Spring Real Estate Investment Trust

春泉產業信託

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

(Stock Code: 01426)

Managed by
Spring Asset Management Limited

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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

The board of directors (the "**Board**") of the Manager is pleased to report the audited consolidated annual results of Spring REIT and its special purpose vehicle (the "**Group**") for the financial year ended 31 December 2013.

RESULTS HIGHLIGHT

This is the first set of annual results (for the year ended 31 December 2013) (the "**Reporting Period**") of Spring REIT since its listing on the Stock Exchange. For the period from the Listing Date to 31 December 2013 (the "**Relevant Period**"), where appropriate, comparisons will be made against the forecast figures (the "**OC Forecast**") stated in the Offering Circular of Spring REIT dated 25 November 2013 (the "**Offering Circular**").

For the Year Ended 31 December	2013	2012	Change
Total Revenue (US$'000)	66,349	52,903	25.4%
Net Property Income (US$'000)	49,536	39,273	26.1%
Special Distribution per Unit (HK$) *(note a)*	0.070	N/A	N/A

For the Period from Listing Date to 31 December 2013	Actual	OC Forecast	Difference
Total Revenue (US$'000)	5,377	5,143	4.5%
Net Property Income (US$'000)	3,910	3,857	1.4%
Total Distributable Income (US$'000)	2,248	2,088	7.7%
Implied Regular Distribution per Unit (HK$)	0.016	0.015	7.7%
Implied Regular Distribution per Unit (HK$, annualized) *(note b)*	0.214	0.199	7.7%
Implied Regular Distribution Yield (annualized) *(note c)*	6.8%	N/A	N/A

As at 31 December	2013	2012	Change
Gross Assets (US$'000)	1,403,684	1,266,787	10.8%
Appraised Property Value (US$'000)	1,272,778	1,186,859	7.2%
Net Assets Attributable to Unitholders (US$'000)	862,244	766,047	12.6%
Net Assets Attributable to Unitholders per Unit (HK$)	6.09	N/A	N/A
Debt to Gross Asset Value	36.0%	37.7%	–1.7 ppt

Notes:

a. Special distribution per Unit of HK$0.070 represents 2.2% of the closing price of the Units of HK$3.17 on 31 December 2013.

b. Implied regular distribution per Unit is estimated in accordance with the Manager's current policy to distribute 100% of the total distributable income of the Relevant Period. The payment of such distribution shall be made together with the interim distribution in 2014. For details, please refer to the paragraph headed "Regular Distribution" in this announcement.

c. Implied annualized regular distribution yield is estimated as implied regular distribution per Unit to the closing price of the Units of HK$3.17 on 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Property and Industry Overview

The Property

Spring REIT's principal assets are two Premium Grade office buildings (as referred in the Offering Circular) with a total gross floor area ("**GFA**") of 120,245 square meter ("**sqm**") and approximately 600 car parking space at China Central Place, Beijing, China ("the **Property**").

The Property is strategically located in the central business district ("**CBD**") of Beijing, to the west of East 4th Ring Road (東四環路) and at the intersection of Jianguo Road (建國路) and West Dawang Road (西大望路).

Colliers International (Hong Kong) Limited, Spring REIT's independent property valuer (the "**Principal Valuer**"), valued the Property at RMB7,760 million (equivalent to US$1,272.778 million) as at 31 December 2013.

Office Market in Beijing CBD

As the capital city of China, Beijing has unique appeal for leading domestic and multi-national corporations to establish their headquarters. Within Beijing, the CBD is the largest business district in terms of Grade-A office inventory and is specifically popular among businesses in finance, cultural media and business services industries.

Beijing CBD is situated on the east side of the city, traditionally around the intersection of Jianguo Road and East 3rd Ring Road and now extended to cover the 4th Ring Road. As at December 2013, CBD submarket accounted for 38% of the city's total Grade-A office space, with a total GFA of about 2.61 million sqm.[1]

There was a favourable supply-demand situation for Grade-A office space in Beijing CBD in 2013. On the back of Beijing's softer but respectable real GDP growth of 7.7% year-on-year, demand for Grade-A office space remained strong within CBD. Net absorption for Grade-A office space in CBD rose 1.8% year-on-year to 134,093 sqm in 2013, outperforming the wider Beijing office market that recorded a decline.[2]

Meanwhile, supply was limited in the CBD submarket in 2013. There was no new supply during the first three quarters of the year and the only new Grade-A office supply that entered the market was in the fourth quarter in 2013, with a GFA of 176,000 sqm, equivalent to about 6.7% of the total CBD Grade-A office space.[3]

[1] Data source: DTZ Consulting, March 2014.
[2] Data source: DTZ Consulting, March 2014.
[3] Data source: DTZ Consulting, March 2014.

