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

2013
Annual Report

Managed by
Spring Asset Management Limited

About Spring REIT

Spring Real Estate Investment Trust ("**Spring REIT**") is a real estate investment trust constituted by a trust deed (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**").

About the Manager

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., ("**AD Capital**") which is a private equity investment firm owned by Development Bank of Japan, Asuka Asset Management Co, Ltd., and certain minority management shareholders.

Contents

Financial Highlights

Total Revenue
+25.4%
US$66.3 million
2013

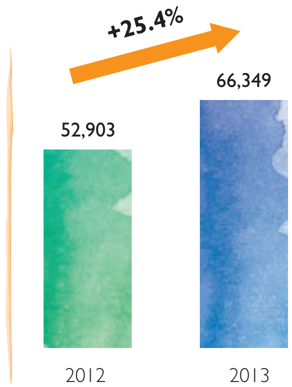
Special Distribution per Unit
HK$0.07

Net Property Income
+26.1%
US$49.5 million
2013

Performance Highlight

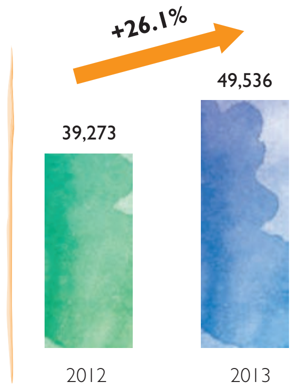
Total Revenue

(US$'000)



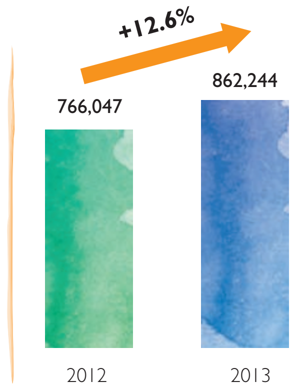
Net Property Income

(US$'000)



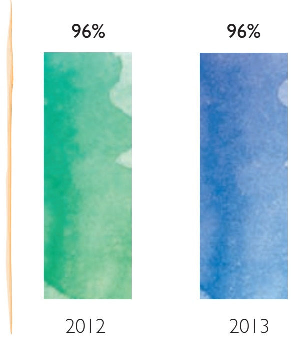
Net Assets Attributable to Unitholders

(US$'000)



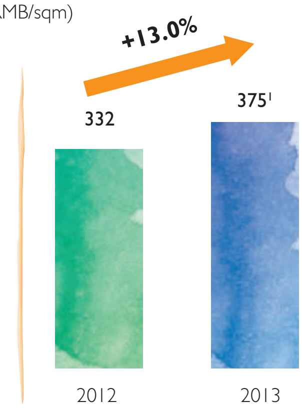
Average Occupancy Rate

%



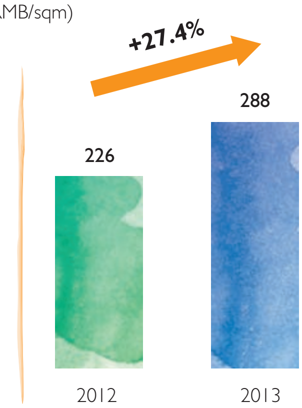
Average Monthly Spot Rental

(RMB/sqm)



Average Monthly Passing Rental

(RMB/sqm)



[1] *Excluding certain transitional extensions and an exceptional renewal.*

Financial Highlights (continued)

Results Highlight

This is the first set of annual results (for the year ended 31 December 2013) (the "**Reporting Year**") of Spring REIT since its listing on the Stock Exchange on 5 December 2013. 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$'000)	**2,248**	2,088	7.7%
Implied Regular Distribution per Unit (HK$) *(note b)*	**0.016**	0.015	7.7%
Implied Regular Distribution per Unit (HK$, annualized)	**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, rounded to the nearest HK$0.1 cent. 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 the section of "Management Discussion and Analysis" in this annual report.

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.

Chairman's
Statement

Chairman's Statement (continued)

Dear Unitholders,

On behalf of the Board of Spring Asset Management Limited, the manager of Spring REIT, I am pleased to present the first annual report of Spring REIT for the financial year ended 31 December 2013.

Successful Listing on the Hong Kong Stock Exchange

Spring REIT was successfully listed on the Stock Exchange on 5 December 2013 as the first real estate investment trust ("**REIT**") in Hong Kong to offer direct exposure to two Premium Grade office buildings (as referred in the Offering Circular) in Beijing's central business district ("**CBD**"). We believe Spring REIT was listed under favorable cycle of the Beijing office rental market. During the year ended 31 December 2013, we achieved average monthly passing rental of RMB 288/sqm, 27.4% higher than the RMB226/sqm in the previous year. We are excited of the opportunity to serve the unitholders of Spring REIT (the "**Unitholders**") and deliver stable distribution with attractive growth prospects.

Strong Operating Performance

In 2013, our two Premium Grade office buildings continued to benefit immensely from a robust rental reversion cycle in Beijing CBD. The surge in market rental over the past few years has translated into rapid growth in rental revenue as we continue to sign leases at prevailing rental rates, replacing leases of lower rental rates as they expired. Meanwhile, the tight credit condition in China and scarcity of land for new office developments in Beijing CBD have kept new supply of high-quality office space at bay, with overall vacancy of Grade-A office space in Beijing CBD low at 2.6% at the end of 2013[1].

Against the backdrop of healthy demand and continued tight supply of high-quality office space in Beijing, Spring REIT delivered strong operating performance in 2013. During the year ended 31 December 2013, total revenue increased by 25.4% year-on-year, and net property income increased by 26.1% year-on-year.

For the period from 5 December 2013 to 31 December 2013, Spring REIT recorded total distributable income of US$2.248 million, 7.7% higher than the US$2.088 million forecast in the Offering Circular.

Regular and Special Distributions

As disclosed in the Offering Circular, Spring REIT's first regular distribution after Listing Date will be paid no later than 30 November 2014. It will comprise (i) the distribution for the Relevant Period, and (ii) the interim distribution for the half year ending 30 June 2014. Accordingly, income available for distribution for the Relevant Period together with the income available for distribution for the first half year of 2014 will be paid to the registered Unitholders of Spring REIT as of the record date for the interim distribution for the half year ending 30 June 2014.

To demonstrate our commitment to deliver distributions to our Unitholders and in recognition of the continued support of the Unitholders, the Board resolved to approve the declaration and payment of a special distribution of HK$0.07 per unit made available from excess cash holding over Spring REIT's current funding requirements.

[1] *According to research by DTZ Consulting.*

Spring REIT was listed under a favorable cycle of the Beijing office rental market.

In 2014, we expect positive rental reversion to remain a key theme.

Toshihiro Toyoshima
Chairman

Chairman's Statement (continued)

The Meaning of the Name "Spring REIT"

The Manager has high expectations of Spring REIT — to deliver sustainable distributions to Unitholders while capturing long-term growth prospects both organically and through acquisitions. The REIT's name embraces these expectations aptly. The word "spring", being the temperate season of rejuvenation and naturally where water springs up from the ground, symbolizes growing wealth in Asian culture. Water is also transparent, which is the quality we take to heart in our corporate governance practices. With this name, we are constantly reminded of our commitments to Unitholders.

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 to the current spot rental 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 will set up headquarters and marketing divisions continuously 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 reform efforts, we are confident of the longer-term economic outlook in China.

Looking ahead, the Manager will stay diligent in actively managing its portfolio to maximize its long-term value and increasing distribution income. We are committed to distribute 100% of the total distributable income for the year ending 31 December 2014. We will also put in serious efforts on good communication with Unitholders, while keeping a close eye on potential acquisitions that would further enhance Unitholder value.

Appreciation

Finally, I would like to take this opportunity to sincerely thank all the Unitholders for their confidence and support. And I express my gratitude to the Manager's team and the professional parties who have worked tirelessly during the listing process for their hard work and contribution.

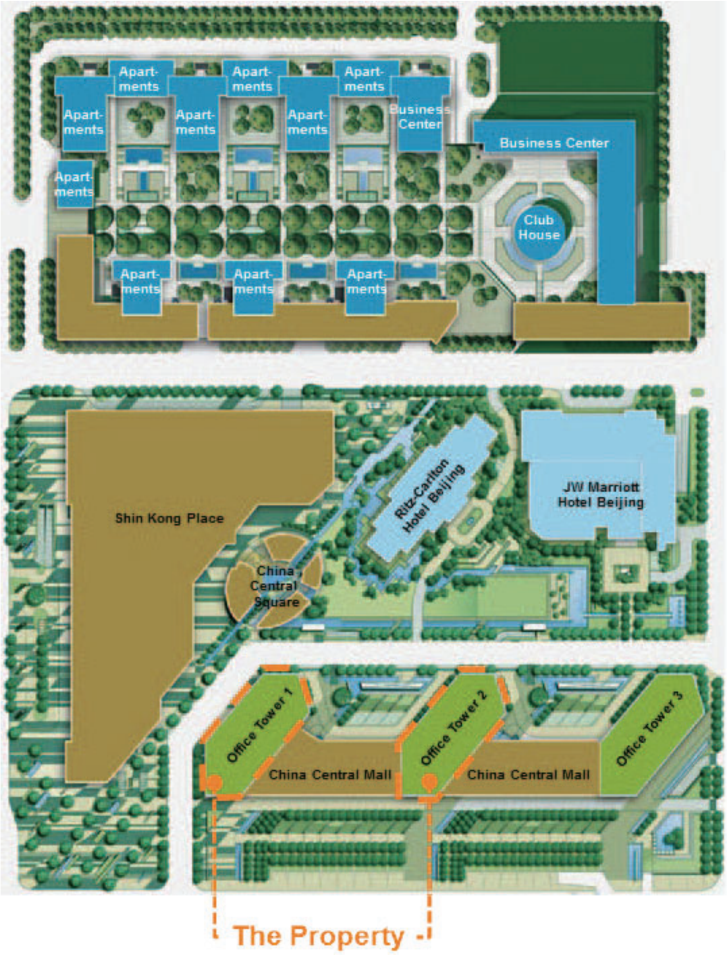
Toshihiro Toyoshima
Chairman

Spring Asset Management Limited
(as manager of *Spring REIT*)
17 March 2014

Management Discussion and Analysis

China Central Place
Beijing, China

Overview of China Central Place



Office

Premium Grade offices

- Awarded as Top 20 Office Buildings in China[1]
- Direct underground connection to Beijing Subway

Shopping

Shin Kong Place and other shopping areas

- Shin Kong Place – one of the largest department stores in China by sales
- China Central Mall, with a new Apple Store opened in January 2014

Residential

Residential area

- Residential and serviced apartments with a clubhouse

Hotels

Five-star luxury hotels

- Ritz-Carlton Hotel Beijing
- JW Marriott Hotel Beijing

[1] *Awarded jointly by www.funxun.com, China Office Building Industry Association and Nanfeng Think Tank in 2012.*

Management Discussion and Analysis (continued)

Property and Industry Overview

The Property

Spring REIT's principal assets are two Premium Grade office buildings 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 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.

