30 June 2016 using		
	Quoted prices		
	in active	Significant other	Significant
	markets for	observable	unobservable
identical assets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)	
US\$'000	US\$'000	US\$'000	
Recurring fair value measurements investment property	-	-	1,354,543

Notes to the Condensed Consolidated Interim Financial Information (continued)

13 Investment property (continued) Valuation techniques (continued)

Description	Fair value measurements at 31 December 2015 using		
	Quoted prices		
	in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	(Level 1) US\$'000	(Level 2) US\$'000	(Level 3) US\$'000
Recurring fair value measurements investment property	–	–	1,283,552

There were no transfers between Levels 1, 2 and 3 during the six months period ended 30 June 2016.

Key unobservable inputs used to determine fair values are as follows:

Income capitalization approach

(i) 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 30 June 2016 valuation, a capitalization rate of 5.77% (31 December 2015: 6.50%) is used in the income capitalization approach.

(ii) 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 period ended 30 June 2016, the average gross monthly office unit base rent of RMB405 per square meter exclusive of VAT is used in the valuation. The corresponding amount inclusive of VAT is RMB450 per square meter (31 December 2015: RMB430).

As at 30 June 2016, 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\$67.7 million (31 December 2015: US\$64.2 million) higher/lower.

14 Trade and other receivables

	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
Rent receivables	304	53
Deferred rent receivables	2,161	1,000
VAT recoverable	133	–
Prepayment	926	402
	3,524	1,455

Notes:

- (i) Trade and other receivables are denominated in RMB and the carrying amounts of these receivables approximate their fair values.
- Monthly rentals are payable in advance by tenants in accordance with the leases while daily gross receipts from car parks are received from the car park operators in arrears. There were no specific credit terms given to the tenants.
- (ii) The Group's exposure from outstanding rent receivables is generally fully covered by the rental deposits from the corresponding tenants (note 17).
- (iii) As at 30 June 2016 and 31 December 2015, the Group's rent receivables and all future rent receivables were pledged to secure the Group's bank borrowings (note 18).

15 Derivative financial instruments

	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
Current		
Fair value of the currency option	2,255	7,117

Notes:

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 30 June 2016 was US\$480 million (31 December 2015: US\$480 million) and will be mature on 16 December 2016 (31 December 2015: 16 December 2016).

The Group recorded fair value losses on derivative financial instruments for the six months ended 30 June 2016 amounting to US\$4,862,000 (30 June 2015: US\$85,000) (note 9) which were charged to the condensed consolidated income statement.

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

16 Restricted bank balances and cash and cash equivalents

	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
Restricted bank balance	50,765	54,208
Cash and cash equivalents	32,794	30,857
	83,559	85,065

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

	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
US\$	48,918	51,153
RMB	33,564	32,644
HK\$	1,077	1,268
	83,559	85,065

Restricted bank balances were related to bank accounts restricted under the bank borrowing facility agreements and were charged to the facility agent, the Australia and New Zealand Banking Group Limited, to secure the Group's bank borrowings (note 18). 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\$5,000 as at 30 June 2016 (31 December 2015: US\$1,000).

17 Rental deposits and trade and other payables

	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
Rental deposits (note i)	21,308	22,406
Trade and other payables:		
Rental receipts in advance	7,431	6,870
Provision for withholding tax	–	698
Provision for other taxes (note ii)	17	391
Accrued expenses and other payables	5,493	5,299
	12,941	13,258

Notes:

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

	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
Within 1 year	8,092	9,603
Over 1 year	13,216	12,803
	21,308	22,406

- (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.

Notes to the Condensed Consolidated Interim Financial Information (continued)

18 Interest-bearing borrowings

	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
Non-current		
Bank borrowings	479,793	477,301

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

	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
6 months or less	479,793	477,301

The carrying amounts of bank 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) The 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 term loan facility and uncommitted revolving facility are guaranteed by the Trustee. The subsidiary of the Group's shares were pledged to secure the Group's term loan facility and uncommitted revolving facility.
- (ii) As at 30 June 2016 and 31 December 2015, the Group's investment property (note 13), rent receivables and all future rent receivables (note 14), restricted bank accounts (note 16) and subsidiary of the Group's share were pledged to secure the Group's term loan facilities. As at 30 June 2016 and 31 December 2015, the Group's currency option (note 15) was pledged to secure the Group's term loan facilities.