As new supply entered the market in the fourth quarter in 2013, average occupancy rate in Grade-A offices in Beijing CBD edged down 1.4 percentage point to 95.1%. Nevertheless, occupancy is expected to gradually increase as a result of limited supply and the strong underlying demand in the CBD submarket.[4]

Results Beats OC Forecast during the Relevant Period

For the Relevant Period, Spring REIT recorded a satisfactory performance. Total revenue during the Relevant Period was US$5.377 million, 4.5% higher than OC Forecast. Net property income amounted to US$3.910 million, 1.4% higher than OC Forecast. Total distributable income for the Relevant Period was US$2.248 million, 7.7% above OC Forecast.

Based on the total distributable income, the annualized implied distribution per Unit was HK$0.214 for the Relevant Period, which represents an annualized distribution yield of 6.8%, based on the closing price of the Units of HK$3.17 on 31 December 2013.

Operations Review for the Year Ended 31 December 2013

Business Performance

Last year was a year of strong growth for Spring REIT, buoyed by positive rental reversions from Spring REIT's Premium Grade office buildings. The total revenue of Spring REIT increased by 25.4% year-on-year for the year ended 31 December 2013, to US$66.349 million.

Property operating expenses rose 23.4% year-on-year to US$16.813 million. Withholding tax, business and other tax, and property tax accounted for 88.5% of the property operating expenses. Property management fee, payable at 2.0% of total revenue, accounted for 8.2% of the property operating expenses. Net property income rose 26.1% to US$49.536 million, with a stable net property income margin of 74.6% for the year ended 31 December 2013, compared with 74.7% for the year ended 31 December 2012.

Fair value gain of investment property moderated to US$49.184 million for the year ended 31 December 2013, after a massive gain of US$190.102 million for the year ended 31 December 2012. Thanks to a stronger Renminbi that appreciated 2.83% against US dollar for the year ended 31 December 2013, foreign exchange gains on bank borrowings came in at US$15.343 million, versus US$1.495 million for the year ended 31 December 2012. In aggregate, total foreign exchange items resulted in a gain of US$10.005 million for the year ended 31 December 2013, against a loss of US$1.565 million for the year ended 31 December 2012. Including the above-mentioned items, profit for the year ended 31 December 2013 (before transactions with unitholders) was US$69.822 million compared with US$194.378 million a year earlier. Excluding these items, adjusted profit for the year ended 31 December 2013 (before transactions with unitholders) increased 82.0% to US$10.633 million.[5]

4 Data source: DTZ Consulting, March 2014.

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

Leasing Performance

Thanks to the healthy take-up of units with expired leases, the Property enjoyed a consistently high occupancy rate throughout the year. The average occupancy for the year ended 31 December 2013 remained unchanged at 96%, compared with the year ended 31 December 2012. In GFA terms, 51.8% of the leases as at 31 December 2013 were entered into during 2013, of which around 70% were renewals.

Over the past 3 years, rental rates in Beijing rose substantially on the back of a sustained supply shortage of office space in the midst of general rising demand. Benefiting from this trend, the average monthly spot rental of the Property increased to RMB375/sqm for the year ended 31 December 2013 excluding certain transitional extensions and an exceptional renewal, from RMB198/sqm for the year ended 31 December 2010.

As a result, by renewing expiring leases at higher spot rental rates, Spring REIT achieved satisfactory rental growth through positive rental reversion. For the year ended 31 December 2013, average monthly passing rental grew 27.4% to RMB288/sqm, from RMB226/sqm for the year ended 31 December 2012.