Key Information of the Property

- A part of China Central Place (華貿中心), a prime mixed-use complex with well-recognized brand hotels and shopping centres
- Located at the core area of the expanded CBD at the intersection of Jianguo Road and West Dawang Road, near the 4th Ring Road
- All office floors of Office Tower 1 and Office Tower 2 of China Central Place and approximately 600 car parking spaces.
- Total office GFA of 120,245 sqm and car parking GFA of 25,127 sqm
- Appraised value RMB7,760 million[1] (equivalent to US$1,272.778 million)
- Average Occupancy rate 96%[2]

Location

Accessibility

- Direct access to Subway Line 1 through the shopping mall
- Will be directly connected to Subway Line 14 Phase II (currently under construction)
- About 20 km away from the Beijing Capital International Airport

1 As at 31 December 2013
2 Average occupancy for the year ended 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.

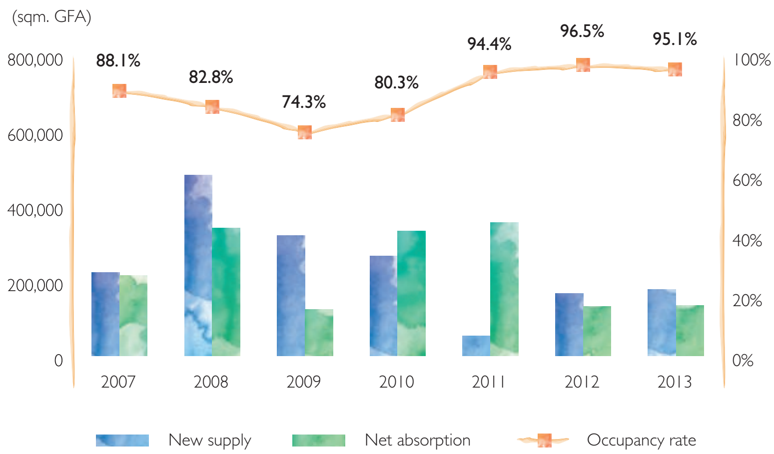
Beijing CBD is situated on the east side of the city, traditionally around the intersection of Jianguo Road and East 3rd Ring Road and now extended to cover the 4th Ring Road. As at December 2013, CBD submarket accounted for 38% of the city's total Grade-A office space, with a total GFA of about 2.61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

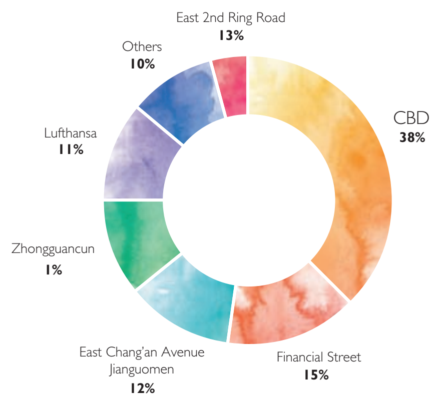
As new supply entered the market in the fourth quarter in 2013, average occupancy rate in Grade-A offices in Beijing CBD edged down 1.4 percentage point to 95.1%. Nevertheless, occupancy is expected to gradually increase as a result of limited supply and the strong underlying demand in the CBD submarket.[4]

Grade-A office market in Beijing CBD



Data source: DTZ Consulting, March 2014

Grade-A Office Stock by Major Business Districts in Beijing as at 31 December 2013



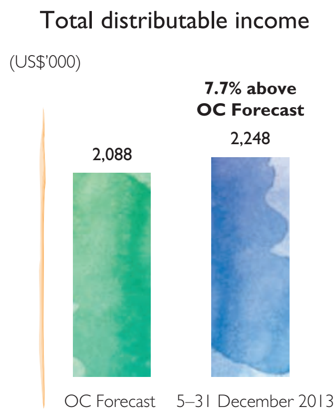
Data source: DTZ Consulting, March 2014

1 *Data source: DTZ Consulting, March 2014.*
2 *Data source: DTZ Consulting, March 2014.*
3 *Data source: DTZ Consulting, March 2014.*
4 *Data source: DTZ Consulting, March 2014.*

Management Discussion and Analysis (continued)

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.



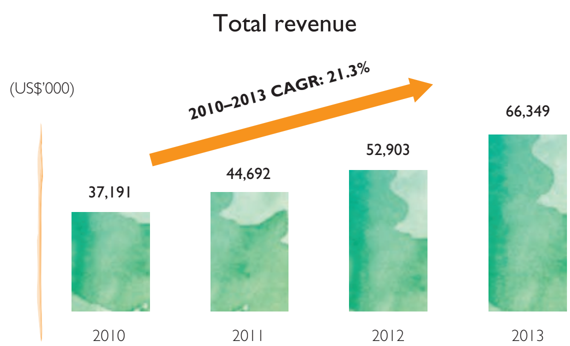
Based on the total distributable income, the annualized implied distribution per Unit was HK$0.214 for the Relevant Period, which represents an annualized distribution yield of 6.8%, based on the closing price of the Units of HK$3.17 on 31 December 2013.

Pursuant to the Trust Deed, distribution for the Relevant Period shall be paid to Unitholders, together with the 2014 interim distribution for the six months ending 30 June 2014, which will be paid no later than 30 November 2014.

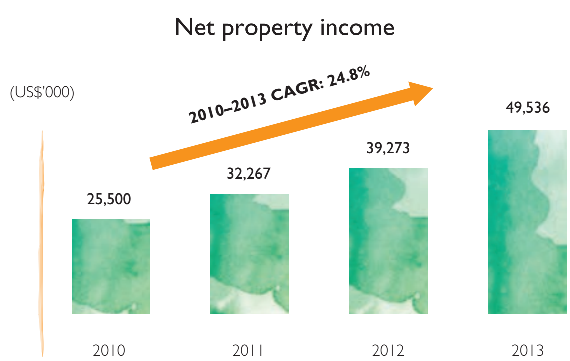
Operations Review for the Year Ended 31 December 2013

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.



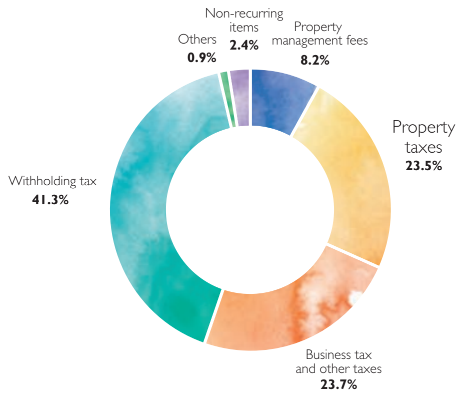
Property operating expenses rose 23.4% year-on-year to US$16.813 million. Withholding tax, business and other tax, and property tax accounted for 88.5% of the property operating expenses. Property management fee, payable at 2.0% of total revenue, accounted for 8.2% of the property operating expenses. 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 74.2% 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.[1]

Components of Property Operating Expenses

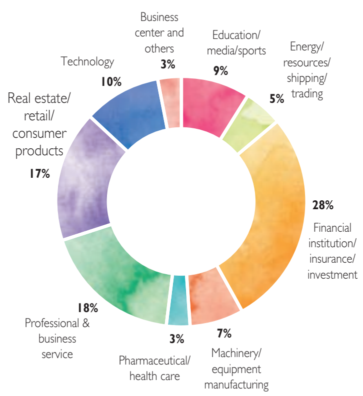


Leasing Performance

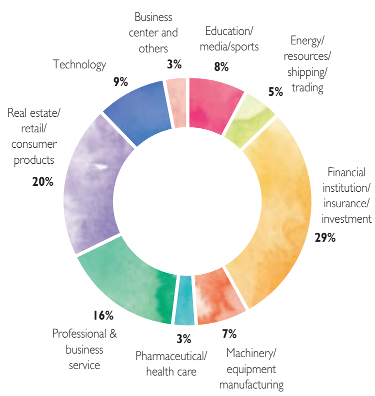
Thanks to the healthy take-up of units with expired leases, the Property enjoyed a consistently high occupancy rate throughout the year. The average occupancy for the year ended 31 December 2013 remained unchanged at 96%, compared with the year ended 31 December 2012. In GFA terms, 51.8% of the leases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

Tenant Mix Analysis

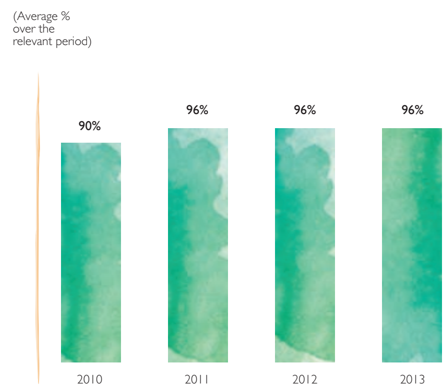
By leased office GFA
(As at 31 December 2013)



By monthly rental revenue
(For the month of December 2013)



Historical Occupancy Rates



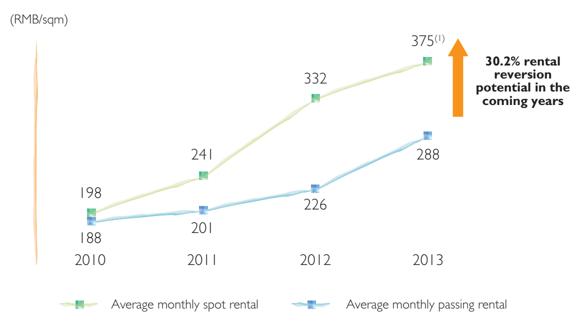
Top 5 Tenants as at 31 December 2013

Tenants	Trade Sector	% of Total Office GFA
Deutsche Bank	Financial institution	6.2%
SAP AG	Technology	6.0%
Condé Nast	Media	4.7%
Zhong De Securities	Financial institution	3.6%
Xinyuan Real Estate	Real estate	3.2%
TOTAL		23.7%

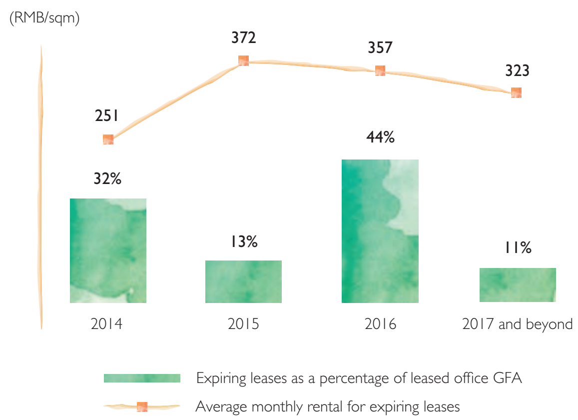
[1] *the adjustments made here are different from those for calculating distributable income for Unitholders.*

Management Discussion and Analysis (continued)

Average Monthly Spot Rental vs Average Monthly Passing Rental



Lease Expiring Profile and Expiring Rental



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. 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.

(1) *Except certain transitional extensions and an exceptional renewal*

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 has, on 17 March 2014, resolved to approve the declaration and payment of a special distribution of HK$0.07 per Unit (the "**Special Distribution**") to certain qualifying Unitholders, being those Unitholders holding Units as at 7 April 2014.

The Manager agreed to waive its right to receive the pro-rated portion of Special Distribution attaching to the Manager's fee Units which were issued on 21 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 determined that the contingency reserve was surplus to immediate requirements of Spring REIT and that the distribution of such amount by way of a Special Distribution was both appropriate and in the best interests of both: (a) Spring REIT; and (b) the Unitholders.

The Manager made a separate announcement on 17 March 2014 setting out details of the Special Distribution. 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.

Management Discussion and Analysis (continued)

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 "**Team Loan Facility**"). 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 unrestricted 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.

The top 5 real estate agents and contractors

Real estate agents and contractors	Nature of services	Value of contract/ commission paid RMB	Relevant percentage
Beijing Hua-re Real Estate Consultancy Co. Ltd.	Property Management	8,380,818	77.1%
北京恒基嘉業國際房地產經紀有限公司	Leasing	565,625	5.2%
Savills Property Consultant (Beijing) Co. Ltd.	Leasing	524,568	4.8%
北京盛華房地產經紀有限公司	Leasing	478,677	4.4%
北京恒信泰諾房地產經紀有限公司	Leasing	206,319	1.9%
TOTAL		10,156,007	93.4%

Note: The above names are shown for identification purpose only.

Board of Directors and Senior Management

1 Toshihiro Toyoshima
Chairman and non-executive Director

2 Hideya Ishino
Non-executive Director

3 Lau Jin Tin, Don
Executive Director

4 Nobumasa Saeki
Executive Director

5 Chung Wai Fai
Senior vice president

6 Alice Yu
Compliance manager

Board of Directors and Senior Management (continued)

Directors

Toshihiro Toyoshima

Chairman and non-executive Director

Mr. Toyoshima was appointed as the Chairman of the Board and a non-executive Director of the Manager on 29 January 2013. Mr. Toyoshima has been the chief executive officer of AD Capital since October 2008, and has been sitting on its board from its establishment in October 2005. Prior to joining AD Capital, he worked in Development Bank of Japan from April 1985 to October 2008. Between July 2001 and September 2004, Mr. Toyoshima also worked at the World Bank as a senior private sector specialist, in charge of the private sector policies in four African countries.

Mr. Toyoshima graduated from the University of Tokyo with a Bachelor's degree in Law in 1985 and from the Massachusetts Institute of Technology with Master's degrees in Real Estate Development and City Planning in 1992.

