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SpringREIT

Spring Real Estate Investment Trust

春泉產業信託

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 01426)

**Managed by
Spring Asset Management Limited**

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014
AND
CLOSURE OF REGISTER OF UNITHOLDERS**

SPRING REAL ESTATE INVESTMENT TRUST

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

SPRING ASSET MANAGEMENT LIMITED

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

The board of directors (the “**Board**”) of the Manager is pleased to report the unaudited consolidated interim results of Spring REIT and its special purpose vehicle (together, the “**Group**”) for the period from 1 January 2014 to 30 June 2014 (the “**Reporting Period**”).

RESULTS HIGHLIGHT

	Six Months Ended 30 June 2014	Six Months Ended 30 June 2013	Change
Total Revenue (<i>US\$ million</i>)	39.79	30.51	+30.4%
Net Property Income (<i>US\$ million</i>)	30.38	22.76	+33.5%
Net Property Income Margin	76.4%	74.6%	+1.8 ppts

	As at 30 June 2014	As at 31 December 2013	Change
Gross Assets (<i>US\$ million</i>)	1,367.13	1,403.68	-2.6%
Appraised Property Value (<i>US\$ million</i>)	1,275.98	1,272.78	+0.3%
Appraised Property Value (<i>RMB million</i>)	7,915.00	7,760.00	+2.0%
Net Assets Attributable to Unitholders (<i>US\$ million</i>)	870.91	862.24	+1.0%
Net Assets Attributable to Unitholders per Unit (<i>HK\$</i>)	6.12	6.09	+0.5%
Total Borrowings (<i>US\$ million</i>)	457.76	504.80	-9.3%
Total Borrowings to Gross Asset Value	33.5%	36.0%	-2.5 ppts
Number of Units Outstanding	1,102,859,141	1,098,000,000	+0.4%

DISTRIBUTION SUMMARY

Financial Year	2014 Interim Distribution	2013 Final Distribution	Special Distribution
Total Distribution (<i>US\$ million</i>) ¹	19.77	2.25	9.91
Distribution per Unit (<i>HK cent</i>) ²	13.9	1.6	7.0
Announcement Date	18 August 2014		17 March 2014
Record Date	12 September 2014		9 April 2014
Payment Date	30 September 2014		16 May 2014
Distribution Yield ³	4.4%	0.5%	2.2%
Implied Annualized Distribution Yield ³	8.9%	6.8%	N/A

Notes:

- ¹ These total distributions represent distribution of 100% of the amount available for distribution for each period. For details of the amount available for distribution, please refer to the section headed “Statement of Distributions” in the condensed consolidated financial statements.
- ² Cumulatively, distribution per Unit for the period from 5 December 2013 (the Listing Date) to 30 June 2014 (including the Special Distribution paid on 16 May 2014) amounts to HK22.5 cents.
- ³ Distribution yield and implied annualized distribution yield are based on distribution per Unit for each period and closing price of the Units of HK\$3.16 on 30 June 2014.

Total Distributable Income

Total distributable income (“**TDI**”) is the consolidated audited or reviewed profit after tax before transactions with the unitholders of Spring REIT (the “**Unitholders**”) as adjusted to eliminate the effects of certain non-cash items. For details of the adjustment, please refer to the section headed “Statement of Distributions” in the condensed consolidated financial statements. TDI to the Unitholders for the six-month period from 1 January 2014 to 30 June 2014 amounted to approximately US\$19.75 million. Together with the US\$0.02 million discretionary distribution, total amount available for distribution for the Reporting Period amounted to approximately US\$19.77 million. TDI to the Unitholders for the 27 days period from the Listing Date to 31 December 2013 (the “**Relevant Period**”) amounted to approximately US\$2.25 million. Total amount available for distribution for the Relevant Period amounted to approximately US\$2.25 million.

Total aggregate amount available for distribution for the Reporting Period and Relevant Period amounted to US\$22.02 million.

Distribution

The Manager has resolved to declare an interim distribution to Unitholders for the Reporting Period (“**2014 Interim Distribution**”) of HK13.9 cents per Unit and a final distribution for the Relevant Period (“**2013 Final Distribution**”) of HK1.6 cents per Unit, amounting to a total regular distribution (“**First Regular Distribution**”) of HK15.5 cents per Unit. This represents a 100% distribution of Spring REIT’s total amount available for distribution for the Relevant Period and Reporting Period. The First Regular Distribution, however, is subject to adjustment upon further issuance of new Units between 1 July 2014 and 12 September 2014 (the “**Record Date**”), if any. For details of the distribution, please refer to the section headed “Statement of Distributions” in the condensed consolidated financial statements.

All distribution will be made in Hong Kong dollars.

The Manager confirms that the First Regular Distribution is composed only of TDI and certain discretionary distribution in the nature of capital.

Distribution Yield

Distribution per Unit (“**DPU**”) for the six months ended 30 June 2014 (the Reporting Period) is HK13.9 cents based on the number of outstanding Units of 1,102,859,141 as at 30 June 2014. The DPU for the Reporting Period represents an annualized distribution yield of approximately 8.9% based on the closing price of HK\$3.16 per Unit as at 30 June 2014.

DPU for the period from 5 December 2013 to 31 December 2013 (the Relevant Period) is HK1.6 cents based on the number of outstanding Units of 1,102,859,141 as at 30 June 2014. The DPU for the Relevant Period represents an annualised distribution yield of approximately 6.8% based on the closing price of HK\$3.16 per Unit as at 30 June 2014.

