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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 2017 AND CLOSURE OF REGISTER OF UNITHOLDERS

SPRING REAL ESTATE INVESTMENT TRUST

Spring Real Estate Investment Trust ("**Spring REIT**") is a real estate investment trust constituted by a trust deed entered into on 14 November 2013 as amended by the first supplemental deed dated 22 May 2015 (collectively, the "**Trust Deed**") between Spring Asset Management Limited and DB Trustees (Hong Kong) Limited, as trustee of Spring REIT (the "**Trustee**"). The units of Spring REIT were first listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 December 2013.

SPRING ASSET MANAGEMENT LIMITED

Spring REIT is managed by Spring Asset Management Limited (as manager of Spring REIT, the "**Manager**"), a company incorporated in Hong Kong for the sole purpose of managing Spring REIT. As at 30 June 2017, the Manager is 90.2% owned by Mercuria Investment Co., Limited. ("**Mercuria**", formerly known as AD Capital Co., Ltd., renamed on 1 January 2016), which is a private equity investment firm listed on the Tokyo Stock Exchange (Stock Code: 7190) with notable shareholders such as Development Bank of Japan, Itochu Corporation and Sumitomo Mitsui Trust Bank, Limited.

Distribution

The board of directors (the "**Board**") of the Manager, for and on behalf of Spring REIT, has resolved to declare an interim distribution for the period from 1 January 2017 to 30 June 2017 (the "**Reporting Period**") of HK9.5 cents per unit (the "**2017 Interim Distribution**") to the unitholders. The distribution implied a payout ratio of approximately 100%. The 2017 Interim Distribution, however, may be subject to adjustment in the event of any issuance of new units between 1 July 2017 and the record date for determining unitholders' entitlements to such distribution, which will be 12 September 2017 (the "**Record Date**").

2017 Interim Distribution will be paid in Hong Kong dollars. The HKD/USD exchange rate adopted for the 2017 Interim Distribution is 7.8019, the average mid-price of opening indicative counter exchange rate as published by the Hong Kong Association of Banks for the five (5) business days immediately preceding 30 June 2017. In arriving at the Total Distributable Income ("**TDI**") for the Reporting Period, adjustments have been made to the consolidated profit after tax before transactions with unitholders for the Reporting Period to eliminate the effects of certain Adjustments (as defined in the Trust Deed). Based on the closing price of HKD3.40 per unit as at 30 June 2017, the 2017 Interim Distribution represents an annualized distribution yield of 5.6%. For details of the distribution, please refer to the section headed "Statement of Distributions" in the financial information.

In accordance with the Trust Deed, the Manager's current policy is to distribute to the unitholders at least 90% of TDI in each financial year. The Manager also has the discretion to direct Spring REIT to distribute over and above the minimum 90% of TDI for any financial year if and to the extent Spring REIT, in the opinion of the Manager, has funds surplus to its business requirements.

The Record Date of the 2017 Interim Distribution will be 12 September 2017, Tuesday. The register of unitholders will be closed for the purpose of determining the identities of unitholders from 11 September 2017, Monday to 12 September 2017, Tuesday, both days inclusive, during which period no transfer of units will be registered. The 2017 Interim Distribution is expected to be payable on 22 September 2017, Friday to unitholders whose names appear on the register of unitholders on the Record Date.

In order to qualify for the 2017 Interim Distribution, all completed transfer forms in respect of the transfer of units (accompanied by the relevant unit certificates) must be lodged with Computershare Hong Kong Investor Services Limited, Spring REIT's unit registrar in Hong Kong, whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 8 September 2017, Friday.

MANAGEMENT DISCUSSION AND ANALYSIS

Spring REIT's performance during the Reporting Period has stabilized and registered a modest rebound in RMB terms thanks to the resilience of Office Tower 1, Office Tower 2 and the relevant portion of the car park in China Central Place (together, the "**CCP Property**").

Operation Review

Without further regulatory or tax changes, Spring REIT was able to deliver a modest rebound in both revenue and net property income for the Reporting Period in RMB terms. Revenue rose 0.5% half on half ("**HoH**") to RMB244.82 million. After deducting property operating expenses of RMB63.49 million, net property income was RMB181.33 million, rising 1.9% HoH.

For the Six Months Ended	30-Jun-16 RMB million (note i)	Change %	31-Dec-16 RMB million	**Change %**	**30-Jun-17 RMB million**
Revenues					
– Rental income	244.20	(4.3%)	233.70	**1.8%**	**237.81**
– Car park income	2.09	(19.6%)	1.68	**2.4%**	**1.72**
– Other income (note ii)	11.12	(27.1%)	8.11	**(34.8%)**	**5.29**
	257.41	(5.4%)	243.49	**0.5%**	**244.82**
Property Operating Expenses					
– Property management fee	(5.21)	6.3%	(5.54)	**(2.7%)**	**(5.39)**
– Property tax (note iii)	(12.42)	139.3%	(29.72)	**(2.7%)**	**(28.92)**
– Business and other taxes (note iv)	(11.89)	(68.7%)	(3.72)	**(6.5%)**	**(3.48)**
– Withholding tax (note v)	(25.98)	(6.7%)	(24.23)	**(0.1%)**	**(24.20)**
– Leasing Commission	(2.22)	(14.4%)	(1.90)	**(42.6%)**	**(1.09)**
– Others	(0.43)	–	(0.43)	**(4.7%)**	**(0.41)**
	(58.15)	12.7%	(65.54)	**(3.1%)**	**(63.49)**
Net Property Income (note vi)	199.26	(10.7%)	177.95	**1.9%**	**181.33**

Notes:

i While the consolidated financial statements were prepared in USD, the performance of the CCP Property is presented in RMB in order to facilitate meaningful discussions given that the CCP Property is located in China.