19 Units in issue

	Number of units
Balance as at 31 December 2015	1,120,158,306
New units issued for Manager's fee	5,212,210
Balance as at 30 June 2016	1,125,370,516

Traded market value of units as of 30 June 2016 was HK\$3.37 per unit. Based on 1,125,370,516 units in issue, the market capitalization was US\$488.78 million.

20 Notes to statements of cash flows

Net cash flow from operating activities

	Six months ended 30 June	
	2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Profit for the period before transactions with Unitholders	101,045	22,816
Adjustments for:		
– Changes in fair value of investment property	(101,601)	(9,669)
– Net fair value losses on derivative financial instruments	4,862	85
– Manager's fee paid in Units	2,205	2,610
– Interest income	(272)	(282)
– Finance costs on interest-bearing borrowings	21,740	13,438
– Net exchange losses	206	217
Changes in working capital:		
– Trade and other receivables	(2,151)	(250)
– Rental deposits	(592)	(229)
– Trade and other payables	(341)	(933)
	25,101	27,803

Material non-cash movements:

- (i) For the six months ended 30 June 2015, the unamortized loan arrangement fee upon early termination of previous term loan was US\$2,358,000 as disclosed in note 10.
- (ii) The Manager's fee amounting US\$2,205,000 (2015: US\$2,610,000) was settled by issuance of new units.

21 Future minimum rental receivables

As at 30 June 2016, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
	Within 1 year	61,984
After 1 year, but within 5 years	91,304	47,616
After 5 years	164	204
	153,452	107,272

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2015: 3 years).

Notes to the Condensed Consolidated Interim Financial Information (continued)

22 Connected party transactions and related party transactions and balances

For the six months ended 30 June 2016, the Group entered into the following transactions with related parties at mutually agreed terms in the normal course of its business.

(a) Nature of relationship with connected/related parties

The table set forth below summarizes the names of the connected/related parties, as defined in the REIT Code/IAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 30 June 2016:

Connected/related party	Relationship with the Group
DB Trustees (HK) Ltd	The Trustee of Spring REIT
Spring Asset Management Limited*	The Manager of Spring REIT
RCA Fund 01 L.P.*	Significant Holder of Spring REIT
Mercuria Investment Co., Ltd.*	Parent Company of the Manager
ITOCHU (China) Holding Co., Ltd. ("ITOCHU China")*	An associated company of the Manager
MIBJ Consulting (Beijing) Co., Ltd., previously known as "Mercuria Investment Consulting (Beijing) Co. Ltd." ("MIBJ")*	An associated company of the Manager
Beijing Hua-re Real Estate Consultancy Co., Ltd. ("HuaRe")*	An associated company of the Manager
Knight Frank Petty Limited	The Principal Valuer
Colliers International (Hong Kong) Ltd.	The Principal Valuer
Deutsche Bank AG, Hong Kong Branch ("DBHK")	Trustee Connected Persons
Deutsche Bank (China) Company Ltd. ("DB China")	Trustee Connected Persons
Deutsche Bank AG, London Branch ("DBUK")	Trustee Connected Persons
Zhong De Securities ("ZDS")	Trustee Connected Persons

* These connected parties are also considered as related parties of the Group.