As at the date of this announcement, the total number of outstanding units is 1,106,289,635.

Distribution Policy

In accordance with the Trust Deed, Spring REIT is required to distribute no less than 90% of TDI to the Unitholders. In accordance with the offering circular of Spring REIT dated 25 November 2013 (the “**Offering Circular**”), the Manager’s current policy is to distribute to the Unitholders 100% of Spring REIT’s TDI for the Relevant Period and the financial year ending 31 December 2014, and thereafter at least 90% of TDI in each subsequent financial year. The Manager also has the discretion to make distributions over and above the minimum 90% of TDI for any financial year if and to the extent Spring REIT has funds surplus to its business requirements.

Pursuant to the terms of the Trust Deed, distribution in respect of the Relevant Period would be paid at the same time as the distribution in respect of the Reporting Period.

Closure of Register of Unitholders

The Record Date of the First Regular Distribution will be 12 September 2014, Friday. The register of Unitholders will be closed for the purpose of determining the identity of Unitholders from 11 September 2014, Thursday to 12 September 2014, Friday, both days inclusive, during which period no transfer of Units will be registered. The First Regular Distribution is expected to be payable on 30 September 2014, Tuesday to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the First Regular 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 not later than 4:30 p.m. on 10 September 2014, Wednesday.

CHAIRMAN'S STATEMENT

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 2014.

Strong Growth Delivered

The Group recorded excellent performance for the six months ended 30 June 2014. Compared to the same period in the last financial year, total revenue grew by 30.4% to an all-time high of US\$39.79 million and net property income increased by 33.5% to US\$30.38 million.

During the first half of 2014, new and renewed leases equivalent to 27.0% of leased gross floor area ("GFA") (as at 30 June 2014) have been signed and became effective. Attributable to active leasing management and positive rental reversions, for the six months ended 30 June 2014, the Group achieved an average monthly passing rental of RMB345 per square meter ("sqm"), 28.7% higher than RMB268 per sqm recorded for the six months ended 30 June 2013. Average monthly spot rental maintained at a satisfactory level of RMB377 per sqm, compared with RMB376 per sqm recorded for the six months ended 30 June 2013.

2013 Final Distribution and 2014 Interim Distribution

As disclosed in the Offering Circular, Spring REIT's First Regular Distribution comprises (i) the final distribution for the 27 days period from 5 December 2013 (the Listing Date) to 31 December 2013, and (ii) the interim distribution for the six months period from 1 January 2014 to 30 June 2014. Accordingly, the 2013 Final Distribution together with the 2014 Interim Distribution, which in aggregate form the First Regular Distribution, are expected to be payable on 30 September 2014, Tuesday to Unitholders whose names appear on the register of Unitholders on 12 September 2014, Friday.

The Board has resolved to declare a total distribution per Unit of HK15.5 cents as the First Regular Distribution. This comprises of the final distribution of HK1.6 cents per Unit for the period from 5 December 2013 (the Listing Date) to 31 December 2013 and an interim distribution of HK13.9 cents per Unit for the six months ended 30 June 2014.

Including the special distribution of HK7.0 cents per Unit already paid on 16 May 2014, cumulative distributions for the period from 5 December 2013 to 30 June 2014 amounts to HK22.5 cents per Unit. Based on the closing price of HK\$3.16 on 30 June 2014, this implies a cumulative distribution yield of 7.1% for a period of less than 7 months, and demonstrates the Manager's commitment to deliver distributions to the Unitholders.

Increasing Market Awareness and Disclosure Transparency

In an effort to provide investors with more timely and transparent operating updates of Spring REIT, the Manager has commenced, on a voluntary basis, the disclosure of unaudited quarterly operating statistics during the first half of 2014. The unaudited operating statistics of the Group for the three months ended 31 March 2014 and 30 June 2014 were announced on 7 May 2014 and 22 July 2014, respectively. The Manager will adopt a consistent policy to publish such operating statistics each quarter going forward.

As Spring REIT established a trading record on the Stock Exchange, we are pleased to see that Spring REIT has been included in various equity indices. It became a member to the Hang Seng REIT Index on 10 March 2014 and to the MSCI China Small Cap Index as of the market close of 30 May 2014. By putting Spring REIT in the investment universe of a large number of institutional investors, we believe these inclusions will raise the profile of Spring REIT among institutional investors and will contribute to its trading liquidity.

Outlook

In the first half of 2014, growth in China's economy continued to moderate. China's first quarter gross domestic product ("GDP") rose 7.4% from a year earlier, the slowest since third quarter in 2012, before recording a higher 7.5% annual growth in the second quarter. In an effort to attain the 7.5% annual GDP growth target and make up for the slowdown in the residential real estate sector, the Chinese government announced a "mini-stimulus" package in April 2014, which focuses on increasing railway investment, extension of tax breaks for small businesses and targeted lending.

In the second half of 2014, despite uncertainties in the Chinese economy, we expect positive rental reversion to continue for the premium office properties of Spring REIT, as passing rental further catches up with spot rental. Spot rental level is likely to be underpinned by favorable supply-demand dynamics, amidst limited new supply of high-quality office space in Beijing central business district ("CBD"), coupled with low vacancy and healthy take-ups. Longer term, we believe Spring REIT remains well-positioned to benefit from rising demand for high-quality office space on the back of China's urbanization and a structural economic shift towards service sectors.