Comparing the average monthly spot rental of RMB375/sqm for the year ended 31 December 2013 and the average monthly passing rental of RMB288/sqm for the year ended 31 December 2013, there was a 30.2% rental reversion potential. This can be interpreted as a gauge of upside potential coming from future rental reversion, assuming the spot rental remains at the same level.

Financial Review for the Year Ended 31 December 2013

Regular Distribution

In accordance with the Trust Deed, Spring REIT is required to distribute no less than 90% of total distributable income to the unitholders of Spring REIT ("**Unitholders**"). In accordance with the Offering Circular, the Manager's current policy is to distribute to 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's current policy is to distribute to Unitholders 100% of Spring REIT's total distributable income for the Relevant Period, which amounted to approximately US$2.248 million. Pursuant to the Trust Deed, distribution in respect of the Relevant Period shall be paid at the same time as the payment of the interim distribution for the six months ending 30 June 2014, which will be paid no later than 30 November 2014.

Qualifying Unitholders for Regular Distribution

Distribution for the Relevant Period will be paid together with the distribution for the six months ending 30 June 2014 and will be paid to persons who are Unitholders as at the record date for the interim distribution for the period from 1 January 2014 to 30 June 2014. As a result, Unitholders who are not recorded as holders of Units on such record date will not be entitled to receive any distribution for the Relevant Period.

The first regular distribution will be paid no later than 30 November 2014 and all distributions will be made in Hong Kong dollars.

Special Distribution

To demonstrate the Manager's commitment to delivering stable distributions to the Unitholders and in recognition of the continued support of the Unitholders, the Board is pleased to announce that at a meeting of the Board held on 17 March 2014, the Board has resolved the declaration and payment of a special distribution of HK$0.07 per Unit (the "**Special Distribution**") to the qualifying Unitholders as referred in the paragraph headed "Qualifying Unitholders for Special Distribution" below.

The Manager has agreed to waive its right to receive the pro-rated portion of Special Distribution attaching to the Manager's fee Units which are expected to be issued in March 2014.

The monies comprising the Special Distribution represent surplus cash held within Spring REIT which was previously set aside by the Manager as a contingency reserve prior to the listing of the Units, for the purpose of discharging certain costs in the event of an unsuccessful listing. Following the successful listing of the Units, the Manager has determined that the contingency reserve is now surplus to immediate requirements of Spring REIT and that the distribution of such amount by way of a Special Distribution is both appropriate and in the best interests of both: (a) Spring REIT; and (b) the Unitholders.

The Manager has made a separate announcement setting out details of the Special Distribution approved by the Board. The declaration and payment of the Special Distribution should not be construed as a commitment by Spring REIT to declare a similar special distribution in the future or on a regular basis.

Since the record date for the Special Distribution ("**Special Distribution Record Date**") may occur before the interim results of Spring REIT for the first six months of 2014 are available, Unitholders should exercise caution when dealing in the Units prior to the publication of such interim results.

Qualifying Unitholders for Special Distribution

To determine the entitlement of the Unitholders to the Special Distribution, the register of Unitholders of Spring REIT will be closed from Monday, 7 April 2014 to Wednesday, 9 April 2014, both days inclusive, during which period no transfer of Units of Spring REIT will be effected. In order to qualify for the Special Distribution, all transfers accompanied by the relevant Unit certificates must be lodged with Spring REIT's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 4 April 2014.

Debt Positions

As at 31 December 2013, the total principal amount of borrowings of Spring REIT was US$515 million. It comprises of a three-year term loan facility repayable on 27 January 2016 (with an option to extend for a further period of 1 year). The borrowing bears interest of 3.5% above 3-month LIBOR.

Subsequent to the year ended 31 December 2013, RCA01, the special purpose vehicle wholly owned by Spring REIT, made a US$50 million early principal repayment of the term loan facility on 28 January 2014. As a result of the early principal repayment, the notional principal amount of the Term Loan Facility is reduced to US$465 million.

Cash and Asset Positions

As at 31 December 2013, Spring REIT's cash amounted to US$67.360 million. The cash is predominately dominated in US dollar. No currency hedge was employed.

As at 31 December 2013, the gross asset value of Spring REIT was US$1,403.684 million, compared with US$1,266.787 million recorded on 31 December 2012.