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

iii Property tax represents real estate tax and land use tax.

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

v Withholding tax in the People's Republic of China is calculated based on the rental revenues at a rate of 10%.

vi The property tax changes that became effective on 1 July 2016 was the primary cause for the decrease in net property income by 10.7% from RMB199.26 million in the first half ("**1H**") of financial year ("**FY**") 2016 to RMB177.95 million in the second half ("**2H**") of FY 2016.

Rental income

The Rental income for the Reporting Period was RMB237.81 million, a 2.6% decrease year on year ("**YoY**") and a 1.8% increase HoH. If the effect of business tax and value-added tax ("**VAT**") (where applicable) was removed from the rental income to facilitate a like-for-like comparison, net rental income for the Reporting Period would have shown an increase of approximately 0.9% YoY.

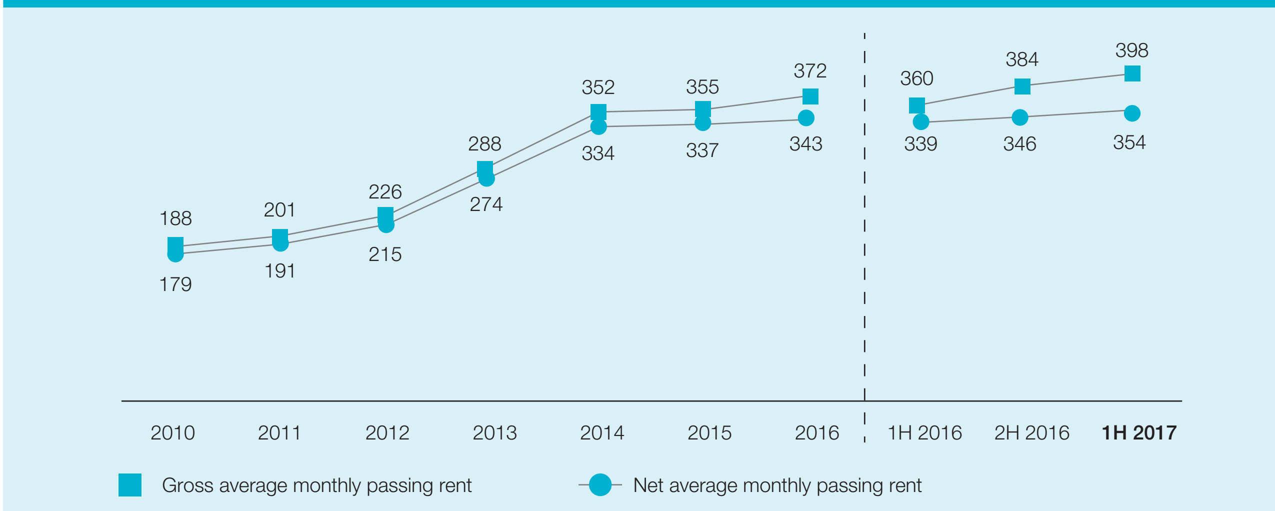
Operation at the CCP Property continued to firm with an average occupancy of 93.5% (2H 2016: 93.0%; 1H 2016: 95.6%). Average passing rent (net of VAT) stood at RMB354 per sqm, up 2.3% HoH and 4.4% YoY on the back of a respectable average rental reversions of 5.8% (FY2016: 7.5%). For the leases that expired during the Reporting Period, retention rate remained healthy at 67.9%.

Summary of Operating Performance

For the six months ended	30-Jun-16	Change	31-Dec-16	Change	30-Jun-17
Average Monthly Passing Rent (RMB/sqm)					
– Gross passing rent	360	+6.7%	384	+3.6%	**398**
– Net passing rent	339	+2.1%	346	+2.3%	**354**
Average Occupancy (%)	96%	-3 ppts	93%	+1 ppts	**94%**

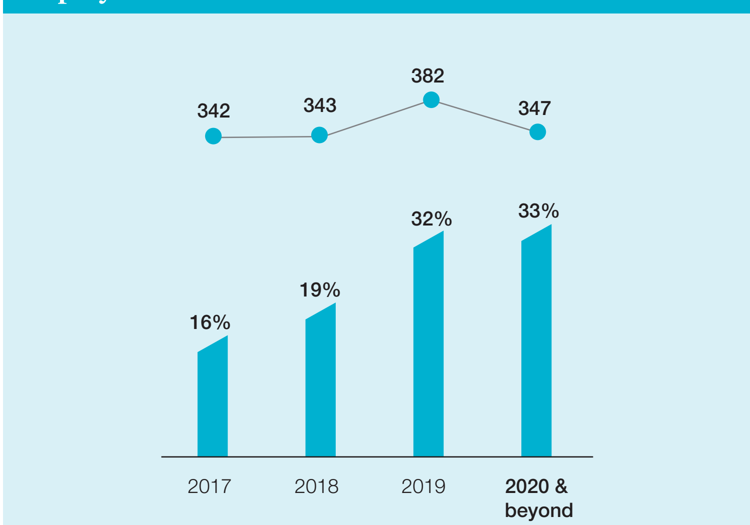
Historical Passing Rents

Average Passing Rents
(RMB per sqm per month)



Note: Net passing rent is presented net of business tax and VAT (where applicable).

Expiry Profile



As at 30 June 2017, weighted average lease expiry in terms of GFA was 1,107 days for the CCP Property. Leases expiring on the years ending 31 December 2017 and 31 December 2018 account for 16% and 19% of the total leased GFA respectively, and the average unit rents for the expiring leases were RMB342 per sqm and RMB343 per sqm respectively.