To ensure long-term development prospect of Spring REIT, the Manager will stay diligent in actively managing its properties to maximize its long-term value and distribution income. We have committed to distribute 100% of the distributable income for the year ending 31 December 2014. We will continue to enhance communication with Unitholders and the investment community, while keeping a close eye on potential acquisitions in Asia that would further enhance Unitholder value.

Appreciation

Finally, 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. 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)

18 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Property and Market Overview

The Property

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

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

Property Valuation

According to a revaluation performed by Colliers International (Hong Kong) Limited, (the "**Principal Valuer**") on the Property, the revalued market valuation as at 30 June 2014 was RMB7,915.00 million (equivalent to US\$1,275.98 million), representing an increase of RMB155.00 million or approximately 2.0% over the valuation as at 31 December 2013. The capitalization rate used to value the Property has remained the same at 7% as compared with that of 31 December 2013, and the increase in appraised value was attributable to higher rental assumptions based on newly committed leases.

Office Market in Beijing CBD

As the capital city of China, Beijing takes on the role within the country as the exchange center of politics, culture, education and international affairs. Moreover, it is the management and decision center of China's economy, with a high concentration of government institutions. Because of its unique advantage as the capital city, Beijing has attracted both domestic companies and multinational corporations to settle and do business.

Beijing CBD is situated on the east side of the city in Chaoyang District. It is traditionally around the intersection of Jianguo Road and East 3rd Ring Road and now extended to cover the 4th Ring Road. As at 30 June 2014, CBD submarket accounted for 37.4% of the city's total Grade-A office space, with a total GFA of around 2.61 million sqm.¹

The favorable supply-demand dynamics of Grade-A office market in Beijing CBD continued in the first half of 2014. Against this backdrop, a sizable Grade-A office project completed at the end of last year has ramped up its occupancy to over 60% with high effective rent.¹

With a continued strong underlying demand and limited new supply in the market, average occupancy reached 96.6% in June 2014 in CBD submarket, an increase from 95.1% at end of December 2013.¹

¹ Data source: DTZ Consulting, June 2014.

Operating and Financial Review

Leasing Performance

The Property enjoyed consistently high occupancy rate averaging above 95% for the six months ended 30 June 2014. In GFA terms, 27.0% of the leases as at 30 June 2014 were entered into during the six months ended 30 June 2014, of which around 78.9% were renewals.

By active leasing management and positive rental reversion, the Group's passing rental increased substantially. For the six months ended 30 June 2014, average monthly passing rental grew 28.7% to RMB345 per sqm, from RMB268 per sqm for the six months ended 30 June 2013. In terms of effective spot rental, the Group achieved an average monthly spot rental of RMB377 per sqm, maintained at a satisfactory level, compared with RMB376 per sqm recorded for the six months ended 30 June 2013.

Taking advantage of the renewal opportunities and signing up new tenants in the first half of 2014, the Group had managed to raise the average monthly passing rental closer to average monthly spot rental, thus delivering significantly increase in rental income during the Reporting Period.

Business Performance

The Group recorded excellent performance for the six months ended 30 June 2014, as it continued to benefit from positive rental reversions from its premium assets. Total revenue of the Group increased by 30.4% year-on-year for the six months ended 30 June 2014 to an all-time high of US\$39.79 million.

Property operating expenses rose 21.3% year-on-year to US\$9.41 million for the six months ended 30 June 2014. Withholding tax, business and other tax, and property tax accounted for 87.5% of the property operating expenses. Property management fee, payable at 2.0% of total revenue, accounted for 8.5% of the property operating expenses.

Net property income rose 33.5% to US\$30.38 million largely commensurate with the corresponding increase in total revenue. Net property income margin increased by 1.8 percentage points to 76.4% for the six months ended 30 June 2014, compared with 74.6% for the six months ended 30 June 2013, reflecting good cost management and positive operating leverage.

Fair value gain of investment property moderated to US\$24.88 million for the six months ended 30 June 2014, representing a 2.0% increase in fair value in RMB terms as compared with the appraised value as at 31 December 2013. Taking into account of this moderate increase in property value, net asset value per Unit was HK\$6.12, compared to HK\$6.09 per Unit at the end of 2013.

Finance Costs

Total finance costs on interest-bearing borrowings came in at US\$19.27 million for the six months ended 30 June 2014, comparing with US\$9.39 million recorded in the six months ended 30 June 2013. Excluding certain accounting adjustments (namely gains and losses resulting from the foreign currency translations, and an exceptional derecognition of an unamortized loan arrangement fee in January 2013) totaling US\$7.66 million, the interest expense on bank borrowings decreased 18.0% to US\$11.61 million for the six months ended 30 June 2014, comparing with US\$14.15 million in the six months ended 30 June 2013. This is largely attributable to the early principal repayment of US\$50.00 million in January 2014, which reduced the notional loan principal amount to US\$465.00 million, and lower market interest rates.

Non-cash Financial Impacts From Foreign Exchange Fluctuations

On the back of an approximately 1.74% depreciation in RMB against the USD, the Group recorded a foreign exchange loss of US\$8.07 million during the six months ended 30 June 2014. This is mostly attributable to the foreign currency translation of the USD-denominated term loan facility.

This item is non-cash in nature and has no impact on the TDI of Spring REIT. Excluding this foreign exchange loss and other items that are non-cash in nature, the TDI for the Reporting Period was US\$19.75 million.