Net Assets Attributable to Unitholders

As at 31 December 2013, net assets attributable to Unitholders amounted to US$862.244 million or HK$6.09 per Unit.

Pledge Assets

As at 31 December 2013, the Group's investment property, derivative financial instruments, rent receivables, restricted bank accounts, and RCA01's ordinary shares were pledged to secure the Group's Term Loan Facility.

Commitments

As at 31 December 2013, Spring REIT did not have any significant commitments.

OUTLOOK

In 2014, we expect positive rental reversion to remain a key theme for Spring REIT. With average monthly spot rental substantially higher than average monthly passing rental, there remains ample room for passing rental to catch up in the next few years, driving growth in rental income as a result. With limited new supply of high-quality office space in Beijing's CBD, we expect favorable demand-supply dynamics to continue in 2014.

Demand for high-quality office space is benefiting from China's urbanization and rising disposable income. To tap the China market, an increasing number of businesses have been setting up headquarters and marketing divisions in the country's capital.

On the macro front, the Chinese government targets the economy to grow by 7.5% in 2014. Despite some short-term uncertainties over the implementation of various economic reform efforts, we are confident of the longer-term economic outlook in China.

Looking ahead, the Manager will stay diligent in actively managing Spring REIT's portfolio in order to maximize its long-term value and to increase distributable income. The Manager is committed to distributing 100% of the distributable income for the year ending 31 December 2014. The Manager will also put in serious efforts on good communication with Unitholders, while keeping a close eye on potential acquisitions targets for Spring REIT which would further enhance value for the Unitholders.

CORPORATE GOVERNANCE

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been implemented 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 of Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, with necessary changes as if those rules were applicable to real estate investment trusts in Hong Kong.

The Manager was established for the sole purpose of managing Spring REIT. The Manager is committed to maintaining good corporate governance practices and procedures. The corporate governance principles emphasize on a quality board of directors, sound internal control, transparency and accountability to all Unitholders. 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 regulations and legislation.

Throughout the Relevant 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.

AUTHORISATION 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.

NEW UNITS ISSUED

On 21 November 2013, the Trustee and the Manager, entered into a reorganization agreement with RCA Fund 01, L.P. ("**RCA Fund**"), pursuant to which the Trustee has conditionally agreed to issue units to RCA Fund in exchange for all of the issued RCA01's shares (which comprised all the ordinary share in RCA01) held by RCA Fund. Spring REIT issued 1,000,000,000 Units to RCA Fund in exchange for all of the issued share capital in RCA01.

Save as the issue of 98,000,000 Units on 5 December 2013 upon Listing, no new Units were issued during the Relevant Period. The total number of Units in issue as at 31 December 2013 was 1,098,000,000 Units.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Save as disclosed in the "New Units Issued" section, during the Relevant 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

As far as the Manager is aware, not less than 25% of the issued and outstanding Units were held in public hands as at 31 December 2013.

REVIEW OF ANNUAL RESULTS

The annual results of Spring REIT for the year ended 31 December 2013 have been reviewed by the Audit Committee of the Manager in accordance with its terms of reference.

ISSUANCE OF THE ANNUAL REPORT

The Annual Report of Spring REIT for the year ended 31 December 2013 will be published on the respective websites of the Stock Exchange at www.hkexnews.hk and Spring REIT at www.springreit.com, and will be sent to Unitholders on or before 30 April 2014.

ANNUAL GENERAL MEETING

The 2014 annual general meeting of Spring REIT will be held on or around Thursday, 22 May 2014, notice of which will be published and given to Unitholders in due course.

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

Hong Kong, 17 March 2014

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

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000	For the period from 5 December 2013 (the "Listing Date") to 31 December 2013 (note (i)) US$'000
Revenues	3	**66,349**	52,903	5,377
Property operating expenses	4	**(16,813)**	(13,630)	(1,467)
Net property income		**49,536**	39,273	3,910
General and administrative expenses		**(4,959)**	(226)	(619)
Increase in fair value of investment property		**49,184**	190,102	–
Other losses, net		**(7,021)**	(7,520)	(266)
Operating profit	5	**86,740**	221,629	3,025
Finance income		**384**	324	85
Finance costs on interest-bearing borrowings		**(17,302)**	(27,575)	456
Profit for the year/period, before transactions with Unitholders		**69,822**	194,378	3,566
Change in net assets attributable to Unitholders	(ii)	**(7,354)**	–	
Profit for the year after transactions with Unitholders		**62,468**	194,378	

Notes:

(i) The financial results from 5 December 2013 (the "Listing Date") to 31 December 2013 were voluntarily disclosed for Unitholders' benefit for understanding the performance of Spring REIT after the listing. Earning per unit for the period (the "period"), based upon profit before transactions with Unitholders and the weighted average number of units in issue, is set out in note 6 to the consolidated financial statements.