Hideya Ishino

Non-executive Director

Mr. Ishino was appointed as a non-executive Director of the Manager on 10 April 2013. He has been working for AD Capital since June 2008 and has served as the chief operating officer of AD Capital since March 2010. Before joining AD Capital, Mr. Ishino co-founded Sports Vanguard Co., Ltd., a company which provides sports-related internet community services and trading platform, in March 2004. Mr. Ishino had also previously worked in Salomon Brothers (Tokyo) from April 1986 to March 2000.

Mr. Ishino graduated from the University of Tokyo with a Bachelor's degree in Liberal Arts in 1986.

Lau Jin Tin, Don

Executive Director

Mr. Lau was appointed as an executive Director of the Manager on 10 April 2013 and is one of the Responsible Officers of the Manager. He has extensive experience in corporate finance, risk management and property investment and management. Prior to joining the Manager, he served as a Responsible Officer and Deputy Chief Executive Officer of a REIT listed on the Stock Exchange. He has the appropriate experience in planning the business direction and managing the overall day-to-day operation of a REIT.

Mr. Lau obtained a Master's degree in Applied Finance from Macquarie University.

Nobumasa Saeki

Executive Director

Mr. Saeki was appointed as an executive Director of the Manager on 10 April 2013 and is one of the Responsible Officers of the Manager. Mr. Saeki is principally responsible for supervising property management for Spring REIT, including: (i) formulating leasing strategy and authorizing all the lease terms to maximize the rental income of the Property; (ii) setting budgets and monitoring of maintenance activities related to the Property; (iii) overseeing day-to-day cash operations of the Property, together with local team members and the Property Manager; and (iv) procuring valuations of the Property and reviewing and analyzing appraisal reports. He was a senior vice president of AD Capital from September 2008 until January 2012 at which time he became a managing director of AD Capital. Prior to that, he was the group head of overseas investment group of Re-Plus Inc., a company listed on the Tokyo Stock Exchange, from July 2007 to September 2008. He was also a vice president of The Tokyo Star Bank, Limited from August 2004 to July 2007, an assistant vice president of GMAC Commercial Mortgage Japan K.K. from July 2002 to August 2004 and an associate director of UBS Warburg Securities Japan Ltd. from March 2000 to July 2002.

Mr. Saeki obtained a Bachelor's degree in Economics from the University of Tokyo in 1993.

Simon Murray

Independent non-executive Director

Mr. Murray was appointed as an independent non-executive Director of the Manager on 20 November 2013. He is the chairman of General Enterprise Management Services Limited, a private equity fund management company founded by him, since 1998. He is also: (i) an independent non-executive director of Cheung Kong (Holdings) Limited (a company listed on the Stock Exchange (Stock Code: 0001)) since August 1993; (ii) an independent non-executive director of Orient Overseas (International) Limited (a company listed on the Stock Exchange (Stock Code: 316)) since July 1992; (iii) a non-executive director of Greenheart Group Limited (a company listed on the Stock Exchange (Stock Code: 94)) since August 2010; (iv) a non-executive director of IRC Limited (a company listed on the Stock Exchange (Stock Code: 1029)) since November 2010; (v) an independent non-executive director of Wing Tai Properties Ltd. (a company listed on the Stock Exchange (Stock Code: 369) since March 1994; (vi) a non-executive director of Compagnie Financiere Richemont SA (a company listed on Swiss Exchange) since October,2003; (vii) an independent non-executive director of Essar Energy plc (a company listed on the London Stock Exchange) since April 2010 and later appointed as the vice chairman of that company in July 2012; and (viii) the chairman and independent non-executive director of Gulf Keystone Petroleum Limited (a company listed on the AIM of the London Stock Exchange) since 4 July 2013.

Mr. Murray was the non-executive chairman of Glencore International plc (a company dually listed on the London Stock Exchange and the Stock Exchange (stock code: 805)) from April 2011 to May 2013. He was also a non-executive director of Vodafone Group Plc between July 2007 and July 2010 and an independent director of Sino-Forest Corporation between June 1999 and January 2013.

Mr. Murray holds an honorary degree of Doctor of Laws from Bath University.

Tin Sek Tang

Independent non-executive Director

Dr. Tang was appointed as an independent non-executive Director of the Manager on 20 November 2013. Dr. Tang is a Certified Public Accountant practicing in Hong Kong and a partner of Terence Tang & Partners. He has over 33 years of experience in corporate finance, business advisory, financial management and auditing.

Dr. Tang has been an independent non-executive director of CEC International Holdings Limited (a company listed on the Stock Exchange (stock code: 759)) since June 2003, after serving as an executive director of that company from September 1999 to December 1999 and as a non-executive director of that company from January 2000 to June 2003. He has also been an independent non-executive director of Sinofert Holdings Limited (a company listed on the Stock Exchange (stock code: 297)) since 2000.

Dr. Tang is a member of the Chinese Institute of Certified Public

Board of Directors and Senior Management (continued)

Accountants, the Institute of Chartered Accountants in Australia and the Chartered Association of Certified Accountants in the United Kingdom. He obtained a Bachelor of Science degree from the University of Sydney, Australia in 1990 and a Doctor of Accountancy degree from the Hong Kong Polytechnic University in 2004.

Liping Qiu
Independent non-executive Director

Mr. Qiu was appointed as an independent non-executive Director of the Manager on 20 November 2013. Mr. Qiu is a co-founder of Milestone Capital, a China-focused private equity investment company. Since February 2002, he has been the general partner of Milestone China Opportunities Fund I and Fund II, L.P., both being partnerships that invest primarily in high-growth Chinese companies. He has also been a director of the board of Trina Solar Limited, a company listed on the New York Stock Exchange, since 2006.

Mr. Qiu received his Bachelor's degree and Master's degree in Engineering from the National University of Defense Technology of China.

Senior Executives

Chung Wai Fai
Senior vice president

Mr. Chung is a senior vice president, one of the Responsible Officers and head of investment and investor relations of the Manager. He is responsible for identifying and evaluating potential acquisitions or investments and for investor relations activities. Mr. Chung has over 10 years of experience in asset management and investment research in the Asia ex-Japan region. Prior to joining the Manager, Mr. Chung was a senior fund manager and responsible officer of Imperial Capital Limited, where he was involved in launching an absolute-return Asia ex-Japan equity fund and assumed responsibilities in product development and strategy formulation. Previously, Mr. Chung was a fund manager of iVenture Investment Management Limited and was actively involved in investment idea generation, equity research, macroeconomic analysis, and day-to-day portfolio management of its absolute-return Asia ex-Japan equity fund. Mr. Chung started his career at PricewaterhouseCoopers, performing statutory audit works for companies in Hong Kong and mainland China.

Mr. Chung obtained a bachelor degree in business administration in finance from Hong Kong University of Science and Technology in 2003.

Alice Yu
Compliance manager

Ms. Yu was appointed the compliance manager of the Manager in April 2013 and is the head of compliance. Prior to joining the Manager, Ms. Yu acted as a responsible officer in various assignments including: Ohra Capital Partners Limited from 2010 to 2013; FB Investment Management Limited from 2007 to 2009; Qi Yuan Asset Management (H.K.) Limited from 2002 to 2007. She was the investment manager of Hang Seng Investment Management Limited from 1997 to 1999. From 1994 to 1997, she was a portfolio manager of Daiwa International Capital Management (HK) Limited.

Ms. Yu obtained a bachelor's degree in arts from the University of Hong Kong in November 1987. She finished the ICA international diploma in compliance with merit result in 2012 and has been a professional member (MICA) of International Compliance Association since then. She undertook a corporate governance compliance training program and was awarded a certificate in directorship from the Hong Kong Baptist University in 2007.

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 in-built 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 the REIT 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.

Authorization Structure

Spring REIT is a collective investment scheme authorized 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 has been authorized by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. As at the date of this report, Mr. Lau Jin Tin, Don (the Executive Director of the Manager), Mr. Nobumasa Saeki (the Executive Director of the Manager) and Mr. Chung Wai Fai (the Senior Vice President of the Manager) are the responsible officers of the Manager pursuant to the requirements under section 125 of the SFO and Paragraph 5.4 of the REIT Code ("**Responsible Officers**"). Mr. Lau Jin Tin, Don, an Executive Director, 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, in its capacity as trustee of Spring REIT, is registered as a trust company under section 77 of the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong). The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

Roles of the Trustee and the Manager

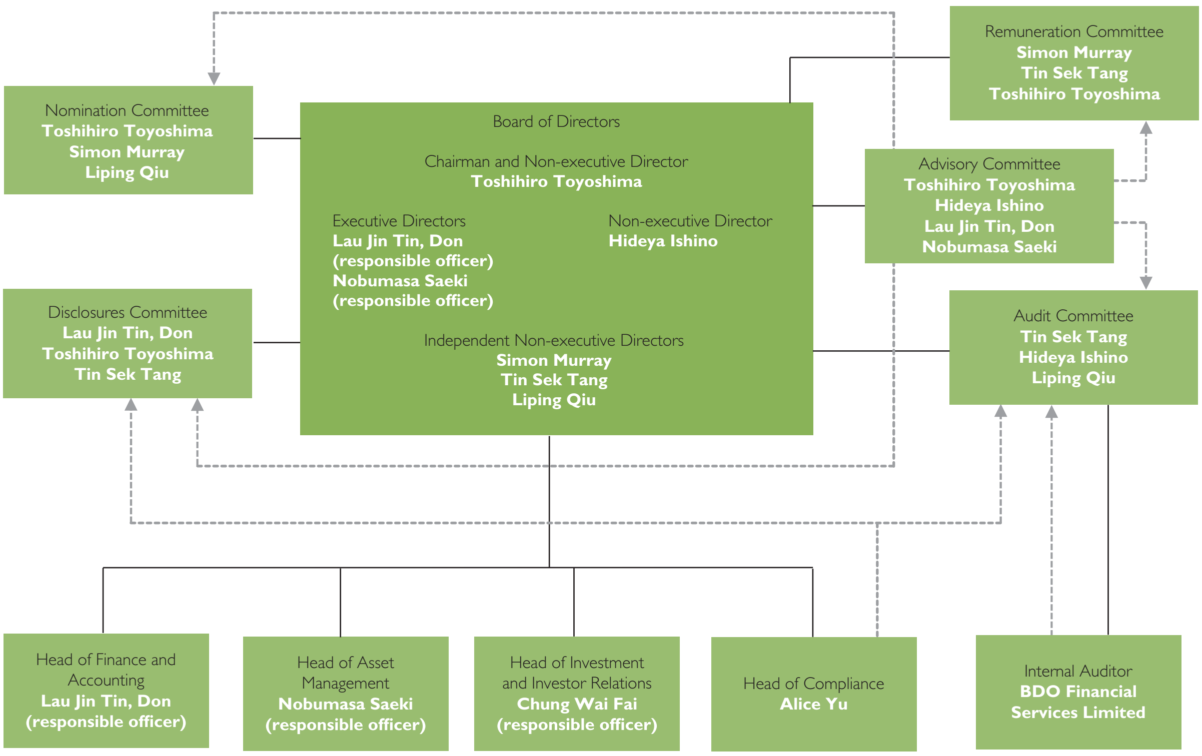
The Trustee and the Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Spring REIT on behalf of the Unitholders.

The Manager's role under the Trust Deed is to manage Spring REIT and its assets in accordance with the Trust Deed in the sole interest of the Unitholders and to fulfil the duties imposed on it under general law as the manager of Spring REIT in particular, to ensure that the financial and economic aspects of Spring REIT's assets are professionally managed in the sole interests of the Unitholders.

Corporate Governance (continued)

Organizational and Reporting Structure of the Manager

The following diagram sets forth the organizational and reporting structure of the Manager:



Note: Dotted lines represent ad hoc reporting on a case by case basis.

Board of Directors of the Manager

The Board of the Manager currently comprises seven members, three of whom are Independent Non-Executive Directors ("**INEDs**").

The Board principally oversees the day-to-day management of the Manager's affairs and the conduct of its business and is responsible for the overall governance of the Manager. The Board's function is largely separated from, and independent of, the executive management function. The Board leads and guides the Manager's corporate strategy and direction. Day-to-day management functions and certain supervisory functions have been delegated to relevant committees of the Board and a schedule of matters specifically reserved to the Board has been formally adopted. For more details, please see the section headed "Delegation by and Reserved Matters of the Board" below. The Board exercises its general powers within the limits defined by its constitutional documents, with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

Board Composition

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of seven Directors and a maximum of nine Directors. Pursuant to the Manager's corporate governance policy, INEDs must be individuals who fulfil the independence criteria set out in the Compliance Manual. The Manager has received written annual confirmation from each INED of his independence pursuant to the "Criteria for Independence of INEDs" as set out in the Compliance Manual.