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

Underlying Profits

Profit for the six months ended 30 June 2014 (before transactions with Unitholders) was US\$30.65 million, compared with US\$52.27 million in six months ended 30 June 2013. Excluding the above mentioned fair value gains of investment property US\$24.88 million (2013: US\$45.91 million) and the accounting adjustments on finance costs of US\$7.66 million (2013: US\$4.76 million), underlying profit for the six months ended 30 June 2014 was US\$13.43 million¹. This compares favorably with the underlying profit of US\$1.60 million for the six months ended 30 June 2013, reflecting the intrinsic growth of the Group's business.

Debt Positions

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

¹ The adjustments made here are different from those for calculating distributable income for Unitholders.

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

As at 30 June 2014, the Term Loan Facility of US\$465.00 million was recognized to be US\$457.76 million in the financial statements as of 30 June 2014, as such bank borrowing was carried at amortized cost in accordance with International Financial Reporting Standards. Bank borrowings are recognized initially at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

As at 30 June 2014, the gearing ratio (total borrowings to gross assets value) was 33.5%, down from 36.0% as at 31 December 2013.

Pledged Assets

As at 30 June 2014, Spring REIT's investment property, derivative financial instruments, rent receivables, restricted bank accounts, and RCA01's ordinary shares were pledged to secure the Term Loan Facility.

Throughout the six months ended 30 June 2014, both Spring REIT and RCA01 have in material respects complied with all the terms and provisions of the Term Loan Facility.

Cash and Asset Positions

As at 30 June 2014, the Group's unrestricted cash amounted to US\$28.78 million, compared with US\$67.36 million as at 31 December 2013. The cash is generally placed in short-term deposits mostly dominated in US dollar. The Group's liquidity and financing requirements are reviewed regularly.

As at 30 June 2014, the gross asset value of the Group was US\$1,367.13 million, compared with US\$1,403.68 million recorded on 31 December 2013.

The reduction of both the cash and cash equivalents and gross assets was mostly because of the early principal repayment of US\$50.00 million of the Term Loan Facility on 28 January 2014 and the special dividends of US\$9.91 million paid on 16 May 2014.

Net Assets Attributable to Unitholders

As at 30 June 2014, net assets attributable to Unitholders amounted to US\$870.91 million or HK\$6.12 per Unit.

The net asset value per Unit of HK\$6.12 also represented a 93.7% premium to the closing price of the Units of HK\$3.16 on 30 June 2014.

New Units Issued

As at 30 June 2014, the total number of issued Units was 1,102,859,141. As compared with the position of 31 December 2013, a total of 4,859,141 new Units were issued during the Reporting Period.

Date	Particulars	No. of Units
31 December 2013	Beginning balance of total number of Units in issue.	1,098,000,000
21 March 2014	Issue of new Units to the Manager at the price of HK\$2.871 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's fees for the 27 days period from 5 December 2013 (the Listing Date) to 31 December 2013.	+1,164,987
23 May 2014	Issue of new Units to the Manager at the price of HK\$3.049 per Unit (being the Market Price as defined in the Trust Deed) as payment of 80% of the Manager's fees for the 3 months period ended 31 March 2014.	+3,694,154
30 June 2014	Ending balance of total number of Units in issue.	1,102,859,141

Commitments

As at 30 June 2014, the Group did not have any significant commitments.

Employees

Spring REIT is managed by the Manager and did not directly employ any staff as at 30 June 2014.

CORPORATE GOVERNANCE

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

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

Throughout the Reporting 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 Code on Real Estate Investment Trusts (the “**REIT Code**”) and applicable provisions of the Securities and Futures Ordinance (the “**SFO**”) and the Listing Rules.

Authorization Structure

Spring REIT is a collective investment scheme authorised by the Securities and Futures Commission (the “**SFC**”) under section 104 of the SFO and regulated by certain laws, regulations and documents including the provisions of the REIT Code. The Manager is licensed by the SFC under Section 116 of the SFO to conduct the regulated activity of asset management. As at the date of this announcement, Mr. LAU Jin Tin, Don (Executive Director of the Manager), Mr. Nobumasa SAEKI (Executive Director of the Manager) and Mr. CHUNG Wai Fai (Senior Vice President of the Manager) are the responsible officers of the Manager pursuant to the requirements under Section 125 of the SFO and Paragraph 5.4 of the REIT Code.

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

Purchase, Sale or Redemption of Units

There was no purchase, sale or redemption of the Units by the Manager on behalf of Spring REIT or any of the special purpose vehicles that are owned and controlled by Spring REIT during the six months ended 30 June 2014.

Public Float of the Units

As far as the Manager is aware, Spring REIT has maintained a sufficient public float with more than 25% of the issued and outstanding Units being held by the public as at 30 June 2014.

Review of Interim Results

The consolidated interim results of Spring REIT for the Reporting Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager and by Spring REIT's auditor 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.

Issuance of the Interim Report

The interim report of Spring REIT for the six months ended 30 June 2014 will be published on the respective websites of the Stock Exchange at www.hkexnews.hk and Spring REIT at www.springreit.com, and will be sent to Unitholders on or before 31 August 2014.

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

Hong Kong, 18 August 2014

As of the date of this announcement, the Directors of the Manager are Toshihiro Toyoshima (Chairman and non-executive Director); Lau Jin Tin, Don (executive Director) and Nobumasa Saeki (executive Director); Hideya Ishino (non-executive Director); and Simon Murray, Tin Sek Tang and Liping Qiu (independent non-executive Directors).