(ii) In accordance with the REIT Code and the Trust Deed, Spring REIT is required to distribute to Unitholders not less than 90% of total distributable income 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 finance costs. There is no distribution to Unitholders for the year. Change in net assets attributable to Unitholders includes profit and exchange gains from translation of the financial statements for period.

(iii) Annual Distributable Income (as defined in the Trust Deed) is determined in the statement of distributions. The final distribution declared in respect of the period is set out in the statement of distributions.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Before transactions with Unitholders US$'000	Transactions with Unitholders *(note (i))* Profit for the period US$'000	Exchange gains on translations of financial statements US$'000	After transactions with Unitholders US$'000
For the year ended 31 December 2013				
Profit for the year/change in net assets attributable to Unitholders	**69,822**	**(3,566)**	**(3,788)**	**62,468**
Other comprehensive income:				
Items that will not be reclassified subsequently to income statement				
Exchange gains on translation of financial statements	**14,760**	**–**	**–**	**14,760**
Items that may be reclassified to income statement				
Exchange gains on translation of financial statements	**3,788**	**–**	**–**	**3,788**
Total comprehensive income for the year	**88,370**	**(3,566)**	**(3,788)**	**81,016**
For the year ended 31 December 2012				
Profit for the year	194,378	–	–	194,378
Other comprehensive income				
Items that will not be reclassified subsequently to income statement				
Exchange gains on translation of financial statements	1,838	–	–	1,838
Total comprehensive income for the year	196,216	–	–	196,216

Note:

(i) Transactions with Unitholders represent change in net assets attributable to Unitholders, excluding issuance of new units to the Unitholders. Transactions with Unitholders include profit and exchange gains from translation of the financial statements for the period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

		As at 31 December	
		2013	2012
	Notes	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Investment property		**1,272,778**	1,186,859
Derivative financial instruments		**780**	–
Total non-current assets		**1,273,558**	1,186,859
Current assets			
Trade and other receivables	*7*	**3,156**	1,817
Amount due from RCA Fund		**–**	29,080
Restricted bank balances		**59,610**	36,955
Cash and cash equivalents		**67,360**	12,076
Total current assets		**130,126**	79,928
Total assets		**1,403,684**	1,266,787
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	*8*	**14,728**	6,914
Rental deposits		**21,913**	16,652
Current portion of interest-bearing borrowings	*9*	**–**	477,174
Total current liabilities		**36,641**	500,740
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	*9*	**504,799**	–
Total liabilities, excluding net assets attributable to Unitholders		**541,440**	500,740
Net assets attributable to equity holders		**–**	766,047
Equity			
Other reserve		**–**	182,028
Retain earnings		**–**	584,019
Total equity		**–**	766,047
Total assets less current liabilities		**1,367,043**	766,047
Net current assets/(liabilities)		**93,485**	(420,812)
Net assets attributable to Unitholders		**862,244**	–
Units in issue ('000)		**1,098,000**	N/A
Net asset value per unit attributable to Unitholders		**US$0.78**	N/A