The composition of the Board is determined mainly using the following principles:

(1) the Chairman of the Board should be a Non-Executive Director;

(2) the Board should have a balance of skill and experience appropriate for the requirements of Spring REIT's business and should ensure that changes to its composition can be managed without undue disruption;

(3) the Board should have a balance composition of Executive Directors, Non-Executive Directors and INEDs so that there is a strong independent element on the Board which can effectively exercise independent judgement;

(4) the Board should include Non-Executive Directors of sufficient caliber and number for their views to carry weight; and

(5) at least one-third, and a minimum of three members, of the Board should be INEDs and at least one INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

The Board composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience and that the Directors being appointed have the relevant expertise and experience in discharging their duties.

Corporate Governance (continued)

There is no relationship (including financial business, family or other material/relevant relationship) between Board members and in particular, between the Chairman and the Executive Directors.

No Board meeting was convened by the Manager during the Relevant Period.

The Manager arranged directors' training conducted by a professional firm to all Directors (including all INEDs) in June 2013. During the Relevant Period, no trainings were arranged by the Manager and/or attended by the Directors.

Delegation by and Reserved Matters of the Board

To maintain appropriate checks and balances on management actions, certain matters which have a critical bearing on the Spring REIT are specifically reserved for consideration by the full Board mainly including:

(1) approval of interim, final and special (if any) distributions, interim and annual reports and financial statements and circulars to Unitholders;

(2) recommendation to Unitholders on any change of the provisions of the Trust Deed;

(3) approval of acquisition and/or disposition of properties;

(4) appointment or removal of the Executive Director and any other Directors as well as the company secretary;

(5) issue of new Units of the Spring REIT;

(6) approval of any matter which would have a material effect on the Spring REIT's financial position, liabilities, future strategy or reputation; and

(7) delegation of powers and authority to various Board committees.

Chairman and Executive Directors of the Manager

The positions of Chairman (Mr. Toshihiro Toyoshima) and the Executive Directors (Mr. Lau Jin Tin, Don and Mr. Nobumasa Saeki) are held by separate persons in order to maintain an effective segregation of duties. The Chairman leads the Board discussions and deliberations and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintenance of effective communications with Unitholders. Each of the Executive Directors is responsible for the day-to-day operation and management of the Manager and Spring REIT. Each of the Executive Directors executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of Spring REIT's business via management reports.

Appointment, Re-election and Removal of Directors

The appointment, re-election and removal of Directors (including Responsible Officers) is a matter for the Board and the shareholders of the Manager to determine in accordance with the Compliance Manual, the articles of association of the Manager and the applicable law. As the Manager is licensed by the SFC under Part V of the SFO, the appointment and removal of any of the Executive Directors and the Non-Executive Directors (including the INEDs) and the removal of a Responsible Officer must be notified to the SFC and the appointment of a Responsible Officer requires the prior approval of the SFC.

All the INEDs were appointed on 20 November 2013, for an initial term of three years and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, unless and until terminated by not less than three months' notice in writing served by either party.

Board Committees

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and then to submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are currently as follows:

Audit Committee

The Audit Committee of the Manager is appointed by the Board from among the Non-Executive Directors and at least one of them shall have appropriate professional qualification or accounting or related financial management expertise. A majority of the members of the Audit Committee shall be INEDs. As at the date of this report, the members of the Audit Committee are Dr. Tin Sek Tang, Mr. Liping Qiu (each of whom are INEDs) and Mr. Hideya Ishino (a Non-Executive Director). Dr. Tin Sek Tang has been appointed as the chairman of the Audit Committee.

The Audit Committee is responsible for establishing and maintaining an adequate internal control structure, effective financial reporting and risk management systems and ensuring the quality and integrity of financial statements. The Audit Committee is also responsible for the nomination of independent external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee also ensures the existence and working of an effective system of internal control and risk management, in respect of both the Manager and Spring REIT.

The Audit Committee's responsibilities also include:

(1) reviewing dealings of the Manager and the Directors on a half-yearly basis;

(2) reviewing all financial statements and all external audit reports and developing and implementing a policy on the engagement of external auditors to supply non-audit services;

(3) ensuring the internal audit function is adequately resourced and guiding the management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified;

Corporate Governance (continued)

(4) assisting the Board in its monitoring of the entities' overall risk management profile and setting guidelines and policies to govern risk assessment and risk management;

(5) periodically reviewing and monitoring all connected party transactions and related party transactions;

(6) reviewing the Manager and Spring REIT's compliance with legal and regulatory requirements on a regular basis; and

(7) reviewing and approving the annual internal audit plan and reviewing the internal audit reports and activities.

During the Relevant Period, no meeting was convened by the Audit Committee.

Disclosures Committee

The Disclosures Committee of the Manager is appointed by the Board from among the Directors. The Disclosures Committee consists of three Directors, one of whom should at all times be an INED. The role of the Disclosures Committee includes reviewing matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the Manager to ensure the disclosure of information is accurate, complete and not misleading. As at the date of this report, the members of the Disclosures Committee are Mr. Lau Jin Tin, Don (an Executive Director), Mr. Toshihiro Toyoshima (a Non-Executive Director) and Dr. Tin Sek Tang (an INED). Mr. Lau Jin Tin, Don has been appointed as the chairman of the Disclosures Committee.

The Disclosures Committee's responsibilities mainly include:

(1) reviewing and making recommendations to the Board on matters of corporate disclosure issues and announcements regarding (without limitation) financial reporting, connected party transactions, and potential areas of conflict of interests;

(2) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Spring REIT to the public and applicable regulatory agencies;

(3) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Spring REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies;

(4) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies;

(5) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to Unitholders;

(6) reviewing correspondence containing financial information disseminated to Unitholders;

(7) selecting, appointing, directing and terminating, where appropriate, outside experts (such as legal advisors or accountants) as the Disclosures Committee deems necessary in the performance of its duties; and

(8) maintaining and updating the terms of reference as the Disclosures Committee deems appropriate.

During the Relevant Period, no meeting was convened by the Disclosures Committee.

Remuneration Committee

The Remuneration Committee is appointed by the Board from among the Directors. A majority of the members of the Remuneration Committee shall at all times be INEDs. The Chairman of the Remuneration Committee shall at all times be an INED. As at the date of this report, the members of the Remuneration Committee are Mr. Simon Murray, Dr. Tin Sek Tang (each of whom are INEDs) and Mr. Toshihiro Toyoshima (a Non-Executive Director). Mr. Simon Murray has been appointed as the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for reviewing the terms and conditions of employment of all senior staff and Directors of the Manager (other than the members of Remuneration Committee, whose remuneration is determined by the Board) and recommending an appropriate manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. The Remuneration Committee also ensures that no Director is involved in deciding his own remuneration.

During the Relevant Period, no meeting was convened by the Remuneration Committee. A written resolution of Remuneration Committee had been passed in December 2013 reviewing the provision of a quarter to an Executive Director and recommending to the Board for approval.

Nomination Committee

The Nomination Committee is appointed by the Board from among the Directors. A majority of the members of the Nomination Committee shall at all times be INEDs. The Chairman of the Nomination Committee shall at all times be an INED or the Chairman of the Board. As at the date of this report, the members of the Nomination Committee are Mr. Toshihiro Toyoshima (a non-Executive Director), Mr. Simon Murray and Mr. Liping Qiu (each of whom are INEDs). Mr. Toshihiro Toyoshima has been appointed as the chairman of the Nomination Committee.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and its committees on an ongoing basis and for nominating, and providing recommendations on, persons for appointment, re-appointment or removal as Directors.

During the Relevant Period, no meeting was convened by the Nomination Committee and there was no change to the members of the Board of the Manager.

Advisory Committee

The Advisory Committee is appointed by the Board from among the Directors. As at the date of this report, the members of the Advisory Committee are Mr. Lau Jin Tin, Don, Mr. Nobumasa Saeki (each of whom are Executive Directors), Mr. Toshihiro Toyoshima and Mr. Hideya Ishino (each of whom are Non-Executive Directors). The role of the Advisory Committee includes generally reviewing the management services provided by the Manager to Spring REIT, the financial performance of the Manager, investor relations with respect to Spring REIT and potential acquisition opportunities, as well as supervising the performance of service providers to the Manager and Spring REIT (including the performance of the property manager and the building manager). The Advisory Committee presents information to the Board from time to time between Board meetings as advisable and ensures the smooth co-ordination between the various committees established by the Board. Where appropriate, the Advisory Committee can recommend to the Chairman that a Board meeting be convened to discuss any Spring REIT matter. Meetings of the Advisory Committee will be held monthly (or more frequently if required) to review Spring REIT management issues and to make recommendations to the Board.

Company Secretary

The Manager has engaged Fair Wind Secretarial Services Limited, an external secretarial services provider, as its company secretary. The primary contact person with the company secretary of the Manager is Ms. Alice Yu, the compliance manager of the Manager.

Internal Auditor

The internal audit function of the Manager has been outsourced to BDO Financial Services Limited, an independent third party in accordance with the instructions of the Manager. The internal auditor (the "**Internal Auditor**") has been engaged to perform an independent assessment of the Manager's internal control systems.

The Internal Auditor will report directly to the Audit Committee on audit matters, and to the Board on administrative matters.

The functions of internal audit include:

(i) reviewing the accuracy and completeness of records of all operations and transactions of Spring REIT and ensuring that the Manager's internal control system functions properly;

(ii) identifying contingency events and escalating them to the appropriate level within the Manager; and

(iii) reviewing and making recommendations to the Board or the Audit Committee (as the case may be) to ensure effective segregation of duties and operation functions of the Manager and effectiveness and accuracy of the reporting of irregularities and infringements of the Manager's operational and compliance procedures.

During the Relevant Period, the Internal Auditor has conducted a risk-based review of the policies and procedures described in the Compliance Manual to ensure they have been operated as expected. Based on the results of the internal audit reviews for the year ended 31 December 2013 and the assessment of the Audit Committee thereon, the Board considers that the internal control systems are effective and adequate. No significant irregularity or deficiency in internal controls that may affect Unitholder's investment and Spring REIT's assets were identified.

External Auditor

Spring REIT's external auditor is PricewaterhouseCoopers. PricewaterhouseCoopers has confirmed to the Audit Committee that they are independent with respect to acting as an external auditor to Spring REIT. PricewaterhouseCoopers has been re-appointed for performing the audit for the financial year ending 31 December 2014.

During the Relevant Period under review, the remuneration paid/payable to PricewaterhouseCoopers is set out as follows:

Services rendered	**Fees paid/payable** US$'000
— Audit services	
PricewaterhouseCoopers	170
— Other non-audit services	
PricewaterhouseCoopers	30
	200

Management of Business Risk

The Board will meet quarterly, or more often if necessary, to review the financial performance of Spring REIT. The Board will also review any risks relating to the assets of Spring REIT and will consider and, if appropriate, act upon any comments from the external auditor of Spring REIT. The management of the Manager (through the Advisory Committee) will also meet monthly (or more frequently if required) to review the operations of Spring REIT and discuss continuous disclosure issues.

Conflicts of Interest and Business Competitions

AD Capital may influence the affairs of Spring REIT through its control over RCA Fund 01, L.P. ("**RCA Fund**") and the Manager. RCA Fund, a fund managed by AD Capital pursuant to a management agreement between AD Capital and RCA Fund (acting through its general partner, RCAC). AD Capital will have the ability to influence RCA Fund's right as a Unitholder in respect of the affairs of Spring REIT (in so far as such matters are subject to the vote by the Unitholders and RCA Fund is not required to abstain from voting), including in relation to approval of significant corporate transactions, such as acquisitions and disposals. In addition, the Manager is a wholly-owned subsidiary of AD Capital and some of its Non-Executive Directors are also directors and/or senior executives of AD Capital. AD Capital may exercise influence over the activities of Spring REIT through the Manager.