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Audited)
	<i>Note</i>	US\$'000	US\$'000
Revenues	6	39,793	30,510
Property operating expenses	7	(9,410)	(7,755)
Net property income		30,383	22,755
General and administrative expenses	8	(4,566)	(2,037)
Increase in fair value of investment property		24,875	45,912
Other losses	9	(994)	(5,158)
Operating profit		49,698	61,472
Finance income		222	188
Finance costs on interest-bearing borrowings	10	(19,270)	(9,394)
Profit for the period, before transactions with Unitholders (note i)		30,650	52,266
Special distribution paid to Unitholders (note ii)		(9,912)	–
		20,738	52,266
Represented by:			
Change in net assets attributable to Unitholders, excluding issues of new units (note iii)		6,785	–
Amount arising from exchange reserve movement regarding translations of financial statement/ profit for the period after transactions with Unitholders		13,953	52,266
		20,738	52,266

Notes:

- (i) Earnings per unit, based upon profit for the period, before transactions with Unitholders and the weighted average number of units in issue, is set out in Note 12.
- (ii) This represents the special distribution of US\$9,912,000 paid during the period. Total distribution for the six months ended 30 June 2014 is determined in the statement of distributions. The interim distribution declared in respect of this financial period is set out in the statement of distributions and is expected to be paid on 30 September 2014.
- (iii) Change in net assets attributable to unitholders, excluding issue of units, represents the profit for the period ended 30 June 2014 net-off of special distribution paid to unitholders and exchange reserve movement regarding translations of financial statements for the current period.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	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 2014			
Profit for the period	30,650	(16,697)	13,953
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to condensed consolidated interim income statement</i>			
Exchange loss on translation of financial statements	<u>(13,953)</u>	<u>–</u>	<u>(13,953)</u>
Total comprehensive income for the period	ii <u><u>16,697</u></u>	<u><u>(16,697)</u></u>	<u><u>–</u></u>
	Before transactions with Unitholders (Audited) US\$'000	Transactions with Unitholders (Note (i)) (Audited) US\$'000	After transactions with Unitholders (Audited) US\$'000
For the six months ended 30 June 2013			
Profit for the period	52,266	–	52,266
Other comprehensive income			
<i>Items that will not be reclassified subsequently to condensed consolidated interim income statement</i>			
Exchange gain on translation of financial statements	<u>10,778</u>	<u>–</u>	<u>10,778</u>
Total comprehensive income for the period	<u><u>63,044</u></u>	<u><u>–</u></u>	<u><u>63,044</u></u>

Notes:

- (i) Transactions with Unitholders comprise the distributions paid to unitholders of US\$9,912,000 and change in net assets attributable to Unitholders, excluding issuance of new units, of US\$6,785,000.
- (ii) In accordance with the Trust Deed, Spring REIT is required to distribute no less than 90% of total distributable income to the Unitholders. In accordance with the offering circular of Spring REIT dated 25 November 2013 (the “Offering Circular”), the Manager’s current policy is to distribute to the Unitholders 100% of Spring REIT’s total distributable income for the Relevant Period and the financial year ending 31 December 2014, and thereafter at least 90% of total distributable income in each subsequent financial year. The Manager also has the discretion to make distributions over and above the minimum 90% of total distributable income for any financial year if and to the extent Spring REIT has funds surplus to its business requirements. Accordingly, the units contain contractual obligations of Spring REIT to pay cash distributions. The Unitholders’ funds (which are represented by the net proceeds from the issuance of Units) are therefore classified as a financial liability rather than equity in accordance with International Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders’ funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issuance of new units, are part of finance costs which are recognized in the consolidated income statement. Accordingly, the total comprehensive income, before transactions with unitholders is zero.

STATEMENT OF DISTRIBUTIONS*FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014 (THE “PERIOD”)*

	(Unaudited) US\$'000
Profit for the period, before transactions with Unitholders	30,650
Adjustments:	
— Increase in fair value of investment properties	(24,875)
— Fair value losses of derivative financial instruments	580
— The Manager fee payable in units in lieu of cash	2,974
— Amortization of transaction costs for the bank borrowings	2,352
— Unrealized foreign exchange losses	8,067
	<hr/>
Distributable income for the six months ended 30 June 2014 (<i>note i</i>)	19,748
Discretionary distribution (<i>note ii</i>)	20
	<hr/>
Amount available for distribution for six months ended 30 June 2014	19,768
Amount available for distribution for the period from 5 December 2013 to 31 December 2013	2,248
	<hr/>
Total amount available for distribution for the period from 5 December 2013 to 30 June 2014	22,016
	<hr/> <hr/>
Distribution for the six months ended 30 June 2014, to be paid to the Unitholders (“2014 Interim Distribution”) (<i>note iii, iv</i>)	19,768
Distribution for the period from 5 December 2013 to 31 December 2013, to be paid to the Unitholders (“2013 Final Distribution”) (<i>note iii, iv</i>)	2,248
	<hr/>
Total distribution for the period from 5 December 2013 to 30 June 2014, to be paid to the Unitholders (“First Regular Distribution”) (<i>note iii, iv</i>)	22,016
	<hr/> <hr/>
2014 Interim Distribution, as a percentage of the amount available for distribution for the six months ended 30 June 2014	100%
2013 Final Distribution, as a percentage of the amount available for distribution for the period from 5 December 2013 to 31 December 2013	100%
Units in issue as at 30 June 2014 (<i>note ii</i>)	1,102,859,141
Distributions per unit to Unitholders	
— 2014 Interim Distribution per unit (<i>note iii, iv, v</i>)	HK\$13.9 cents
— 2013 Final Distribution per unit (<i>note iii, iv, v</i>)	HK\$1.6 cents
	<hr/>
	HK\$15.5 cents
	<hr/> <hr/>