22 Connected party transactions and related party transactions and balances (continued)

(b) Income from connected/related parties

	Note	Six months ended 30 June	
		2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Rental revenue from ITOCHU China	(i)	634	121
Rental revenue from MIBJ	(i)	74	78
Rental revenue from DB China and ZDS	(i)	3,500	3,669
Interest income from DBHK	(ii)	272	279

(c) Expenses to connected/related parties

	Note	Six months ended 30 June	
		2016 (Unaudited) US\$'000	2015 (Unaudited) US\$'000
Management fees to HuaRe	(iii)	796	813
Trustee's fee paid and payable to the Trustee	(iv)	119	124
Administration fee of the new term loan facility paid to the Trustee		–	8
Manager's fee to Spring Asset Management Limited	(v)	3,579	3,777
Valuation fee to valuer	(vi)	8	18
Interest expense to DBUK	(vii)	767	360
Term loan upfront fee to DBUK	(vii)	–	2,880
Bank charges to DBHK	(ii)	1	–

(d) Balances with connected/related parties

	Note	As at 30 June 2016 (Unaudited) US\$'000	As at 31 December 2015 (Audited) US\$'000
Lease deposit from ITOCHU China	(viii)	378	373
Lease deposit from MIBJ	(viii)	43	44
Lease deposit from DB China and ZDS	(viii)	1,023	1,090

Notes to the Condensed Consolidated Interim Financial Information (continued)

22 Connected party transactions and related party transactions and balances (continued)

Notes:

- (i) Rental revenue was charged in accordance with the terms of the relevant agreements with the connected/related parties.
- (ii) Interest income received on bank deposits and bank charges paid were charged in accordance with the terms of the relevant agreements with DBHK.
- (iii) Property management services fees were charged based on mutually agreed terms between the parties.
- (iv) The Trustee is entitled to in each financial period, an ongoing fee of not more than 0.025% of the value of the Deposited Property payable semi-annually or quarterly in arrears, subject to a minimum of US\$9,000 per annum.
- (v) Fee to the Manager was charged in accordance with the Trust Deed.
- (vi) Valuation fee were charged based on mutually agreed terms between the parties.
- (vii) Interest expense was charged in accordance with the terms of the relevant agreements with DBUK. Loan agreement fee to DBUK was charged based on mutually agreed terms.
- (viii) The lease deposits were received in accordance with the terms of the relevant lease agreements.

23 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was authorized for issue by the Manager on 23 August 2016.

Performance Table

As at 30 June	2016	2015
Net assets attributable to Unitholders	US\$929.84 million	US\$ 902.35 million
Net assets per Unit attributable to Unitholders	HK\$6.41	HK\$6.27
Total borrowings as a percentage of gross assets	33.2%	33.5%
Market capitalization ¹	US\$488.78 million	US\$ 497.76 million
Units issued	1,125,370,516	1,114,886,108
For the six months ended 30 June	2016	2015
Highest traded unit price	HK\$3.42	HK\$3.84
Highest premium of the traded unit price to net assets per Unit	N/A	N/A
Lowest traded unit price	HK\$2.65	HK\$3.31
Highest discount of the traded unit price to net assets per Unit	58.7%	47.2%
Distributions per Unit ²	HK13.0 cents	HK14.0 cents
Net yield per Unit ²	3.9%	4.1%
Net yield (annualized) per Unit ²	7.8%	8.2%

Notes:

1. Market capitalization is calculated based on the closing unit price of the period times the unit outstanding as at the end of the period.
2. Net yield per Unit is calculated based on distribution per Unit for each period to the closing price as at the end of each period.

Corporate Information

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Executive Directors

Mr. Lau Jin Tin, Don
Mr. Nobumasa Saeki

Non-Executive Director

Mr. Hideya Ishino

Independent Non-Executive Directors

Mr. Simon Murray
Mr. Liping Qiu
Mr. Lam Yiu Kin

Responsible Officers of the Manager

Mr. Lau Jin Tin, Don
Mr. Nobumasa Saeki
Mr. Chung Wai Fai

Company Secretary of the Manager

Fair Wind Secretarial Services Limited

External Auditor

PricewaterhouseCoopers

Internal Auditor

BDO Financial Services Limited

Trustee

DB Trustees (Hong Kong) Limited

Principal Valuer

Knight Frank Petty Limited

Legal Advisors

As to Hong Kong and United States laws

DLA Piper Hong Kong

As to PRC law

Zhong Lun Law Firm

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