The principal activities of AD Capital include investment in, among other things, real estate assets and, there can be no assurance that AD Capital will not invest in real estate assets in Beijing or elsewhere in the PRC or other parts of Asia in the future. Moreover, AD Capital may in the future manage or invest in other real estate investment trusts or other vehicles which may compete with Spring REIT. There can be no assurance that conflicts of interest will not arise between Spring REIT and AD Capital in the future.

Corporate Governance (continued)

Beijing Hua-re Real Estate Consultancy Co., Ltd., (the "**Property Manager**") is currently 40% owned by AD Capital and 60% by third parties. If the Property Manager were to manage a property which competes with the Property, there can be no assurance that the Property Manager will not favor those properties owned by AD Capital or such third parties over the Property when providing management services to Spring REIT, which could lead to lower occupancy rates and/or lower rental income for the Property as a whole and thus materially adversely affect the business, financial condition, results of operations and prospects of Spring REIT and distributions to Unitholders.

All conflicts of interest shall be managed by the Board in accordance with the articles of association of the Manager and applicable laws, rules and regulations. The Manager shall ensure that all conflicts of interest relating to Spring REIT shall be avoided and, if not possible, be managed.

To assist in addressing and managing conflicts of interest relating to Spring REIT, the following measures are or will be taken:

(1) the Manager will be a dedicated manager to Spring REIT and, unless with the approval of the SFC, the Manager will not manage any REIT other than Spring REIT nor manage other real estate assets other than those in which Spring REIT has an ownership interest or investment;

(2) the Manager will ensure that it will be able to function independently from its shareholders and all executive officers will be employed by the Manager on a full time basis and solely be dedicated to the operations of Spring REIT;

(3) the Manager also has INEDs and the Audit Committee which provide independent checks on the performance of the executive officers and ensure that the executive officers manage and operate Spring REIT independent from AD Capital;

(4) the Manager has established procedures to deal with conflict of interests under the Compliance Manual;

(5) the Manager has established internal control systems to ensure that connected party transactions between Spring REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the wavier conditions imposed by the SFC) and that other potential conflicts of interest that may arise are monitored;

(6) all conflicts of interest involving a substantial Unitholder or a Director will be required to be managed by a physical Board meeting rather than a written resolution and all INEDs who, and whose associates, have no material interest in the matter should be present at such Board meeting;

(7) a Director who has material interests in a matter which is the subject of a resolution proposed at a Board meeting of the Manager shall abstain from voting on the resolution concerned and shall not be counted in the quorum at the Board meeting at which such resolution is proposed; and

(8) the Property Manager has a team of operational staff exclusively dedicated to provide property management services to the Property. The Property Management Agreement (as defined in the Offering Circular) provides that the Property Manager shall act in the best interest of RCA01.

The Manager has established an internal control system intended to ensure that connected party transactions between Spring REIT and its connected persons are monitored and are undertaken on terms in compliance with the REIT Code.

The Manager confirms that it is capable of performing, and shall continue to perform, its duties for Spring REIT independent of the related business of AD Capital, RCA Fund, RCAC and in the best interest of Spring REIT and the Unitholders.

Reporting and Transparency

Spring REIT will prepare its financial statements in accordance with International Financial Reporting Standards with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual report for Spring REIT will be published and sent to Unitholders and filed with the SFC no later than four months following each financial year-end of Spring REIT and the semi-annual reports no later than two months following the end of the period it covers.

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to Spring REIT will be made on a timely basis in order to keep Unitholders appraised of the position of Spring REIT. Announcements will be made by publishing them on the designated website of Hong Kong Exchanges and Clearing Limited and the website of Spring REIT.

The Manager will also issue circulars to the Unitholders in respect of transactions that, pursuant to the REIT Code (or in the reasonable opinion of the Trustee or the Manager), require Unitholders' approval or circulars in respect of material information in relation to Spring REIT, in accordance with the Trust Deed.

Directors' Responsibility for Financial Statements

The Directors acknowledge their responsibility for preparation of a true and fair presentation of the consolidated financial statements for the year ended 31 December 2013.

The statement of the external auditor of Spring REIT about its reporting responsibilities with respect to the consolidated financial statements is set out in the Independent Auditor's Report.

Issues of Further Units Post-Listing

To minimize the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code, the Trust Deed and any other applicable laws and regulations. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20% of the number of Units outstanding at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained. Subject thereto, Units may be issued to independent third party as consideration for the acquisition of additional real estate.

Corporate Governance (continued)

Interests of, and dealings in Units by Directors, the Manager or the significant Unitholders

To monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings by the Directors and the Manager (the "**Dealings Code**") equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "**Model Code**"). Pursuant to the Dealings Code, all Directors, senior executives, officers and other employees of the Manager, subsidiaries of the Manager or the special purpose vehicles who, because of his/her office or employment in the Manager, the relevant subsidiaries of the Manager or the relevant special purpose vehicles, is likely to be in possession of unpublished price sensitive information in relation to the securities of Spring REIT ("**Management Persons**") wishing to deal in the Units, must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions applied to the securities of Spring REIT. A Director or the Manager must not make any unauthorised disclosure of confidential information obtained in the course of his or its service to any other person or make any use of such information for the advantage of himself or itself or others.

Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules as if applicable to Spring REIT or any connected party transactions under the REIT Code or any inside information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable rules and regulations. Management Persons who are privy to relevant negotiations or agreements or any inside information should caution those Management Persons who are not so privy that there may be unpublished inside information and that they must not deal in Units for a similar period.

A Management Person must not deal in any of the Units on any day on which Spring REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the annual results; and (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the relevant results, unless the circumstances are exceptional (as defined in Rule C14 of the Model Code). In any event, in the case of dealings by a Management Person, the Management Person must comply with the procedures set out in the Dealings Code.

The Manager is subject to the same dealing requirements as the Directors (mutatis mutandis).

The Manager has also adopted procedures for the monitoring of disclosure of interests by Directors, the senior executives and officers of the Manager, and the Manager. The provisions of Part XV of the SFO are deemed to apply to the Manager, the Directors, the senior executives and officers of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed and by virtue of the deemed application of Part XV of the SFO, Unitholders with a holding of 5.0% or more of the Units in issue, and the Manager, the Directors and senior executives and officers of the Manager with an interest in the Units, will have a notifiable interest and will be required to notify the Stock Exchange and the Manager of their holdings in Spring REIT. The Manager shall promptly send a copy of any notification received by it to the Trustee. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register is available for inspection by the Trustee and any Unitholder at any time during business hours upon the request of the Trustee.

On specific enquiries made, all the Directors of the Manager have confirmed that they have complied with the required standards as set out in the Dealings Code during the Relevant Period.

Communication with Unitholders

The Manager considers that effective communication with Unitholders is essential for enhancing investor relations and investor understanding of Spring REIT's business performance and strategies. The Manager also recognises the importance of transparency and timely disclosure of corporate information, which will enable Unitholders and investors to make the best investment decisions.

The general meetings of Unitholders provide a forum for communication between the Board and the Unitholders. It provides an opportunity for Unitholders to obtain a better understanding of and, if necessary, to enquire the Board about Spring REIT's operating performance. The Units were listed on 5 December 2013 and the first annual general meeting of Unitholders will be held on 22 May 2014.

Spring REIT maintains a website at www.springreit.com where updated information on Spring REIT's business operations and developments, financial information and other information are posted. The Manager will be actively participating in regular press conferences and meetings with investors and analysts in order to update the interested parties on the performance of Spring REIT.

Corporate Governance (continued)

Unitholders' Rights

Unitholders are encouraged to attend annual general meetings and other general meetings of Spring REIT. In accordance with the Trust Deed, at least 14 days' or 10 clear business days' (whichever is the longer) notice of every meeting shall be given to the Unitholders, except that at least 21 days' or 20 clear business days' (whichever is the longer) notice of the meeting shall be given to the Unitholders where a special resolution is proposed for consideration at such meeting. For an annual general meeting shall, in addition to any other general meeting, be held once in every calendar year, at such time and place as may be determined by the Manager and not less than 21 days' notice or 20 clear business days' notice (whichever is the longer) shall be given to the Unitholders.

A meeting of Unitholders may be convened at any time and place by the Trustee or the Manager. The Manager shall also convene a general meeting at the request in writing of not less than two Unitholders registered as together holding not less than 10% of the issued Units. The party convening the general meeting may convene a meeting of Unitholders at such time or place in Hong Kong (subject to the provision of the Trust Deed) as the party convening the general meeting may think fit and propose resolution for consideration at such meeting.

In addition, Unitholders may send their enquiries to the Board or may put forward proposals at general meeting, in both cases, to the head of investor relation of the Manager by email or to the registered office of the Manager by post. Please refer to "Corporate Information" on page 100 for the contact details.

Matters to be decided by Unitholders by special resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, among others:

(1) change in the Manager's investment policies or strategies for Spring REIT;

(2) disposal of any of Spring REIT's investment (which is in the nature of real estate or shares in any special purpose vehicle holding interest in real estate) prior to the expiry of two years from the time of Spring REIT's holding of such investment;

(3) any increase in the rate above the permitted limit or change in structure of the Manager's fees;

(4) any increase in the rate above the permitted limit or change in structure of the Trustee's fees;

(5) certain modifications of the Trust Deed;

(6) termination of Spring REIT; and

(7) merger of Spring REIT.

Unitholders may also, by way of special resolution, (i) remove Spring REIT's auditor and appoint other auditor or (ii) remove the Trustee.

As stated above, the quorum for passing a special resolution is two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units for the time being in issue and outstanding.

Any decisions to be made by resolution of Unitholders other than the above shall be made by ordinary resolution, unless a special resolution is required by the REIT Code. The quorum for passing an ordinary resolution is two or more Unitholders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding.

At any meeting of Unitholders, a resolution put to the meeting shall be decided on a poll and result of the poll shall be deemed to be the resolution of the meeting and shall be published by way of an announcement.

Constitutional Documents

During the Relevant Period, there is no change in Spring REIT's and the Manager's constitutional documents, such as Trust Deed and the Manager's articles of association.

Compliance with the Compliance Manual

During the Relevant Period, both the Manager and Spring REIT have in material terms complied with the provisions of the Compliance Manual.

Review of Annual Report

The annual report of Spring REIT for the Reporting Year have been reviewed by the Audit Committee and the Disclosures Committee.

New Units Issued

Save as the issue of 1,000,000,000 Sale Units (as defined in the Offering Circular) and 98,000,000 New Units (as defined in the Offering Circular) on 5 December 2013 upon the listing of, and permission to deal in, all the Units on the main board of the Stock Exchange, no new Units were issued during the Relevant Period and the total number of issued Units as at 31 December 2013 was 1,098,000,000 Units.

Repurchase, Sale or Redemption of Units

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, more than 25% of the issued and outstanding Units were held in public hands as at 31 December 2013.

Connected Party Transactions

The connected party transaction rules of the REIT Code govern transactions between Spring REIT and/or RCA01 and their connected persons (as defined in Paragraph 8.1 of the REIT Code). Such transactions will constitute connected party transactions for the purposes of the REIT Code.

Spring REIT's connected persons (as defined in Paragraph 8.1 of the REIT Code) includes, among others:

(a) the Manager of Spring REIT;

(b) the Principal Valuer of Spring REIT;

(c) the Trustee of Spring REIT;

(d) a significant holder;

Notes: (1) A holder is a significant holder if it holds 10% or more of the outstanding Units.

(2) The following holdings will be deemed holdings of a holder:

(i) holdings of the associate of the holder who is an individual; or

(ii) holdings of the director, senior executive, officer, controlling entity, holding company, subsidiary or associated company of the holder if the holder is an entity.

(e) a director, senior executive or an officer of any of the entities in (a), (b), (c) or (d) above;

(f) an associate of the persons in (d) or (e); and

(g) a controlling entity, holding company, subsidiary or associated company of any of the entities in (a) to (d).

Set out below is information in respect of connected party transactions during the Relevant Period involving Spring REIT and/or RCA01 and their connected persons as defined in Paragraph 8.1 of the REIT Code, which are governed by Chapter 8 of the REIT Code based on the best knowledge of the Manager:

Waivers from Strict Compliance

As disclosed in the Offering Circular, waivers from strict compliance with the disclosure and approval requirements of Unitholders under Chapter 8 of the REIT Code in respect of certain connected party transactions entered into by Spring REIT and/or RCA01 with its connected persons (the "**Waivers**") have been granted by the SFC. The Waivers have been granted subject to the relevant waiver terms and conditions including, inter alia, the requirements that transactions should be entered into on normal commercial terms, in the ordinary and usual course of business of Spring REIT, and are to be reviewed by the auditor of Spring REIT, the INEDs and/or the Audit Committee and (in respect of certain types of transactions) the transaction amounts should be within the specified annual caps and shall be disclosed in Spring REIT's semi-annual and annual reports as required under Paragraph 8.14 of the REIT Code (the "**Waiver Conditions**").