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

FOR THE YEAR ENDED 31 DECEMBER 2013

	Pre-listing equity		Post-listing	Net assets	
	Other reserves	Retained earnings	exchange reserve	attributable to Unitholders	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 1 January 2013	**182,028**	**584,019**	**–**	**–**	**766,047**
Profit for the year, before transactions with Unitholders	**–**	**66,256**	**–**	**3,566**	**69,822**
Exchange gains on translation of financial statements	**14,760**	**–**	**3,788**	**–**	**18,548**
Amount arising from exchange reserve movement	**–**	**–**	**(3,788)**	**3,788**	**–**
Total comprehensive income for the year/change in net assets attributable to Unitholders	**14,760**	**66,256**	**–**	**7,354**	**88,370**
Exchange gains on translation of redeemable preference shares	**4,924**	**–**	**–**	**–**	**4,924**
Dividend					
— Reimbursement of issuance cost to RCA Fund	**–**	**(1,445)**	**–**	**–**	**(1,445)**
— Dividend payable to RCA01's redeemable preference shareholders	**–**	**(43,589)**	**–**	**–**	**(43,589)**
Issuance of units:					
— Units issued to RCA Fund to acquired RCA01	**(201,712)**	**(605,241)**	**–**	**806,953**	**–**
— Units issued to public	**–**	**–**	**–**	**47,937**	**47,937**
As at 31 December 2013	**–**	**–**	**–**	**862,244**	**862,244**
As at 1 January 2012	179,801	389,641	–	–	569,442
Profit for the year	–	194,378	–	–	194,378
Exchange gains on translation of financial statements	1,838	–	–	–	1,838
Total comprehensive income for the year	1,838	194,378	–	–	196,216
Exchange gains on translation of redeemable preference shares	389	–	–	–	389
As at 31 December 2012	182,028	584,019	–	–	766,047

STATEMENT OF DISTRIBUTIONS

FOR THE PERIOD FROM 5 DECEMBER 2013 (THE "LISTING DATE") TO 31 DECEMBER 2013 (THE "PERIOD")

	For the period from 5 December 2013 (the "Listing Date") to 31 December 2013 *US$'000*
Profit for the period, before transactions with Unitholders	**3,566**
Adjustments:	
— Fair value losses of derivative financial instruments	**28**
— The Manager fee payable in units in lieu of cash	**410**
— Amortization of transaction cost for the bank borrowings	**570**
— Unrealized foreign exchange gains	**(2,326)**
Total distributable income for the period	**2,248**
Final distribution, to be declared	**2,248**
Special distribution declared *(note v)*	**9,912**
Final distribution as a percentage of total distributed income	**100%**
Units in issue at 31 December 2013	**1,098,000,000**
Distributions per unit to Unitholders	
Final distribution per unit, to be declared *(notes iii and iv)*	**HK$1.6 cents**
Special distribution per unit, declared *(note v)*	**HK$7.0 cents**

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) Pursuant to the REIT Code and the Trust Deed, Spring REIT is required to distribute to Unitholders as distributions for each financial period shall be no less than 90% of total distributable income, plus at its discretion, any other additional amount that the Manager determines is distributable.

(iii) The Manager has decided to distribute 100% of total distributable income as the distribution for the period from 5 December 2013 to 31 December 2013. Pursuant to the Trust Deed, the final distribution shall be paid to Unitholders, together with the 2014 interim distribution for the six months ending 30 June 2014, no later than 30 November 2014. The final distribution will be paid to persons who are Unitholders as at the record date for the 2014 interim distribution and as a result, Unitholders who are not recorded as holders of Units on such record date will not be entitled to receive any distribution for the period.

(iv) The final distribution per unit of HK$1.6 cents for the period from 5 December 2013 to 31 December 2013 is calculated based on the total distributed income to be paid to the Unitholders US$2,248,000 for the period and 1,098,000,000 units in issue as at 31 December 2013.

(v) A special distribution per unit of HK$7.0 cents was declared by the Board of the Manager on 17 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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. 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") dated 14 November 2013, and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission.

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

The consolidated financial statements are presented in United States Dollars ("US$"). The functional currency of Spring REIT is Hong Kong dollar ("HKD").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

Before the listing of Spring REIT and the completion of the reorganization, RCA Fund 01, LP., ("RCA Fund") owned all of the RCA01's issued preference share and MapleFS Limited owned all of the RCA01's issued ordinary shares.

On 21 November 2013, RCA Fund and Maple FS entered into an agreement pursuant to which RCA Fund acquired all of the issued ordinary shares in RCA01 from MaplesFS. Upon such acquisition, as a part of the reorganization, RCA Fund reclassified all of the issued preference shares in RCA01 to as ordinary shares in RCA01. Accordingly RCA Fund became the sole shareholder of RCA01, holding all of the issued ordinary shares in RCA01.