Tenancy Base

The CCP Property had a total of 186 tenancies as at 30 June 2017. The top five tenants accounted for 22.6% of total revenue for the Reporting Period and occupied 24.4% of total GFA as at 30 June 2017.

Cost

Property operating expenses mainly comprise of tax expenses where applicable, namely withholding tax, business and other taxes, and property tax. Tax expenses in aggregate accounted for 88.6% of the total property operating expenses. Property management fee, payable at 2.0% of total revenue, accounted for 8.5% of the property operating expenses.

A 9.2% YoY increase of property operating expenses was recorded during the Reporting Period primarily attributable to the 132.9% YoY increase in property tax. As the effect of the tax changes has been fully reflected since 1 July 2016, operating expenses during the reporting period compare to that in 2H 2016 was largely unchanged.

Financial Review

(in USD' million unless otherwise specified)					
For the six months ended	**30-Jun-16**	**Change**	**31-Dec-16**	**Change**	**30-Jun-17**
Revenue	39.38	(8.5%)	36.05	(1.2%)	**35.60**
Property operating expenses	(8.90)	8.9%	(9.69)	(4.7%)	**(9.23)**
Net property income	30.48	(13.5%)	26.36	0.0%	**26.37**
Cost-to-income ratio (%)	22.6	+4.3 ppts	26.9	-1 ppts	**25.9**
Profit after taxation	101.05	(109.7%)	(9.76)	(294.9%)	**19.02**
Total distributable income	20.42	(24.3%)	15.45	(1.6%)	**15.21**
Payout ratio (%)	92	+2.0 ppts	94	+6.0 ppts	**100**
As at	**30-Jun-16**	**Change**	**31-Dec-16**	**Change**	**30-Jun-17**
Portfolio valuation	1,354.54	(4.3%)	1,296.62	2.7%	**1,331.39**
Total assets	1,443.88	(4.3%)	1,381.16	3.1%	**1,424.21**
Total borrowings	479.79	0.1%	480.50	(6.8%)	**447.80**
Total liabilities	514.04	0.1%	514.48	(6.0%)	**483.46**
Net asset value	929.84	(6.8%)	866.68	8.5%	**940.75**
Gearing ratio (%)	33.2	+1.6 ppts	34.8	(-3.4 ppts)	**31.4**
Unit information	**30-Jun-16**	**Change**	**31-Dec-16**	**Change**	**30-Jun-17**
DPU (HK cents)	13	(23.1%)	10	(5.0%)	**9.5**
Net asset value per unit (HK$)	6.41	(7.2%)	5.95	(1.3%)	**5.87**
Number of units outstanding	1,125,370,516	0.5%	1,130,562,940	10.7%	**1,251,315,163**

Financial Results Highlight

Taking into account RMB/USD movement, Spring REIT reported a revenue of USD35.60 million, representing a 9.6% decrease YoY and a 1.2% decrease HoH. After deducting property operating expenses of USD9.23 million, net property income amounted to USD26.37 million, representing a 13.5% decrease YoY and flat HoH. Net property income margin remained stable at 74.1% for the Reporting Period (2H 2016: 73.1%; 1H 2016: 77.4%).

As RMB continued to weaken during 2016, the RMB/USD monthly average exchange rate adopted in 2H 2016 was 3.2% lower than that in 1H 2016, which exacerbated the impact of the decrease in net property income. During the Reporting Period, RMB/USD exchange rate depreciated by a modest 1.8% compared to that in 2H 2016 and the effect of currency movement on Spring REIT's performance was marginally negative.

Professional fees and administrative expenses remained largely unchanged at USD4.97 million. Meanwhile total finance costs registered a gain of USD1.00 million driven by a foreign exchange gain of USD11.05 million (2H 2016: a loss of USD20.94 million; 1H 2016: a loss of USD11.22 million) recognized when translating USD bank borrowings to RMB. The gain was partially offset by the USD8.08 million loss from the reversal of mark-to-market gain and cash settlement of two currency forward contracts which expired during the Reporting Period. Cash interest expenses paid was USD8.77 million, which implied an effective interest rate of 3.7%, compared with 3.5% in 2H 2016 and 3.4% in 1H 2016.

Taking into account the increase in fair value of the CCP Property of USD3.38 million, profit after taxation for the Reporting Period was USD19.02 million (2H 2016: -USD9.76 million; 1H 2016: USD101.05 million).

Total distributable income of Spring REIT for the Reporting Period was USD15.21 million, representing a 25.5% decrease YoY and a 1.6% decrease HoH. The reported amount has, among other adjustments, included the adding back of certain items that are capital in nature in the amount of USD9.02 million, namely cash settlement of currency forwards manager's fee paid in units and amortization of loan arrangement fees.

Financial Position

The appraised value of the CCP Property by Knight Frank Petty Limited ("**Knight Frank**" or the "**Principal Valuer**") was RMB9,028.00 million (equivalent to USD1,331.39 million) as at 30 June 2017, representing an appreciation of RMB23.00 million or approximately 0.3% in RMB terms over the valuation as at 31 December 2016. The valuation of the CCP 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 an increase in market rent. The capitalization rate was unchanged at 5.8% (31 December 2016: 5.8%; 30 June 2016: 5.8%).

On 13 April 2017, Spring REIT issued 114,884,000 new units at the price of HK$3.25 per unit. Gross proceeds from the issuance amounted to approximately HK$373.37 million. The Manager applied the gross proceeds towards: (i) partial early repayment of amounts drawn down under the Loan Facilities (as defined below); and (ii) the general working capital requirements of Spring REIT.