Notes:

- (i) Under the terms of the Trust Deed, the distributable income for the period represents the profit for the period, before transactions with Unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated income statement for the period.
- (ii) On 28 July 2014, 3,430,494 new Units were issued to the Manager as the Manager's fee. Pursuant to the Trust Deed, the Manager has the discretion to make additional distribution on top of the TDI. During the Reporting Period, the Manager determined to make a discretionary distribution of US\$20,000 which was related to the dilutive effect on DPU upon the abovementioned issuance of new Units to the Manager (2013: Nil).
- (iii) 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 period. Pursuant to the offering circular dated 25 November 2013, it is the Manager's stated policy to distribute 100% of Spring REIT's total distributable income for the period from the Listing Date to 31 December 2013 and the financial year ending 31 December 2014, and thereafter not less than 90% of its total distributable income for each financial period. The Manager also has the discretion to make distributions over and above the minimum 90% of Spring REIT's total distributable income if and to the extent Spring REIT has funds surplus to its business requirements.
- (iv) Pursuant to the terms of the Trust Deed, Spring REIT's distribution for the six months ended 30 June 2014 will cover the total distribution income for the period from 5 December 2013 to 30 June 2014. The distribution is expected to be paid on 30 September 2014.
- (v) The Board of the Manager has, on 18 August 2014, resolved to declare an interim distribution to Unitholders for the six months ended 30 June 2014 and the final distribution to Unitholders for 5 December 2013 to 31 December 2013 of approximately HK\$13.9 cents and HK\$1.6 cents per Unit respectively. Such interim distributions per Unit, however, is subject to adjustment upon the issuance of new Units between 1 July 2014 and 12 September 2014 (the "record date"), if any, save for the 3,430,494 units mentioned above.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		As at 30 June 2014 (Unaudited) <i>US\$'000</i>	As at 31 December 2013 (Audited) <i>US\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Investment property	<i>13</i>	1,275,975	1,272,778
Derivative financial instruments	<i>14</i>	200	780
Total non-current assets		1,276,175	1,273,558
Current assets			
Trade and other receivables	<i>15</i>	3,425	3,156
Restricted bank balances	<i>16</i>	58,749	59,610
Cash and cash equivalents	<i>16</i>	28,780	67,360
Total current assets		90,954	130,126
Total assets		1,367,129	1,403,684
LIABILITIES AND EQUITY			
Current liabilities			
Rental deposits	<i>17</i>	22,932	21,913
Trade and other payables	<i>17</i>	15,522	14,728
Total current liabilities		38,454	36,641
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	<i>18</i>	457,761	504,799
Total liabilities, excluding net assets attributable to Unitholders		496,215	541,440
Net assets attributable to Unitholders		870,914	862,244

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

AS AT 30 JUNE 2014

		As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
Total assets less current liabilities		<u>1,328,675</u>	<u>1,367,043</u>
Net current assets		<u>52,500</u>	<u>93,485</u>
Net assets attributable to Unitholders		<u>870,914</u>	<u>862,244</u>
Units in issue (<i>'000</i>)	<i>19</i>	<u>1,102,859</u>	<u>1,098,000</u>
Net asset per unit attributable to Unitholders		<u>US\$0.79</u>	<u>US\$0.78</u>

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 was listed on The Stock Exchange of Hong Kong Limited (the “**HKSE**”). Spring REIT is governed by the Trust Deed entered into between Spring Asset Management Limited (the “**Manager**”) and DB Trustees (Hong Kong) Limited (the “**Trustee**”) on 14 November 2013, and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission. The addresses of the registered office of the Manager, Spring Asset Management Limited, and the trustee of the Spring REIT, DB Trustees (Hong Kong) Limited, are 28/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong and 52/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

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

The condensed consolidated interim financial information is presented in United States Dollars (“**US\$**”). The functional currency of Spring REIT is Hong Kong dollar (“**HKD**”).

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with International Financial Reporting Standards.

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 2013, as described in those annual financial statements.

New and amended standards adopted by the Group

The Group has adopted, for the first time, the following new and revised standards and amendments issued by the International Accounting Standard Board that are relevant to the Group’s operations and mandatory for annual accounting periods beginning 1st January 2014.

Standards and amendments effective in 2014 which are relevant to the Group's operations:

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

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

New or revised standards and amendments which are not yet effective

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

		Effective for accounting periods beginning on or after
IAS 16 and IAS 18 Amendments	Clarification of acceptable methods of depreciation and amortisation	1 July 2016
IAS 19 Amendments	Defined Benefit Plans: Employee Contribution	1 July 2014
IFRS 9	Financial Instruments	<i>Note</i>
IFRS 11 Amendments	Accounting for acquisitions of interests in joint operation	1 July 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with customers	1 January 2017
Annual Improvements Project	Annual Improvements to IFRSs 2010–2012 cycle	1 July 2014
Annual Improvements Project	Annual Improvements to IFRSs 2011–2013 cycle	1 July 2014

Note:

The mandatory date has not yet been determined.

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

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgments, 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 judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

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 do 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 2013.