On 21 November 2013, DB Trustees (Hong Kong) Limited (the "Trustee") and the Manager, entered into a reorganization agreement with RCA Fund, pursuant to which the Trustee had conditionally agreed to issue units to RCA Fund in exchange for all of the issued RCA01's shares (which comprised all the ordinary share in RCA01) held by RCA Fund. Spring REIT had issued 1,000,000,000 Units to RCA Fund in exchange for all of the issued RCA01's shares, which was not subject to any adjustment as a result of the offering. Upon completion of the reorganization, Spring REIT owned the property through RCA01.

The re-organization was completed on 3 December 2013 and Spring REIT was listed on 5 December 2013. An initial offer of 439,000,000 units under the Hong Kong public offering and the international offering, comprising 341,500,000 sale units was sold by RCA Fund and 98,000,000 new units were issued and offered by Spring REIT. As of 5 December 2013, RCA Fund held 658,500,000 units of Spring REIT, representing approximately 60% interest in Spring REIT.

Since RCA Fund does not lose the control of RCA01 after the reorganization, the acquisition of the RCA01 by Spring REIT is merely a reorganization with no change in management of such business and the ultimate controlling owners of such business remain the same before and after the formation of the Group. Accordingly, the consolidated financial statements have been prepared for by applying the principles of merger accounting as if the current group structure had been in existence throughout each of the two years ended 31 December 2012 and 2013.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), the requirement of the Trust Deed and the relevant disclosure requirement as set out in Appendix C of the REIT Code. The consolidated financial statements have been prepared under the historical cost convention, as modified by investment property and derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

New and amended standards adopted by the Group

The Group has adopted all of the new and revised standards and amendments issued by the International Accounting Standard Board that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2013.

Standards and amendments effective in 2013 which are relevant to the Group's operations:

IFRS 10	Consolidated Financial Statements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
IFRSs 10, 11 and 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
IAS 27 (2011)	Separate Financial Statements
Annual Improvements Projects	Annual Improvements to 2009–2011 cycle

Except as described below, 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.

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affect presentation only and had no impact on the Group's results or total equity.

IFRS 13 "Fair Value Measurement" requires entities to disclose information about the valuation techniques and inputs used to measure fair value, as well as information about the uncertainty inherent in fair value measurements. The standard applies to both financial and non-financial items measured at fair value. Fair value is now defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. an exit price).

New or revised standards, amendments and interpretation which are not yet effective

At the date of this report, the following new or revised standards, amendments and interpretation 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 32 Amendment	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 7 and IFRS 9 Amendments	Financial Instruments — Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10, IFRS 12 Amendment and IAS 27 (revised 2011)	Investment Entities	1 January 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRIC Interpretation 21	Levies	1 January 2014
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

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

3 REVENUE 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 year represent rental income from tenants. Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker, that are used to make strategic decisions. Given that management review the operating results of the Group on an aggregate basis, no segment information is therefore presented.

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

An analysis of revenues of the Group is as follows:

	Year ended 31 December		**For the period from 5 December 2013 (the "Listing Date") to 31 December**
	2013	2012	**2013**
	US$'000	*US$'000*	***US$'000***
Revenues			
Rental income	**65,746**	51,345	**5,277**
Car park income	**494**	491	**38**
Other income	**109**	1,067	**62**
	66,349	52,903	**5,377**

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

4 PROPERTY OPERATING EXPENSES

	Year ended 31 December		**For the period from 5 December 2013 (the "Listing Date") to 31 December**
	2013	2012	**2013**
	US$'000	*US$'000*	***US$'000***
Property management fee	**(1,374)**	(1,063)	**(128)**
Property tax	**(3,954)**	(3,835)	**(287)**
Business and other tax	**(3,989)**	(3,028)	**(357)**
Withholding tax	**(6,940)**	(5,341)	**(647)**
Leasing commission	**(409)**	(196)	**(13)**
Insurance and others	**(147)**	(167)	**(35)**
	(16,813)	(13,630)	**(1,467)**