As at 30 June 2017, Spring REIT had in place secured loan facilities of USD470.00 million, comprising a fully drawn term loan facility of USD450.00 million (following a partial prepayment in May 2017) and an uncommitted facility of USD20.00 million that remained undrawn (the "**Loan Facilities**"). The gearing ratio, i.e. total borrowings to gross assets value, was 31.4%, compared with 34.8% and 33.2% as at 31 December 2016 and 30 June 2016 respectively.

The amount of outstanding borrowings under the Loan Facilities bear an interest margin of 2.75% per annum over 3-month USD LIBOR for the period up to 26 June 2017. On 23 June 2017, Spring REIT entered into a deed of amendment (the "**Deed**") in relation to the facilities agreement dated 18 February 2015 and a deed of amendment dated 5 February 2016 (the "**Facilities Agreements**") of the Loan Facilities. The Deed amended certain provisions of the Facilities Agreements which included a 110 basis points reduction in the interest margin from 2.75% to 1.65% for both the term loan facility and the uncommitted facility, effective from 27 June 2017. Based on the outstanding loan amount of USD450.00 million, the reduction in interest margin represents an interest saving of approximately USD4.95 million annually.

Spring REIT's investment property, rent receivables, restricted bank balances, currency forwards, ordinary shares of RCA01 (Spring REIT's special purpose vehicle, the holding company of Spring REIT's properties in Beijing, the PRC) and all future trade receivables were pledged to secure Loan Facilities. In addition, RCA01's restricted bank balances were charged to, or otherwise subject to the control of the security agent to secure term loan facilities. Throughout the Reporting Period, both Spring REIT and RCA01 have in material respects complied with all the terms and provisions of the finance and security documents.

The unrestricted cash of Spring REIT (together with its special purpose vehicles, the "**Group**") amounted to USD36.12 million as at 30 June 2017, compared with USD28.83 million and USD32.79 million as at 31 December 2016 and 30 June 2016 respectively. The Group also had total undrawn bank loan facilities of 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 as short-term deposits mostly denominated in USD. The Group's liquidity and financing requirements are being reviewed regularly.

As at 30 June 2017, the gross asset value of the Group was USD1,424.21 million representing a slight decrease of 1.4% YoY and an increase of 3.1% HoH.

Capital Commitments and the UK Acquisition

Reference is made to the announcements dated 6 December 2016, 20 January 2017, 17 March 2017, 17 May 2017 and 25 May 2017 and the circular dated 21 March 2017, each made by Spring REIT in connection with the acquisition of Hawkeye Properties 501 Limited ("**Hawkeye 501**"), which holds 84 separate commercial properties ("**UK Portfolio"**) in the United Kingdom ("**UK**").

Subsequent to the Reporting Period, completion took place on 14 July 2017 following the satisfaction of all the conditions under the share purchase agreement. Spring REIT has, through RUK01 Limited (a newly-established special purpose vehicle of Spring REIT incorporated in Jersey) ("**RUK01**") and Hawkeye 501, become the sole owner of the UK Portfolio. Spring REIT paid to the seller of Hawkeye 501 a completion payment of £36.72 million (equivalent to approximately USD46.64 million). This amount was calculated by deducting the outstanding loan of approximately £36.09 million (equivalent to approximately USD45.83 million) which will continue to be owed by Hawkeye 501 after completion from £73.50 million (equivalent to approximately USD93.35 million), which was the agreed price for the UK Portfolio plus relevant adjustments. At completion, the payment of £36.72 million (equivalent to approximately USD46.64 million) plus total fees and charges of USD2.70 million was settled by a combination of Spring REIT's internal resources and £37.00 million drawn down by RUK01 from a new facility of £37.00 million which bears an interest rate of LIBOR plus 2.15% per annum.

New Units Issued

As at 30 June 2017, the total number of units in issue was 1,251,315,163. A total of 120,752,223 new units were issued during the Reporting Period.

Date	Particulars	No. of Units
31 December 2016	Beginning balance of total number of units in issue.	1,130,562,940
27 March 2017	Issue of new units to the Manager at the price of HK$3.299 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 2016.	+ 2,615,069
21 April 2017	Issue of new units to China Orient Stable Value Fund Limited at the price of HK$3.250 per unit under a subscription agreement.	+ 114,884,000
28 April 2017	Issue of new units to the Manager at the price of HK$3.257 per unit (being the Market Price as defined in the Trust Deed) as payment of 100% of the Manager's Base Fee for the 3 months period ended 31 March 2017.	+ 3,253,154
30 June 2017	Ending balance of total number of units in issue.	1,251,315,163

Net Assets Attributable to Unitholders

As at 30 June 2017, net assets attributable to the unitholders stood at USD940.75 million.

The net asset value per unit as at 30 June 2017 was HK$5.87 (31 December 2016: HK$5.95; 30 June 2016: HK$6.41). This represented a 72.7% premium to the closing price of the unit of HK$3.40 as at 30 June 2017, the last trading day in the Reporting Period.

Employees

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

Outlook

Provided that the Beijing office market remained steady, the Manager believes the outlook for Spring REIT will improve as the strategic initiatives undertaken during the Reporting Period which included the loan margin reduction and the acquisition of the UK Portfolio begin to bear fruit.

The Beijing office market has so far been resilient despite the pipeline of new supply. Rental in the Beijing Central Business District area is likely to remain well-supported by sustainable net absorption attributable to pent-up demand from the domestic finance and IT sectors. We anticipate mild rental reversion for new lettings and renewals as well as a steady occupancy at the CCP Property which remains one of the most sought-after business locations for both domestic and foreign tenants. Barring unforeseen circumstances, contribution from the CCP Property in RMB terms is on track to register modest improvement in FY 2017 as long as the Beijing office market remained stable.