During the Relevant Period, Spring REIT has complied with the requisite Waiver Conditions, where applicable.

Connected Party Transactions — Income

The following table sets out information on connected party transactions (other than those transactions entered into with the Trustee Connected Persons (as defined in the Offering Circular)) from which Spring REIT derived its income during the Relevant Period:

Name of Connected Party	Relationship with Spring REIT	Nature of Connected Party Transaction	Income for the Relevant Period RMB	Rental Deposit received as at 31 December 2013 RMB
Asuka DBJ (Beijing) Investment Consulting Co., Ltd.	Associated company of the Manager and associate of a director of the Manager *(Note 1)*	Leasing	49,866	216,244
DBJ-JAIC Investment Consulting (Beijing) Co., Ltd.	Associated company of the Manager *(Note 2)*	Leasing	63,097	275,856
Wownew (Beijing) Commerce Co. Ltd.	Associate of a director of the Manager *(Note 3)*	Leasing	24,375	101,449

Notes:

1 Asuka DBJ (Beijing) Investment Consulting Co., Ltd. is wholly owned by AD Capital, which holds 100% shareholding in the Manager. Toshihiro Toyoshima (chairman and non-executive Director of the Manager) and Hideya Ishino (non-executive Director of the Manager) are directors of Asuka DBJ (Beijing) Investment Consulting Co., Ltd..

2. DBJ-JAIC Investment Consulting (Beijing) Co., Ltd. is 48% owned by Development Bank of Japan which indirectly holds a 49% shareholding in the Manager through AD Capital.

3. Toshihiro Toyoshima, a director of the Manager, is also a director of Wownew (Beijing) Commerce Co. Ltd.

The terms "associated company" and "associate" shall have the same meanings as they are defined under the REIT Code.

Connected Party Transactions (continued)

Connected Party Transactions — Expenses

The following table sets out information on connected party transactions (other than those transactions entered into with the Trustee Connected Persons) in which Spring REIT incurred its expenses during the Relevant Period:

Name of Connected Party	Relationship with Spring REIT	Nature of Connected Party Transaction	Expenses for the Relevant Period RMB
Beijing Hua-re Real Estate Consultancy Co., Ltd.	Associated company of the Manager *(Note 1)*	Property management	779,333

Connected Party Transactions with Trustee Connected Persons

The following table sets out information on connected party transactions with the Trustee Connected Persons during the Relevant Period:

Name of Connected Party	Relationship with Spring REIT	Nature of Connected Party Transaction	Income for the Relevant Period RMB	Rental Deposit received as at 31 December 2013 RMB
Leasing Transactions				
Deutsche Bank AG and its subsidiaries	Trustee Connected Persons	Leasing	2,057,561	2,132,129 (Note 2)
Ordinary Banking and Financial Services				
Deutsche Bank AG, Hong Kong Branch	Trustee Connected Persons	Interest income received/receivable on bank deposits	591,960	N/A
Deutsche Bank AG, Hong Kong Branch	Trustee Connected Persons	Bank charges	1,507	N/A

Note:

1. *Beijing Hua-re Real Estate Consultancy Co., Ltd. is owned as to 40% by AD Capital, which holds 100% shareholding in the Manager.*

2. *A rental deposit by way of a bank guarantee provided by Deutsche Bank (China) Co., Ltd. was held by RCA01 as at 31 December 2013.*

Connected Party Transactions — Leasing under which the annual income exceeds HK$1 million

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

Name of Connected Party	Relationship with Spring REIT	Nature of Connected Party Transaction	Rental Income for the year ended 31 December 2013 RMB
Deutsche Bank (China) Company Ltd.	Trustee connected person	Lease for the whole of 26th, 27th and 28th floors of Tower 1, China Central Place	23,184,234
Zhong De Securities	Trustee connected person	Lease for the whole of 22nd and 23rd floors of Tower 1, China Central Place	14,234,415

Confirmation by the Manager and Trustee of Corporate Finance Transaction with the Trustee Connected Persons

Both the Manager and the Trustee confirm that there is no corporate finance transaction and other connected party transaction (save and except for those disclosed hereinabove) with the Trustee Connected Persons during the Relevant Period and that the Trustee has not been involved in the making of any decision to enter into any corporate finance transaction on behalf of Spring REIT (subject to the Trustee's duties of oversight under the REIT Code and the Trust Deed) including the selection of the financial advisor of the transaction.

Confirmation by the INEDs

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

(a) in the ordinary and usual course of business of Spring REIT;

(b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Spring REIT than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

Connected Party Transactions (continued)

Report from the Auditor in Relation to Certain Connected Party Transactions

The continuing connected party transactions conducted in the year have been reviewed by the external auditor in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The external auditor has issued an unqualified letter containing its findings and conclusions in respect of the connected party transactions including lease transactions, property management transactions and transactions involving ordinary banking and financial services in accordance with the Waivers from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code granted by the SFC.

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

Pursuant to note 2 to Paragraph 8.10 of the REIT Code, services provided by the Manager, the Trustee and the Principal Valuer to Spring REIT as contemplated under the constitutive documents shall not be deemed connected party transactions. Therefore, such services are not disclosed in the above sections.

During the year ended 31 December 2013, the aggregate amount of fees payable by Spring REIT to the Trustee, and the Manager and Principal Valuer were RMB187,319, RMB3,129,331 and RMB122,002 respectively. Particulars of services provided by the Trustee, the Manager and the Principal Valuer are set out in notes 7, 10 and 7 respectively of the consolidated financial statements of Spring REIT for the year ended 31 December 2013.

Disclosure of Interests

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

The REIT Code requires that connected persons (as defined in Paragraph 8.1 of the REIT Code) of Spring REIT shall disclose their interests in Units. In addition, under the provisions of the Trust Deed, Part XV of the SFO is also deemed to be applicable to, among other things, the Directors and chief executives of the Manager.

As at the Listing Date and 31 December 2013, the interests and short positions held by the Manager, the Directors, senior executives and officers of the Manager in the Units required to be recorded in the register kept by the Manager under the Trust Deed are set out below:

Name	As at the Listing Date		As at 31 December 2013		% change in interest from the Listing Date to 31 December 2013
	Number of Units	% of Unit Holding	Number of Units	% of Unit Holding	
–	–	–	–	–	–

Interests Held by Significant Holders

As at the Listing Date and 31 December 2013, each of the following persons was considered as a "significant holder" of Units and hence a "connected person" of Spring REIT within the meaning and for the purpose of the REIT Code. Their interests or short positions in Units required to be recorded in the register kept by the Manager under the Trust Deed are set out below:

Name	As at the Listing Date		As at 31 December 2013		% change in interest from the Listing Date to 31 December 2013
	Number of Units (1)	% of Unit Holding	Number of Units (1)	% of Unit Holding	
RCA Fund (2)	658,500,000 (L)	59.97	658,500,000 (L)	59.97	–
	65,925,000 (S)	6.00	–	–	(6.00)
RCAC (2)	658,500,000 (L)	59.97	658,500,000 (L)	59.97	–
	65,925,000 (S)	6.00	–	–	(6.00)

Notes:

(1) (L) — Long Position, (S) — Short Position

(2) Based on the information available to the Manager, as at the Listing Date and 31 December 2013, RCA Fund was the holder of 658,500,000 Units and was a connected person of Spring REIT as it was a significant holder (within the meaning of the REIT Code) of Spring REIT as at those dates.

Disclosure of Interests (continued)

Based on the information available to the Manager, RCAC is a general partner of RCA Fund, which has the exclusive right for the management, control and operation in RCA Fund and is deemed to be interested in the Units held by RCA Fund.

As at 31 December 2013, Asuka DBJ Investment LPS held 52.42% limited partnership interest in RCA Fund. Development Bank of Japan; ACP Seed Fund No. 13 (which Mr. Mamoru Taniya is interested in 99%); ACP Seed Fund No. 10 (which Mr. Mamoru Taniya is interested in approximately 84.6%); and AD Capital in turn held approximately 49.4%, 43.4%, 5.6% and 1.6%, respectively, interest in Asuka DBJ Investment LPS.

Interests Held by Other Connected Persons

Saved as disclosed above, the Manager is not aware of any other connected persons of Spring REIT, including the Trustee and the Principal Valuer, who are interested (or deemed to be interested) in any Units as at the Listing Date and 31 December 2013.

Distribution In-Specie after the Reporting Year

In January 2014, RCA Fund made distribution in-specie of 245,183,000 Units in aggregate to three of its limited partners and such Units shall be subject to lock-up restriction for a period of 6 months from the Listing Date. As a result of such distribution in-specie, the following Unitholders reached or exceeded the notifiable percentage level (as defined in the SFO for the purpose of Part XV of the SFO) :

Name	Number of Units (as at 31 January 2014)	% of Unit Holding (as at 31 January 2014)
HS Securities Co., Ltd.	60,465,000	5.51
Asuka Asset Management Co., Ltd.	132,890,000	12.10

Valuation Report

Ref: 20816

28 February 2014

Spring Asset Management Limited
(as manager of Spring Real Estate Investment Trust)
20/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

DB Trustees (Hong Kong) Limited
(as trustee of Spring Real Estate Investment Trust)
52/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Australia and New Zealand Banking Group Limited,
Singapore Branch
(as Facility Agent of the syndicated loan to RCA01)
10 Collyer Quay, #22–0 Ocean Financial Centre
Singapore

Dear Sirs

Re: Office Tower 1 & 2 in China Central Place and a total of approximately 600 car parking spaces located in the underground levels of the two office buildings located at Nos.79 and 81 Jianguo Road, Chaoyang District, Beijing, the People's Republic of China (the "Property")

Instructions

With reference to the instructions received from Spring Asset Management Limited (as manager of Spring Real Estate Investment Trust) (the "**REIT Manager**") and DB Trustees (Hong Kong) Limited to value the Property held by RCA01 (the "**Company**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary to allow us to provide you with our opinion of the market value of the Property, as at 31 December 2013 (the "**Valuation Date**"), for annual accounting and financing purposes.

Valuation Report (continued)

Basis of Valuation

Our valuation of the Property represents the Market Value which we would define as "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value. The value of a property is also estimated without regard to costs of sales and purchase, and without offset for any associated taxes.

Valuation Methodology

In the course of our valuation, we have taken into account the existing tenancies of the Property.

We have adopted Discounted Cash Flow Analysis ("**DCF Analysis**") to assess the market value of the Property. DCF Analysis involves discounting the future net cash flow of the Property to its present value by using an appropriate discount rate that reflects the rate of return required by a third-party investor for an investment of this type. The DCF Analysis, which comprises annual rental income streams, was mainly based on the following assumptions:

(i) We have estimated that market rent as at the Valuation Date is RMB410 per sq m per month, exclude property management fee, which is based on the recent 6 months new lease committed, for 2014 will grow at 0% per annum, followed by an annual growth rate of 5% from 2015 to 2018;

(ii) We have made reference to the occupancy rate of similar office developments in Beijing CBD and adopted a long-run occupancy rate of 95% in DCF Analysis;

(iii) The discount rate adopted was 9%. We have taken into account the location, income and tenant mix of the Property and the requirement of return of property investors when determining the discount rate;

(iv) A net terminal capitalisation rate of 6% was applied when deriving the present value of the cash flows after year 2018;

(v) The operating period of the Property is based on the un-expired term of the land use rights of approximately 40 years as mentioned in the land use rights certificate of the Property.

We have also carried out the valuation by the Income Capitalisation Approach, which is a valuation method commonly applied for investment properties. The Income Capitalisation Approach estimates the values of the properties on an open market basis by capitalising rental income on an assumed fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. 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 capitalisation 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 capitalised on an assumed fully leased basis. The gross yield adopted for capitalisation of the rental income is derived with reference to the comparable Grade A offices in Beijing in consideration of the characteristics of the Property. This expected return reflects implicitly the quality of the investment, the expectation of the potential future rental growth, capital appreciation, risk factors, and also based on our experience in valuing other similar properties.