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

6 REVENUES AND SEGMENT INFORMATION

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

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

An analysis of revenues of the Group is as follows:

	Six Months ended 30 June	
	2014	2013
	(Unaudited)	(Audited)
	US\$'000	US\$'000
Revenues		
Rental income	38,728	30,221
Car park income	432	243
Other income	633	46
	39,793	30,510

Note:

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

7 PROPERTY OPERATING EXPENSES

	Six Months ended 30 June	
	2014 (Unaudited) US\$'000	2013 (Audited) US\$'000
Property management fee	(799)	(622)
Property tax (note (i))	(1,956)	(1,944)
Business and other tax (note (ii))	(2,267)	(1,815)
Withholding tax (note (iii))	(4,011)	(3,158)
Leasing commission	(310)	(141)
Others	(67)	(75)
	<u>(9,410)</u>	<u>(7,755)</u>

Notes:

- (i) Property taxes represent real estate tax and land use tax.
- (ii) Business tax and other taxes represent business tax, urban construction and maintenance tax, education surcharge and stamp duty.
- (iii) Withholding tax in the PRC is calculated based on 10% of the revenues received from rental operation.

8 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2014 (Unaudited) US\$'000	2013 (Audited) US\$'000
REIT manager fee/asset management fee (note (i))	(3,717)	(1,824)
Trustee fee	(119)	–
Valuation fee	(20)	–
Legal and other professional fee	(685)	(213)
Others	(25)	–
	<u>(4,566)</u>	<u>(2,037)</u>

Note:

- (i) Pursuant to an agreement signed in January 2013 between RCA01 and AD Capital Co., Ltd, an asset management fee would be charged to RCA01 for services such as casualty insurance review, monitoring of the property manager, construction, renovation and leasing of the Group's investment property, financial reporting, financing and business plan preparation. The asset management fee has been terminated from 2 December 2013 onwards and thereafter has been replaced by the Manager's fee on 5 December 2013. For the breakdown of the Manager's fee, please refer note 11.

9 OTHER LOSSES

	Six months ended 30 June	
	2014 (Unaudited) US\$'000	2013 (Audited) US\$'000
Derivative financial instruments at fair value through income statement:		
Net fair value losses	(580)	(418)
Foreign exchange losses	(411)	(4,735)
Other miscellaneous loss	(3)	(5)
	<u>(994)</u>	<u>(5,158)</u>

10 FINANCE COSTS ON INTEREST-BEARING BORROWINGS

	Six months ended 30 June	
	2014 (Unaudited) US\$'000	2013 (Audited) US\$'000
Interest expense on bank borrowings (<i>note (i)</i>)	(11,614)	(14,153)
Foreign exchange (loss)/gain on bank borrowings (<i>note (ii)</i>)	(7,656)	8,558
Other incidental borrowing costs (<i>note (iii)</i>)	–	(3,799)
Total	<u>(19,270)</u>	<u>(9,394)</u>

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 (loss)/gain on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies to RMB. These items are all non-cash items. The exchange loss on bank borrowings during the six months ended 30 June 2014 were mainly arisen from depreciation of RMB against US\$. The exchange gain on bank borrowings during the six months ended 30 June 2013 were mainly arisen from the appreciation of RMB against US\$.
- (iii) Other incidental borrowing costs comprise bank charges and derecognition of unamortized loan arrangement fee. In January 2013, the Group early repaid a bank borrowing, resulting in a derecognition of unamortized loan arrangement fee of US\$3,124,000 during the six months ended 30 June 2013.

11 MANAGER'S FEE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Audited)
	US\$'000	US\$'000
Base fee	2,807	–
Variable fee	910	–
	<u>3,717</u>	<u>–</u>

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:

Base Fee — 0.4% per annum of the value of the Deposited Property.

Variable Fee — 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).

12 EARNINGS PER UNIT

	As at 30 June 2014 (Unaudited) US\$'000
Profit for the period, before transactions with Unitholders	<u>30,650</u>
Weighted average number of units for the period for calculating basic earnings per unit	1,099,425,644
Adjustment for dilutive issuable units for the Manager fee	<u>3,430,494</u>
Weighted average number of units for the period for calculating diluted earnings per unit	1,102,822,984
Basic earnings per unit based upon profit before transactions with Unitholders	<u>US\$2.8 cent</u>
Diluted earnings per unit based upon profit for the period before transactions with Unitholders	<u>US\$2.8 cent</u>

13 INVESTMENT PROPERTY

(a) Details of the movements of investment property is as follows:

	For the period ended 30 June 2014 (Unaudited) US\$'000	For the year ended 31 December 2013 (Audited) US\$'000
At beginning of the period/year	1,272,778	1,186,859
Exchange differences recognized in other comprehensive income	(21,678)	36,735
Changes in fair value recognized in income statement	<u>24,875</u>	<u>49,184</u>
At end of the period/year	<u><u>1,275,975</u></u>	<u><u>1,272,778</u></u>

(b) Government leases

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

(c) Fair values

The investment property was revalued by Colliers International, an independent qualified valuer. For the valuations as at 30 June 2013, 31 December 2013 and 30 June 2014, the external valuer used the discounted cash flow method and income capitalization approach.

(d) Security for the Group's loan facilities

As at 30 June 2014, the investment property, amounting to approximately US\$1,275,975,000 (31 December 2013: US\$1,272,778,000), were pledged to secure the Group's bank borrowings (note 18(ii)).

14 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
Non-current assets		
Interest rate cap contracts	<u>200</u>	<u>780</u>
	<u><u>200</u></u>	<u><u>780</u></u>

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

The notional principal amount of the outstanding plain vanilla interest rate cap as at 30 June 2014 was US\$515 million (31 December 2013: US\$515 million).