The Manager has undertaken a number of important capital management initiatives during the Reporting Period with a view to alleviate the adverse effect caused by asset and liability mismatch. However, in the case where a restrictive currency such as RMB was concerned, the availability of economic options were limited. As such, we have decided, instead, to manage the mismatch by reducing the amount of debt that is denominated in USD with the proceeds from an equity issuance. While the initiative was intended to form part of our risk management strategy, it will also strengthen Spring REIT's balance sheet going forward.

During the Reporting Period, the Manager has also successfully negotiated with the existing lenders to Spring REIT, amongst other things, a reduction in the margin of Loan Facilities from 2.75% to 1.65%, effective from 27 June 2017. The benefit of interest saving is expected to contribute from the second half of FY 2017 onwards.

Beginning from the second half of 2017, Spring REIT's financial results will be further supported by the completion of the acquisition of the UK Portfolio. As the transaction was funded by debt, the gross rental yield of 6.1% will be immediately accretive. However, we believe the benefit of the UK Portfolio goes beyond immediate accretion to the bottom line. Although the UK Portfolio is considered as a "non-core" asset by the Manager, we believe the cash flow of Spring REIT will be strengthened, given the long-term nature of the leases, upward-only adjustment mechanism for future rent as well as having a credible tenant as the counterparty.

Going forward, we remain committed to diversification and growth, and believe this can be achieved through continuous acquisitions. While sourcing, timing, pricing and market conditions and operation efficiency are all important factors when assessing a target, accretion and quality of cash flow remain the key considerations for the Manager.

Corporate Governance

With the objective 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 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, with necessary changes as if those rules were applicable to real estate investment trusts in Hong Kong.

The Manager was established for the sole purpose of managing Spring REIT. The Manager is committed to maintaining good corporate governance practices and procedures. The current corporate governance principles emphasize on accountability to all stakeholders, 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 legislation and regulations.

Throughout the Reporting Period, both the Manager and Spring REIT have in material terms complied with the provisions of the Compliance Manual including the corporate governance policy set out in Schedule 5 of the Compliance Manual, the Trust Deed, the Code on Real Estate Investment Trust 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 authorised by the Securities and Futures Commission (the "**SFC**") under section 104 of the SFO and regulated by the SFC pursuant to the applicable provision of the SFO, the Code on Real Estate Investment Trusts (the "**REIT Code**") and the Listing Rules. The Manager has been authorised 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. Leung Kwok Hoe, Kevin (Executive Director of the Manager), Mr. Nobumasa Saeki (Executive Director of the Manager) and Mr. Chung Wai Fai (Senior Vice President of the Manager) are the responsible officers of the Manager pursuant to the requirements under Section 125 of the SFO and Paragraph 5.4 of the REIT Code. Mr. Leung Kwok Hoe, Kevin, Executive Director of the Manager, was approved by the SFC as an approved person of the Manager pursuant to section 104(2) and 105(2) of the SFO.

DB Trustees (Hong Kong) Limited, 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 of collective investment schemes authorised under the SFO pursuant to the REIT Code.

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 that are owned and controlled by Spring REIT.

Public Float of the Units

Based on information that is publicly available and within the knowledge of the Manager, Spring REIT maintained a public float of not less than 25% of the issued and outstanding units as of 30 June 2017.

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 in accordance with their respective terms of reference.

The consolidated interim results of Spring REIT for the Reporting Period have been reviewed 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 2017 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 2017.

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, 23 August 2017

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

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	**Six months ended 30 June 2017 (Unaudited) *US$'000***	2016 (Unaudited) *US$'000*
Revenues	*6*	**35,604**	39,376
Property operating expenses	*7*	**(9,234)**	(8,900)
Net property income		**26,370**	30,476
General and administrative expenses	*8*	**(4,970)**	(4,493)
Fair value gain of investment property	*13*	**3,378**	101,601
Other losses, net	*9*	**(6,976)**	(5,071)
Operating profit		**17,802**	122,513
Finance income		**222**	272
Finance costs on interest-bearing borrowings	*10*	**999**	(21,740)
Profit for the period, before transactions with Unitholders		**19,023**	101,045
Distributions paid to Unitholders:			
– 2015 final distribution		**–**	(18,238)
– 2016 final distribution *(note i)*		**(14,568)**	–
		4,455	82,807
Represented by:			
Change in net assets attributable to Unitholders, excluding issuance of new units		**23,597**	63,410
Amount arising from exchange reserve movements regarding translations of financial statements		**(19,142)**	19,397
		4,455	82,807

Notes:

(i) 2016 final distribution of US$14,568,000 for the year ended 31 December 2016 was paid during the six months ended 30 June 2017. Total distribution for the six months ended 30 June 2017 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, is set out in note 12.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	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 2017				
Profit for the period		19,023	(38,165)	(19,142)
Other comprehensive loss:				
Items that may be reclassified to condensed consolidated income statement				
Exchange gains on translation of financial statements		19,142	–	19,142
Total comprehensive income for the period	*ii*	38,165	(38,165)	–
For the six months ended 30 June 2016				
Profit for the period		101,045	(81,648)	19,397
Other comprehensive loss:				
Items that may be reclassified to condensed consolidated income statement				
Exchange losses on translation of financial statements		(19,397)	–	(19,397)
Total comprehensive income for the period	*ii*	81,648	(81,648)	–

Notes:

(i) Transactions with Unitholders comprise the distributions paid to Unitholders of US$14,568,000 (2016: US$18,238,000), and change in net assets attributable to Unitholders excluding issuance of new units, which is an increase of US$23,597,000 (2016: US$63,410,000).