5 OPERATING PROFIT IS ARISING AT AFTER CHARGING

	Year ended 31 December		For the period from 5 December 2013 (the "Listing Date") to 31 December
	2013	2012	**2013**
	US$'000	*US$'000*	***US$'000***
Asset management fee/manager fee *(i)*	**(4,223)**	–	**(513)**
Trustee fee	**(31)**	–	**(31)**
Valuation fee	**(20)**	–	**(3)**
Net fair value losses of derivative financial instruments at fair value through profit or loss	**(1,652)**	(4,604)	**(28)**
Foreign exchange losses	**(5,338)**	(3,060)	**(238)**

Note:

(i) During the year ended 31 December 2012, asset management costs related to RCA01 were borne by the preference shareholders of RCA01. 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 fee on 5 December 2013.

6 EARNINGS PER UNIT

Basic and diluted earnings per unit for the period are US$0.32 cent. The calculation of earnings per unit for the period is based on profit for the period, before transactions with Unitholders US$3,566,000 and divided by the weighted average number of units in issue during the period 1,098,000,000 units.

The calculation of diluted earnings per unit for the period is based on profit for the period, before transactions with Unitholders US$3,566,000 and divided by the weighted average number of units in issue together with the estimated conversion of all dilutive potential units during the period. Spring REIT has manager's fee in form of 1,099,003,894 units during the period which are dilutive potential units.

7 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2013	2012
	US$'000	*US$'000*
Rent receivables	**–**	2
Deferred rent receivables	**3,147**	1,815
Prepayment	**9**	–
	3,156	1,817

Notes:

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

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

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

(iii) As at 31 December 2013 and 2012, the Group's rent receivables and all future rent receivables were pledged to secure the Group's bank borrowing (note 9(ii)).

The aging analysis of trade receivables is as follows:

	As at 31 December	
	2013	2012
	US$'000	*US$'000*
0–30 days	–	2
Total	–	2

As at 31 December 2013, no rent receivables were past due but not impaired. As at 31 December 2012, trade receivable of US$39,000 were past due but not impaired.

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

	As at 31 December	
	2013	2012
	US$'000	*US$'000*
0–30 days	–	2
Total	–	2

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 the trade receivables has not been impaired as at 31 December 2013 and 2012.

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

8 TRADE AND OTHER PAYABLES

	As at 31 December	
	2013	2012
	US$'000	*US$'000*
Trade and other payables:		
Receipts in advance	**8,639**	5,080
Provision for withholding tax	**743**	493
Provision for other taxes	**410**	279
Accrued expenses and other payables	**4,936**	1,062
	14,728	6,914

9 INTEREST-BEARING BORROWINGS

	As at 31 December	
	2013	2012
	US$'000	*US$'000*
Non-current		
Bank borrowings	**504,799**	–
Current		
Bank borrowings	**–**	477,174
	504,799	477,174

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 31 December	
	2013	2012
	US$'000	*US$'000*
6 months or less	**594,799**	477,174

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) As at 31 December 2012, the Group had a term loan facility with carrying amount of US$367 million. The borrowings bore interest at 3.5% above LIBOR and were scheduled to be repaid on 24 June 2013. These were early settled on 28 January 2013.

As at 31 December 2012, the Group had a term loan facility with carrying amount of US$110 million. The borrowings bore interest at 7.5% above LIBOR and were scheduled to be repaid on 24 June 2013. These were early settled on 31 January 2013.

A new term loan facility, with principal of US$515 million and carrying amount of US$501 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.

(ii) As at 31 December 2013 and 2012, the Group's investment property, derivative financial instruments, rent receivables and all future rent receivables (note 7), restricted bank accounts, Group's subsidiary's shares was pledged to secure the Group's term loan facilities.

(iii) Subsequent to the year ended 31 December 2013, RCA01, the special purpose vehicle wholly owned by Spring REIT, made a US$50,000,000 early principal repayment of the Term Loan Facility on 28 January 2014. As a result of the early principal repayment, the notional principal amount of the Term Loan Facility is reduced to US$465,000,000.

10 FUTURE MINIMUM RENTAL RECEIVABLES

As at 31 December 2013, the analysis of the Group's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at 31 December	
	2013	2012
	US$'000	*US$'000*
Within 1 year	**60,912**	48,812
After 1 year, but within 5 years	**78,246**	51,741
	139,158	100,553