The market rent adopted in the Income Capitalisation Approach is RMB410 per square meters per month, which in line with our assumption in DCF approach as it reflect the achievable rent in the market. The adopted capitalisation rate in our valuation is 7.0%. The capitalisation rate applied to capitalise the rental income generated for the unexpired term of the land use rights of the Property until 28 October 2053.

Assumptions and Caveats

Our valuation has been made on the assumption that the owner sells the Property on the open market in their existing state without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Property. In addition, no forced sale situation in any matter is assumed in our valuation.

In our valuations, we have not made any allowance for any charges, mortgages or amounts owing on the Property or for expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its values.

We have assumed that no significant capital expenditure by the owners of the Property will be required in the foreseeable future.

We are not aware of any significant overseas taxes expected to be charged in respect of the Property.

Valuation Report (continued)

Title Investigation

We have been provided with copies of documents in relation to the title of the Property interests situated in the PRC. We have not, however, scrutinized the original documents to verify ownership or to verify any material encumbrances that might be attached to the Property or any amendments, which may not appear on the copies handed to us. We have relied on the PRC legal opinion given by the REIT Manager's PRC legal adviser on the PRC law regarding title to the Property.

Valuation Consideration

We have relied to a very considerable extent on the information provided by the REIT Manager and have accepted advice given to us on such matters as development schemes for the Property and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information provided to us by the REIT Manager.

We have inspected the exterior of the Property and, where possible, we have also inspected the interior of the premises. However, we have not carried out investigations to determine the suitability of the ground conditions and the services etc for any future development. According to the Building Condition Survey Report prepared by Nikken Sekkei Co., Ltd provided to us by the REIT Manager, the Property is structurally safe and is maintained in a good condition. We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Property but have assumed that the site and floor areas provided to us are correct. All documents and contracts have been used as a reference only and all dimensions, measurements and areas are approximations.

Remarks

Our valuation is prepared in accordance with Chapter 6.8 of the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission (the "**SFC**"), the Practice Note on Overseas Investment by SFC — Authorized Real Estate Investment Trusts (forming part of the REIT Code) and the "HKIS Valuation Standards on Properties (First Edition 2005) " published by The Hong Kong Institute of Surveyors and the RICS Valuation — Professional Standards, incorporating the International Valuation Standards (January 2014) published by the Royal Institution of Chartered Surveyors.

This valuation report is prepared on a fair and unbiased basis and is issued subject to our general assumptions and limitation conditions.

We hereby certify that we have neither present or prospective interests in Spring REIT and/or the Company. Pursuant to Paragraph 6.5 of the REIT Code, we confirm that we are independent to Spring REIT, the Trustee, the Manager and each of the significant holders of Spring REIT.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Ltd

Zhi Rong He (Flora He)	**David Faulkner**
MRICS MCOMFIN	*BSc (Hons) FRICS FHKIS RPS (GP) MAE*
Senior Director	*Executive Director*
Valuation and Advisory Services	*Valuation and Advisory Services*

Note: Mr David Faulkner, Chartered Valuation Surveyor, BSc (Hons), FRICS, FHKIS, RPS (GP), MAE, has over 25 years of experience in the valuation of properties in Hong Kong and the PRC.

Ms Zhi Rong He (Flora He), Chartered Valuation Surveyor, MRICS, MCOMFIN, has over 10 years of experience in the valuation of properties in Hong Kong and the PRC.

Valuation Report (continued)

Valuation of the Property

Valuation Abstract

Property:	Office Tower 1 & 2 in China Central Place and a total of approximately 600 car parking spaces located in the underground levels of the two office buildings located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, the People's Republic of China (中華人民共和國北京市朝陽區建國路79, 81號華貿中心1, 2號樓辦公區域及地下車位部分)
Description:	The Property comprises all of the office floors of Office Tower 1 (including Levels 4 to 28, and the emergency shelter floor on Level 16, which contains no lettable space) and Office Tower 2 (including Levels 4 to 32, and the emergency shelter floor on Level 20, which contains no lettable space) in China Central Place and a total of approximately 600 car parking spaces located in the underground levels of the two office buildings. The Property is completed in 2006 and the office portion is in Premium Grade (the highest quality of Grade A) quality by Colliers International's definition.
Site Area:	13,692.99 sq m
GFA:	Office: 120,245.19 sq m Car Park: 25,127.35 sq m Total: 145,372.54 sq m
Registered Owner:	RCA01
State-owned Land Use Certificate:	Jing Chao Guo Yong (2010 Chu) Di 00118 Hao (京朝國用 (2010出) 第00118號)
Permitted Use:	Office and car park uses
Building Ownership Certificate:	56 Real Estate Ownership Certificates Nos. X Jing Fang Quan Zheng Chao She Wai Zi Di 521508 to 521593 Hao (discontinuous)
Valuation Date:	31 December 2013
Valuation Approach:	Discounted Cash Flow Analysis ("**DCF Analysis**") Income Capitalisation Approach
Market Value in Existing State as at 31 December 2013:	DCF Analysis: RMB7,750,000,000 Income Capitalisation Approach: RMB7,770,000,000 Reconciled Value: **RMB7,760,000,000** **RENMINBI SEVEN BILLION SEVEN HUNDRED AND SIXTY MILLION**

Valuation Certificate

Property	Description and Tenure	Particulars of Occupancy	Estimated Net Property Yield	Market Value in Existing State as at 31 December 2013
Office Tower 1 & 2 in China Central Place and a total of approximately 600 car parking spaces located in the underground levels of the two office buildings located at Nos. 79 and 81 Jianguo Road, Chaoyang District, Beijing, the People's Republic of China	China Central Place is a mixed-use development in Beijing's CBD, which comprises luxury retail, three premium grade office towers, two five star hotels, car park, residential, club house, etc. The Property comprises all of the office floors of Office Tower 1 (including Levels 4 to 28, and the emergency shelter floor on Level 16, which contains no lettable space) and Office Tower 2 (including Levels 4 to 32, and the emergency shelter floor on Level 20, which contains no lettable space) in China Central Place and a total of approximately 600 car parking spaces located in the underground levels of the two office buildings. The Property is completed in 2006 and the office portion is in Premium Grade (the highest quality of Grade A) quality by Collier International's definition. The Property has a total gross floor area (GFA) of approximately 145,372.54 sq m, a breakdown of which is as follows:	As at the Valuation Date, the office portion of the Property is let under various tenancies for various terms with the latest expiring on 19 October 2017, yielding a total monthly rental income of approximately RMB40,800,000 exclusive of management fee and utility charges. A number of tenancies contain rent review clauses and/or options to renew for further terms at the then market rents. The occupancy rate of the Property (excluding car park) as at 31 December 2013 was about 96%. Approximately 600 car park spaces are being operated as a fee-paying carpark. The total average monthly income in 2013 is approximately RMB258,500. Various naming rights are let under various agreements, yielding an average monthly rental of approximately RMB375,000 in 2013.	5.1%	RMB7,760,000,000

Use	GFA (sq m)
Office — Tower 1	56,068.32
Office — Tower 2	64,176.87
Sub-total	120,245.19
Car Park	25,127.35
Total	145,372.54

The land use rights of the Property have been granted for a term expiring on 28 October 2053 for office and car park use.

Valuation Report (continued)

Notes:

(1) Pursuant to State-Owned Land Use Right Certificate Jing Chao Guo Yong (2010 Chu) No.00118 (京朝國用 (2010出) 第00118號) dated 21 May 2010, the land use rights of the Property, with a site area of 13,692.99 sq m, has been granted to RCA01 for a 50-year term expiring on 28 October 2053 for office and car park uses.

(2) Pursuant to the 56 Real Estate Ownership Certificates X Jing Fang Quan Zheng Chao She Wai Zi No. 521508 to 521593 (discontinuous) issued by the Beijing Municipal Commission of Construction (北京市建設委員會), the ownership of the Property, located at Nos.79 and 81 Jianguo Road, Chaoyang District, with a total gross floor area of approximately 145,372.54 sq m (including 120,245.19 sq m for office use and 25,127.35 sq m for car park use), is vested to RCA01.

(3) The ownership and corresponding land use rights of the Property are mortgaged to Australia and New Zealand Bank Group Limited, Singapore Branch, the security agent under the Facility Agreement and the other documents set out in Schedule 6 ("**Security Agreements**"), for a loan amounts to USD515, 000, 000.

(4) In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repair of main building structure and tenant is responsible for the maintenance of internal non-structural repair of the Property.

(5) The estimated net property yield of the Property is based on the said monthly rental income of the office and car park portion for December 2013 and average monthly income from naming rights after allowing business tax and real estate tax provided by RCA01.

(6) Based on the information provided by the REIT Manager, the actual income from name rights in 2013 was RMB375,000 per month, which is derived from Tower 1. In our valuation, the assumed income from name rights of Tower 2 is similar to Tower 1.

(7) Based on the tenancy information provided by the REIT Manager, our analysis of the existing tenancy profile as at 31 December 2013 (excluding car parking spaces) is set out below:

Occupancy Profile

Type	Office GFA (sq m) (approx.)	% of total (approx.)
Leased	115,642	96
Vacant	4,603	4
Total	**120,245**	**100**

Tenancy Commencement Profile

Year	Leased Office GFA (sq m) (approx.)	% of total (approx.)	Monthly Rental (RMB) (approx.)	% of total (approx.)	No. of Tenancies	% of total (approx.)
2007	39,638	34.3	12,970,378	31.8	50	28.6
2008	13,248	11.5	4,168,833	10.2	17	9.7
2009	5,895	5.1	2,173,159	5.3	11	6.3
2010	12,961	11.2	4,582,135	11.2	23	13.1
2011	9,133	7.9	2,793,669	6.9	18	10.3
2012	17,305	15.0	6,747,688	16.6	24	13.7
2013	17,464	15.1	7,332,018	18.0	32	18.3
Total	**115,642**	**100.0**	**40,767,880**	**100.0**	**175**	**100.0**

Tenancy Expiry Profile

Year	Leased Office GFA (sq m) (approx.)	% of total (approx.)	Monthly Rental (RMB) (approx.)	% of total (approx.)	No. of Tenancies	% of total (approx.)
2014	36,992	32.0	10,369,259	25.4	59	33.7
2015	15,040	13.0	6,007,746	14.7	32	18.3
2016	50,471	43.6	19,689,316	48.3	70	40.0
2017	13,139	11.4	4,701,560	11.5	14	8.0
Total	**115,642**	**100.0**	**40,767,880**	**100.0**	**175**	**100.0**

Valuation Report (continued)

Tenancy Duration Profile

Year	Leased Office GFA (sq m) (approx.)	% of total (approx.)	Monthly Rental (RMB) (approx.)	% of total (approx.)	No. of Tenancies	% of total (approx.)
0–1 year	394	0.3	167,412	0.4	1	0.6
1–2 years	2,652	2.3	970,369	2.4	2	1.1
2–3 years	12,334	10.7	4,740,579	11.6	20	11.4
3–4 years	27,547	23.8	10,364,705	25.4	51	29.1
4–5 years	1,708	1.5	684,403	1.7	6	3.4
5–6 years	4,920	4.3	1,747,513	4.3	11	6.3
6–7 years	30,711	26.6	9,042,390	22.2	43	24.6
7–8 years	3,484	3.0	1,416,560	3.5	6	3.4
8–9 years	11,545	10.0	4,560,195	11.2	11	6.3
9–10 years	17,337	15.0	6,112,993	15.0	22	12.6
More than 10 years	3,010	2.6	960,763	2.4	2	1.1
Total	**115,642**	**100.0**	**40,767,880**	**100.0**	**175**	**100.0**

PRC Legal Opinion on RCA01

The PRC legal opinion states, inter alia, that:

(i) RCA01 has obtained the land use rights and building ownership rights of the Property with a site area of 13,692.99 sq m and the gross floor area of 145,372.54 sq m respectively. RCA01, being the sole legal owner of the land use rights and building ownership rights of the Property, has obtained all necessary permits and certificates from relevant departments of the PRC Government, and has the rights to occupy, use, lease, transfer, mortgage or deal with the said land use rights and building ownership rights by other lawful means in accordance with the permitted use during the term of the said land use rights.