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

STATEMENT OF DISTRIBUTIONS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Profit for the period, before transactions with Unitholders	**19,023**	101,045
Adjustments:		
– Fair value gain of investment property	**(3,378)**	(101,601)
– Net fair value losses of derivative financial instruments	**8,082**	4,862
– Manager's fee expenses in units in lieu of cash	**2,743**	2,196
– Amortization of transaction cost for the bank borrowings	**896**	2,492
– Unrealized foreign exchange (gains)/losses	**(12,155)**	11,427
Distributable income for the period *(note i)*	**15,211**	20,421
Total distributions of the period *(note ii)*	**15,211**	18,828
Percentage of total distribution over distributable income for the period	**100%**	92%
Distributions per unit to Unitholders for the period		
– Interim distribution per unit, paid *(note iii and iv)*	**HK9.5 cents**	HK13.0 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 non-cash transactions which have been recorded in the 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 HK9.5 cents for the six months ended 30 June 2017 is calculated based on the interim distribution to be paid to Unitholders of US$15,211,000 for the first half of 2017 and 1,251,315,163 units in issue as at 30 June 2017, without taking into account any consideration or subdivision of units which may have occurred between the dates of declaration of the distribution and 12 September 2017 (the "**Record Date**"). Distributions to Unitholders for the six months ended 30 June 2017 represent a payout ratio of 100% (2016: 92%) of Spring REIT's total distributable income for the period. The interim distribution for the six months ended 30 June 2017 is expected to be paid on 22 September 2017. 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 Hong Kong dollar.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	**As at 30 June 2017 (Unaudited) *US$'000***	As at 31 December 2016 (Audited) *US$'000*
Non-current assets			
Investment property	*13*	**1,331,387**	1,296,616
Prepayments	*15*	**1,775**	–
Total non-current assets		**1,333,162**	1,296,616
Current assets			
Trade and other receivables	*15*	**2,337**	2,421
Derivative financial instruments	*14*	**–**	2,670
Restricted bank balances	*16*	**52,593**	50,631
Cash and cash equivalents	*16*	**36,119**	28,825
Total current assets		**91,049**	84,547
Total assets		**1,424,211**	1,381,163
Current liabilities			
Trade and other payables	*17*	**13,003**	13,342
Rental deposits	*17*	**22,660**	20,640
Total current liabilities		**35,663**	33,982
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	*18*	**447,795**	480,499
Total liabilities, excluding net assets attributable to Unitholders		**483,458**	514,481
Net assets attributable to Unitholders		**940,753**	866,682
Units in issue ('000)	*19*	**1,251,315**	1,130,563
Net asset value per unit attributable to Unitholders			
In US$		**0.75**	0.77
In HK$		**5.87**	5.95

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Reserves (note) *US$'000*	**Net assets attributable to Unitholders** *US$'000*
As at 1 January 2017	**–**	**866,682**
Profit for the period, before transactions with Unitholders	**–**	**19,023**
Exchange gains on translation of financial statements	**19,142**	**–**
Amount arising from exchange reserve movements	**(19,142)**	**19,142**
Distributions paid to Unitholders:		
– 2016 final distribution	**–**	**(14,568)**
Change in net assets attributable to Unitholders for the six months ended 30 June 2017, excluding issues of new units	**–**	**23,597**
Issuance of units	**–**	**50,474**
As at 30 June 2017	**–**	**940,753**
As at 1 January 2016	**–**	864,224
Profit for the period, 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)
Distributions paid to Unitholders:		
– 2015 final distribution	**–**	(18,238)
Change in net assets attributable to Unitholders for the 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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Spring Real Estate Investment Trust ("**Spring REIT**") is a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Spring REIT was established on 25 November 2013 and its units are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**HKSE**") on 5 December 2013. Spring REIT is governed by the Trust Deed entered into between Spring Asset Management Limited (the "**Manager**") and DB Trustees (Hong Kong) Limited (the "**Trustee**") on 14 November 2013 as amended by First Supplemental Deed dated 22 May 2015 (together the "**Trust Deed**"), and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "**REIT Code**"). The addresses of the registered offices of the Manager and the Trustee 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 its subsidiaries (together, the "**Group**") is to own and invest in income-producing real estate assets.

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

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, 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 2016 as described in those annual financial statements.

Amendments to existing standards adopted by the Group

The Group has adopted all of the new standards, amendments and improvements to existing standards issued by the International Accounting Standards Board that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2017.

Amendments to existing standards effective in 2017 which are relevant to the Group's operations:

IAS 7 Amendments	Disclosure Initiative
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealized Loss
IFRS 12 Amendments	Disclosure of Interests in Other Entities

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

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

The following new standards, amendments and improvements to existing standards are in issue but not yet effective, and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
IAS 40 Amendments	Transfers of Investment Property	1 January 2018
IFRS 2 Amendments	Classification and measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 Amendments	Applying IFRS9 Financial Instruments with IFRS4 Insurance Contracts	1 January 2018
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 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements Project	Annual Improvements to IFRS 2014 – 2016 Cycles	1 January 2018 (except for IFRS 12 Amendments which are effective for accounting periods beginning on or after 1 January 2017)

The Group will apply the above new standards, amendments and 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 and improvements to existing standards, and anticipated that the adoption of new standards and amendments to existing standards will not have a material effect on the Group's operating result or financial position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimates of fair value of investment property

The fair value of each investment property is individually determined at each reporting date by independent valuer using valuation techniques. Details of the judgement and assumptions have been disclosed in note 13.