The Group recorded fair value losses on derivative financial instruments for the six months ended 30 June 2014 amounting to US\$580,000 (30 June 2013: US\$418,000) (note 9) which were charged to the consolidated income statement.

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

As at 30 June 2014 and 31 December 2013, the Group's derivative financial instruments were pledged to secure the Group's bank borrowings (note 18(ii)).

15 TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
Rent receivables	45	–
Deferred rent receivables	3,193	3,147
Prepayment	187	9
	<u>3,425</u>	<u>3,156</u>

Notes:

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

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

- (ii) The group's exposure from outstanding rent receivables is generally fully covered by rental deposits from the corresponding tenants.
- (iii) As at 30 June 2014 and 31 December 2013, the Group's rent receivables and all future rent receivables were pledged to secure the Group's bank borrowing (note 18(ii)).

The aging analysis of rent receivable is as follows:

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
0–30 days	45	–
Total	<u>45</u>	<u>–</u>

As at 30 June 2014, rent receivables that was past due but not impaired was US\$45,000 (31 December 2013: Nil).

The ageing analysis of the past due but not impaired rent receivables is as follows:

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
0–30 days	<u>45</u>	–
Total	<u><u>45</u></u>	<u><u>–</u></u>

The credit quality of trade receivables has been assessed by reference to the historical information about counterparty default rates. The existing counterparties did not have similar default in the past and trade receivables have not been impaired as at 30 June 2014 and 31 December 2013.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables.

(iv) No allowance for doubtful debts were made during the six months ended 30 June 2014 (2013: Nil).

16 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
Total time deposits and bank balances		
Restricted	58,749	59,610
Unrestricted	<u>28,780</u>	<u>67,360</u>
	<u><u>87,529</u></u>	<u><u>126,970</u></u>

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

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
RMB	32,923	30,803
JPY	–	110
US\$	53,744	49,365
HKD	<u>862</u>	<u>46,692</u>
	<u><u>87,529</u></u>	<u><u>126,970</u></u>

As at 30 June 2014, the Group's restricted bank accounts were charged to the facility agent of the Group's bank borrowing (note 18(ii)). The restricted bank balances are bank accounts established and restricted under the bank borrowing facility agreements entered in January 2013. Prior consent from facility agent, The Australia and New Zealand Banking Group Limited, must be obtained before transfer and withdrawal of funds in the restricted bank accounts.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. Included in the unrestricted bank balances, there is an amount of US\$7,000 which is denominated in RMB for the six months ended 30 June 2014 (31 December 2013: US\$5,000).

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
Bank balances	87,529	126,860
Short-term bank deposits	–	110
	<u>87,529</u>	<u>126,970</u>

17 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
Rental deposits (note i)	<u>22,932</u>	<u>21,913</u>
Trade and other payables:		
Receipts in advance	8,703	8,639
Provision for withholding tax	724	743
Provision for other taxes (note ii)	402	410
Accrued expenses and other payables	<u>5,693</u>	<u>4,936</u>
	<u>15,522</u>	<u>14,728</u>

Notes:

- (i) Rental deposits are classified as current liabilities so as to follow the Group's rental business operating cycle. The ageing analysis is as follows:

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
Within 1 year	5,165	5,106
Over 1 year	<u>17,767</u>	<u>16,807</u>
	<u>22,932</u>	<u>21,913</u>

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

- (iii) The carrying amounts of rental deposits and trade and other payables approximate their fair values.

18 INTEREST-BEARING BORROWINGS

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
Non-current		
Bank borrowings	<u>457,761</u>	<u>504,799</u>

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 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
6 months or less	<u>457,761</u>	<u>504,799</u>

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

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

Notes:

- (i) A term loan facility (the "**Term Loan Facility**"), with principal of US\$515 million was drawn on 28 January 2013. The amount is wholly repayable on 27 January 2016. The borrowing bears interest of 3.5% above 3-months LIBOR. On 28 January 2014, RCA01, the special purpose vehicle wholly owned by Spring REIT, made a US\$50,000,000 early principal repayment of the Term Loan Facility. As at 30 June 2014, the notional principal amount of the Term Loan Facility was US\$465 million (31 December 2013: US\$515 million)
- (ii) As at 30 June 2014 and 31 December 2013, the Group's investment property (note 13), derivative financial instruments (note 14), rent receivables and all future rent receivables (note 15), restricted bank accounts (note 16), and the Group's subsidiary's shares were pledged to secure the Group's term loan facilities.

19 UNITS IN ISSUE

	Number of units
Units issued as at 31 December 2013	1,098,000,000
New units issued for settlement of manager fee	<u>4,859,141</u>
Balance as at 30 June 2014	<u><u>1,102,859,141</u></u>

Closing price of the units as at 30 June 2014 was HK\$3.16 (31 December 2013: HK\$3.17) per unit. Based on 1,102,859,141 units in issue as at 30 June 2014 (31 December 2013: 1,098,000,000), market capitalization was US\$449.7 (31 December 2013: US\$448.9 million).

20 FUTURE MINIMUM RENTAL RECEIVABLES

As at 30 June 2014, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2014 (Unaudited) US\$'000	As at 31 December 2013 (Audited) US\$'000
Within 1 year	74,516	60,912
After 1 year, but within 5 years.	79,721	78,246
	<u>154,237</u>	<u>139,158</u>