(b) Estimates of fair values of derivative financial instruments

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

5 FINANCIAL RISK

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 2016.

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

6 REVENUE AND SEGMENT INFORMATION

The Group holds an investment property in the PRC and is principally engaged in property investment. Revenue mainly consists of rental income from tenants. The Manager has determined the operating segments based on the reports reviewed by the chief operating decision-maker, that are used to make strategic decisions. Given that the Manager 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	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenues		
Rental income *(note i)*	**34,911**	37,699
Car park income	**250**	319
Other income *(note ii)*	**443**	1,358
	35,604	39,376

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	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Property management fee	**784**	796
Property tax *(note i)*	**4,205**	1,901
Business and other taxes *(note ii)*	**506**	1,822
Withholding tax *(note iii)*	**3,520**	3,976
Leasing commission	**159**	339
Others	**60**	66
	9,234	8,900

Notes:

(i) Property taxes represent real estate tax and land use tax. With effect from 1 July 2016, real estate tax applicable to the Group's Beijing properties is calculated: (a) for leased area, at 12% of rental income; and (b) for vacant area, at 1.2% of the residual value of the relevant area. Prior to the change, real estate tax was charged at the rate of 1.2% of the residual value of the property.

(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 10% of the revenues received from rental operation.

8 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Manager's fee *(note i)*	**3,429**	3,579
Trustee fee	**120**	119
Valuation fee	**8**	8
Auditor's remuneration	**109**	104
Legal and other professional fee *(note ii)*	**960**	659
Others	**344**	24
	4,970	4,493

Notes:

(i) The breakdown of the Manager's fee was set out in note 11.

(ii) Legal and other professional fee mainly comprises advisory fees and other professional fees.

9 OTHER LOSSES, NET

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Net fair value losses on derivative financial instruments at fair value through profit or loss	**8,082**	4,862
Foreign exchange (gains)/losses	**(1,108)**	206
Other miscellaneous losses	**2**	3
	6,976	5,071

10 FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Interest expenses on bank borrowings *(note i)*	**9,898**	10,519
Foreign exchange (gains)/losses on bank borrowings *(note ii)*	**(11,047)**	11,221
Other incidental borrowing costs	**150**	–
	(999)	21,740

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 (gains)/losses on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies to Renminbi ("**RMB**"). The exchange (gains)/losses on bank borrowings during the six months ended 30 June 2017 and 2016, were mainly arisen from the appreciation/depreciation of RMB against US$.

11 MANAGER'S FEE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Base fee	**2,637**	2,747
Variable fee	**792**	832
	3,429	3,579

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

(i) Base fee at 0.4% per annum of the value of the Deposited Property (all of the assets of Spring REIT, as defined in the Trust Deed) ("**Base Fee**", as defined in the Trust Deed).

(ii) Variable fee at 3.0% per annum of the Net Property Income ("**Variable Fee**", as defined in the Trust Deed) (before deduction therefrom of the Base fee and Variable fee).

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.

On 6 December 2016, the Manager notified the Trustee in writing of its election for the Base Fee to be paid to the Manager in the form of Units entirely, and the 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 2017 in accordance with the Trust Deed.

12 EARNINGS PER UNIT

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Profit for the period, before transactions with Unitholders	**19,023**	101,045
Weighted average number of units for the period for calculating basic earnings per unit	**1,178,165,219**	1,122,383,752
Adjustment for units issuable in respect of the Manager's fee	**3,104,388**	2,427,696
Weighted average number of units for the period for calculating diluted earnings per unit	**1,181,269,607**	1,124,811,448
Basic earnings per unit based upon profit before transactions with Unitholders	**US1.6 cent**	US9.0 cent
Diluted earnings per unit based upon profit before transactions with Unitholders	**US1.6 cent**	US9.0 cent

Distribution per unit is presented in the statement of distributions on page 18 of the condensed consolidated interim financial information.

13 INVESTMENT PROPERTY

	For the period ended 30 June 2017 *US$'000*	For the year ended 31 December 2016 *US$'000*
At beginning of the period/year	**1,296,616**	1,283,552
Additions	**–**	1,124
Exchange differences recognized in other comprehensive income	**31,393**	(88,537)
Changes in fair value recognized in consolidated income statement	**3,378**	100,477
At end of the period/year	**1,331,387**	1,296,616

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

As at 30 June 2017 and 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance of the investment property.

As at 30 June 2017 and 31 December 2016, 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 has recent experience in the locations and segments of the investment property valued.

The Manager reviewed the valuation 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 2017 and 31 December 2016, the fair values of the investment property have been determined by Knight Frank Petty Limited. The independent valuer adopted the income capitalization approach and cross-checked by the direct comparison approach for the valuation.

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 net 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.

Fair value hierarchy

	Fair value measurements at 30 June 2017 using		
	Level 1	**Level 2**	**Level 3**
	US$'000	***US$'000***	***US$'000***
Recurring fair value measurements			
As at 30 June 2017	**–**	**–**	**1,331,387**
As at 31 December 2016	–	–	1,296,616

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

Key unobservable inputs used to determine fair values

(a) *Capitalization rate*

This is estimated based on the market lease over market value on comparable. The higher the capitalization rates used, the lower the fair values of the investment property. In the 30 June 2017 valuation, a capitalization rate of 5.8% (31 December 2016: 5.8%) is used in the income capitalization approach.

(b) *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. The average gross monthly office unit base rent of RMB407 (31 December 2016: RMB405) per square meter exclusive of VAT is used in the valuation.

As at 30 June 2017, 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$66.6 million (31 December 2016: US$64.8 million) higher/lower.

14 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2017 (Unaudited) ***US$'000***	As at 31 December 2016 (Audited) *US$'000*
Current		
Fair value of the forward contracts	–	2,670

Note:

The Group has entered into a currency option and forward contracts as part of its financial risk management but did not account for these as accounting hedges under IAS 39. Fair value gains or losses on derivative financial instruments were charged to the consolidated income statement (note 9). Plain vanilla currency option and forward contracts are used to hedge the relevant foreign exchange rate risk.

The aggregate notional principal amount of the currency option was US$480 million and was matured on 16 December 2016. The aggregated notional principal amount of the forward contracts was US$240 million and were settled in March 2017.

At the reporting date, the Group did not have any derivative financial instruments outstanding.

15 TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 (Unaudited) *US$'000*	As at 31 December 2016 (Audited) *US$'000*
Rent receivables	**441**	178
Deferred rent receivables	**1,643**	1,871
Prepayments	**2,028**	372
	4,112	2,421
Less: Non-current prepayments	**(1,775)**	–
Current portion included in current assets	**2,337**	2,421

Notes:

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

There are no specific credit terms given to the tenants.

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

(ii) The Group's exposure from outstanding rent receivables is generally fully covered by the rental deposits from the corresponding tenants (note 17).

(iii) As at 30 June 2017 and 31 December 2016, the Group's rent receivables and all future rent receivables were pledged to secure the Group's bank borrowings (note 18).

16 RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 30 June 2017 (Unaudited) *US$'000*	As at 31 December 2016 (Audited) *US$'000*
Restricted bank balances	**52,593**	50,631
Cash and cash equivalents	**36,119**	28,825
	88,712	79,456

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

	As at 30 June 2017 (Unaudited) *US$'000*	As at 31 December 2016 (Audited) *US$'000*
US$	**38,212**	49,873
RMB	**31,621**	28,103
HK$	**18,879**	1,480
	88,712	79,456

Restricted bank balances are related to bank accounts restricted under the bank borrowing facility agreements and were charged to the facility agent, The Australia and New Zealand Banking Group Limited, of the Group's bank borrowings (note 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.

17 RENTAL DEPOSITS AND TRADE AND OTHER PAYABLES

	As at 30 June 2017 (Unaudited) *US$'000*	As at 31 December 2016 (Audited) *US$'000*
Rental deposits *(note i)*	**22,660**	20,640
Trade and other payables:		
Rental receipts in advance	**7,530**	7,676
Provision for other taxes *(note ii)*	**16**	15
VAT payable	**71**	21
Accrued expenses and other payables	**5,386**	5,630
	13,003	13,342

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 2017 (Unaudited) *US$'000*	As at 31 December 2016 (Audited) *US$'000*
Within 1 year	**4,900**	5,204
Over 1 year	**17,760**	15,436
	22,660	20,640

(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 and mainly denominated in RMB.

18 INTEREST-BEARING BORROWINGS

	As at 30 June 2017 (Unaudited) *US$'000*	As at 31 December 2016 (Audited) *US$'000*
Non-current		
Bank borrowings	**447,795**	480,499

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 2017 (Unaudited) *US$'000*	As at 31 December 2016 (Audited) *US$'000*
6 months or less	**447,795**	480,499

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) The term loan facility will be repayable in full on 29 April 2020. On 12 May 2017, the Group early repaid part of the term loan of an amount of US$30 million, reducing the outstanding principal amount to US$450 million. On 27 June 2017, the interest rate of the term loan facility was reduced by 110 basis point, from 2.75% above 3-month US dollar LIBOR to 1.65% above 3-month US dollar LIBOR. The Group also had in place a US$20 million undrawn uncommitted revolving facility. Both the term loan facility and uncommitted revolving facility are guaranteed by the Trustee. The Group's subsidiary's shares were pledged to secure the Group's term loan facility and uncommitted revolving facility.

(ii) As at 30 June 2017 and 31 December 2016, 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 shares of RCA01 were pledged to secure the Group's term loan facility.

19 UNITS IN ISSUE

	Number of units
Balance as at 31 December 2016	1,130,562,940
New units issued for Manager's fee	5,868,223
Placing of units *(note i)*	114,884,000
Balance as at 30 June 2017 *(note ii)*	1,251,315,163

Notes:

(i) On 21 April 2017, an aggregate of 114,884,000 new Units were placed to China Orient Stable Value Fund Limited at the price of HK$3.25 per Unit, with net proceeds of the subscription of HK$372.99 million intended to be applied towards partial early repayment of bank loan and general working capital purposes.

(ii) Traded market value of the units as of 30 June 2017 was HK$3.4 per unit. Based on 1,251,315,163 units, the market capitalization was US$544.94 million.

20 FUTURE MINIMUM RENTAL RECEIVABLES

As at 30 June 2017, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 30 June 2017 (Unaudited) ***US$'000***	As at 31 December 2016 (Audited) *US$'000*
Within 1 year	**67,111**	67,519
After 1 year, but within 5 years	**117,456**	120,201
After 5 years	**1,454**	3,901
	186,021	191,621

Note: Most of the operating leases are on fixed terms and of terms of 3 years (2016: 3 years).

21 EVENT AFTER THE REPORTING PERIOD

On 17 March 2017, DB Trustee in its capacity as trustee of Spring REIT entered into a share purchase agreement pursuant to which Spring REIT agreed to purchase 84 commercial properties in the United Kingdom. The completion of the acquisition took place on 14 July 2017. On the same day, the completion payment of £36.7 million was settled and the payment has been financed by debt.