(ii) The land use rights and building ownership rights of the Property are mortgaged to the security agent under the Facility Agreement and the Security Agreements for a loan amounts to USD515,000,000. Except the aforesaid mortgage, there are no other mortgage registrations and seizure records relating to the building ownership and land use rights of the Property.

(iii) RCA01 is the sole legal owner of the building ownership rights of the Property and possesses the rights to lease the Property and receive rental income from the leased Property according to the relevant tenancy agreements.

(iv) The existing tenancy agreements are legal and valid, and binding on both the signing parties within the respective tenancy period.

(v) The tenants should not sub-let the leased portion of the Property during relevant lease terms unless agreed by RCA01 in writing. The tenants agree to waive its rights of refusal regarding the purchase of the leased portion of the Property. If RCA01 wishes to dispose of the leased portion of the Property, no consent is required of the tenants but a notice shall be given the tenants. The said property management agreements regarding the office portion of the Property as stipulated in the valuation certificate are legal and valid, and binding on both the signing parties.

Market Overview

China General Overview

The People's Republic of China ("**PRC**") is the world's second largest economic system with a total population of 1.4 billion in 2013. Since the institution of the Open Door Policy 30 years ago, China's gross domestic product (GDP) has exhibited continuous growth. In 2013, the GDP growth rate was 7.7% and the total GDP amount reached RMB57 trillion according to preliminary data from the National Bureau of Statistics of China. With reference to the International Monetary Fund (IMF) World Economic Outlook, China's GDP is anticipated to continue its growth at an average rate of 7.5% in 2014. China's emerging economy is supported by their rising internal demand and their continuously developing external demand.

Beijing City Overview

Beijing is the capital of the PRC and home to the Chinese Central Government. The city contains the most government agencies, financial institutions at state level, most of China's large state-owned enterprises (SOEs) and many multi-national corporations (MNCs). It is China's political, financial, cultural and educational centres as well as a major transportation hub. Consequently, the policies adopted in Beijing are influential and has nationwide economic impact. Additionally, the successful hosting of the 2008 Summer Olympic Games spurred global interest and demonstrated Beijing's robust integrated infrastructure and transportation network. Beijing has steadily become more attractive to the international and domestic market.

Beijing Office Market

The Beijing office property market can be primarily divided into Grade A and Grade B sectors. The Grade A sector contains the premium grade properties. International requirements limit the amount of premium grade properties and are established as the market leader in terms of building specifications, quality of occupants, and rental achievements. The subject property is one of many Premium Grade office properties in the Central Business District (CBD) of Beijing.

Many domestic and multinational corporations choose to locate in the CBD and Financial Street area despite the high cost. This is because the CBD area has the largest supply of Grade A properties in Beijing. The CBD area and Financial Street are also the two closest business submarkets to the Central Government core decision makers at Zhongnanhai on Chang An Avenue. As a result, the average rent and occupancy in the two areas are the highest in the city.

Supply and Demand

The total stock of Grade A office has been increasing since 2004 and totalled 5.5 million sq m in 2013. In particular, the total stock of Grade A office within the CBD submarket was 2.1 million sq m. Between 2014 and 2016, CBD Grade A future office supply will increase by about 200,000 sq m with projects such as Sino-Ocean Jingmian, Aether Square and Taiwan Centre. Demand has outpaced supply in Beijing's Grade A office market since 2010, leading to a significant decrease in overall average vacancy rate. During the period from 2010, the overall average vacancy rate decreased from 10.0% in 4Q2010 to 6.6% in 4Q2013. In the future, vacancy rates are expected to have slight variations because of the complex global scenario, but more reputable companies will be added into the tenant mix as rent increases. Demand for CBD Grade A office is mainly driven by banks, financial institutions such as insurance companies, funds, trusts, professional services companies like law, accounting and consultancy firms, state-owned enterprises, domestic and multi-national corporations. The vacancy rate for CBD Grade A office is now at approximately 10.5%.

Valuation Report (continued)

Rents

Beijing Grade A office market rent has undergone dramatic growth since 2010. In 4Q2010, the overall average market rent of Beijing Grade A office was RMB164 per sq m per month, and in 4Q2013, the rent climbed to RMB311 per sq m per month, up approximately 90 percentage points. The average market rent in 2013 has started to stabilize with slight disparities. Landlords in CBD core area are particularly proactive in providing long-term key tenants with incentives to retain the long-term contracts (five years) due to the scheduled new office future supply of approximately 560,000 sq m in 2017 and onwards. In CBD, the average Grade A office rent was RMB348 per sq m per month as of 4Q2013. The average rent range for premium grade office properties is between RMB 400–440 per month.

Market Trend

In response to the sluggish global economic condition and the Chinese Central Government's structural reform efforts, Beijing's recent economic growth has slowed in the previous two years. We have observed that many corporations are hesitant to expand and have postponed decisions regarding office location. However, as this reform will emphasize free market economy, this will encourage the sustainable long-term growth of China's private firms and help strengthen the economy in terms of domestic consumption and international demand. Many companies will still be attracted to set-up or expand their offices in high grade office areas which will continue sustaining a positive demand momentum.

The Subject Property is a component of a mixed-use development in the CBD area of Beijing. Although rent in the CBD Grade A office area may experience slight volatility in the short term, the Subject Property will not likely face meaningful competition due to its Premium Grade quality, location and the limited comparable new supply in this area. In the mid- to long-term period, the outlook is positive for the overall effective rental income and capital value of properties.

Trustee's Report

Spring Asset Management Limited
(in its capacity as the REIT Manager of Spring REIT)
Suite 2019
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

Spring Real Estate Investment Trust
Annual Confirmation for the period from 5 December 2013 to 31 December 2013

We hereby confirm that, in our opinion, the Manager of Spring Real Estate Investment Trust ("**Spring REIT**") has, in all material respects, managed Spring REIT in accordance with the provisions of the Trust Deed dated 14 November 2013 for the period from 5 December 2013 to 31 December 2013.

DB Trustees (Hong Kong) Limited
(in its capacity as trustee of Spring Real Estate Investment Trust)

Hong Kong, 10 March 2014

Independent Auditor's Report

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
SPRING REAL ESTATE INVESTMENT TRUST
(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

We have audited the consolidated financial statements of Spring Real Estate Investment Trust (the "Spring REIT") and its subsidiary (together, the "Group") set out on pages 60 to 98, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and net assets attributable to Unitholders and the consolidated statement of cash flows for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Consolidated Financial Statements

Spring Asset Management Limited (the "Manager") is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and is responsible for ensuring that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 14 November 2013 (the "Trust Deed"), and the relevant disclosure requirements set out in the Appendix C of the Code on Real Estate Investment Trusts established by the Securities and Futures Commission of Hong Kong (the "REIT Code"), and for such internal control as the Manager determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain the reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of the Group's results and cash flows for the year ended 31 December 2013 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2014

Consolidated Income Statement

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	5	**66,349**	52,903	5,377
Property operating expenses	6	**(16,813)**	(13,630)	(1,467)
Net property income		**49,536**	39,273	3,910
General and administrative expenses	7	**(4,959)**	(226)	(619)
Increase in fair value of investment property	12	**49,184**	190,102	–
Other losses, net	8	**(7,021)**	(7,520)	(266)
Operating profit		**86,740**	221,629	3,025
Finance income		**384**	324	85
Finance costs on interest-bearing borrowings	9	**(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 11 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 the period.

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

The notes on pages 68 to 98 are an integral part of these consolidated financial statements.

Consolidated Statement 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 translation 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.

The notes on pages 68 to 98 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	As at 31 December 2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Investment property	12	**1,272,778**	1,186,859
Derivative financial instruments	13	**780**	–
Total non-current assets		**1,273,558**	1,186,859
Current assets			
Trade and other receivables	14	**3,156**	1,817
Amount due from RCA Fund	15	**–**	29,080
Restricted bank balances	16	**59,610**	36,955
Cash and cash equivalents	16	**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	17	**14,728**	6,914
Rental deposits	17	**21,913**	16,652
Current portion of interest-bearing borrowings	18	**–**	477,174
Total current liabilities		**36,641**	500,740
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing borrowings	18	**504,799**	–
Total liabilities, excluding net assets attributable to Unitholders		**541,440**	500,740
Net assets attributable to equity holders		**–**	766,047
Net assets attributable to Unitholders		**862,244**	–

	Notes	As at 31 December 2013 US$'000	2012 US$'000
Equity			
Other reserve	19	–	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

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

Mr. Lau Jin Tin, Don
Executive Director
17 March 2014

Mr. Nobumasa Saeki
Executive Director
17 March 2014

The notes on pages 68 to 98 are an integral part of these consolidated financial statements.

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

For the year ended 31 December 2013

	Pre-listing equity				
	Other reserve US$'000	Retained earnings US$'000	Pro-listing exchange reserve US$'000	Net assets attributable to Unitholders US$'000	Total 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**

	Pre-listing equity				
	Other reserve US$'000	Retained earnings US$'000	Pro-listing exchange reserve US$'000	Net assets attributable to Unitholders US$'000	Total US$'000
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

The notes on pages 68 to 98 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 US$'000	 2012 US$'000
Cash flows from operating activities			
Cash generated from operations	21	**54,228**	39,185
Interest received		**384**	324
Net cash from operating activities		**54,612**	39,509
Cash flows from investing activities			
Increase in amount due from preference shareholders		**(3,287)**	(3,535)
Net cash flow used in investing activities		**(3,287)**	(3,535)
Cash flows from financing activities			
Drawdown of borrowings		**497,006**	–
Repayment of borrowings		**(480,000)**	–
Purchase of derivative financial instruments		**(2,421)**	–
Interest paid		**(20,157)**	(23,859)
Other incidental borrowing cost		**(675)**	(60)
Increase in restricted bank balances		**(21,502)**	(2,079)
Units issued to public		**48,149**	–
Dividend paid to RCA Fund prior the listing		**(15,000)**	–
Reimbursement of issuance cost to RCA Fund		**(1,445)**	–
Net cash generated from/(used in) financing activities		**3,955**	(25,998)
Net increase in cash and cash equivalents		**55,280**	9,976
Cash and cash equivalents at the beginning of the period		**12,076**	2,099
Exchange gains on cash and cash equivalents		**4**	1
Cash and cash equivalents at end of year		**67,360**	12,076

The notes on pages 68 to 98 are an integral part of these consolidated financial statements.

Statement of Distributions

For the period from 5 December 2013 (the "Lisitng Date") to 31 December 2013

	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 i, ii, 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 distributable income to be paid to the Unitholders (US$2,248,000) for the period and 1,099,164,987 Units in issue as at 7 April 2014, rounded to the nearest HK$0.1 cent. In the Statement of Distributions included in the Annual Results Announcement dated 17 March 2014, the total number of Units in issue in Spring REIT was stated to be 1,098,000,000. On 21 March 2014, an additional 1,164,987 Units in Spring REIT were issued, representing new Units issued by Spring REIT to the Manager as payment (in part) of the Management Fee and the Variable Fee. Notwithstanding the issue of the additional 1,164,987 Units, the amount of the "Distributions per Unit to Unitholders" remains unchanged at HK$1.6 cents.

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

The notes on pages 68 to 98 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General Information

Spring REIT is a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance. 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 shares 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, 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.

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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 1st 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 improvement to 2009 to 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 net assets attributable to Unitholders.

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 disclosures are provided in note 12.

Notes to the Consolidated Financial Statements (continued)

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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 to standards 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 19 Amendment	Defined Benefit Plans: Employee Contribution	1 July 2014
IAS 32 Amendment	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 Amendment	Recoverable Amount Disclosure 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 Projects	Annual Improvements to IFRSs 2010–2012 cycle	1 July 2014
Annual Improvements Projects	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.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, for rental income in the ordinary course of the Group's activities. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) **Rental and car park income**

Operating lease rental income from investment property is recognized in the income statement on a straight-line basis over the terms of lease agreements. Lease incentives provided, such as rent-free periods, are amortized on a straight-line basis and are recognized as a reduction of rental income over the respective term of the lease.

(ii) **Interest income**

Interest income is recognized on a time proportion basis using the effective interest method.

2 Summary of Significant Accounting Policies (Continued)

(c) Investment property

Investment property, principally comprising leasehold land and buildings, is property held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. Land held under operating leases is accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value representing open market value determined at each reporting date by external valuer. Changes in fair values are recorded in the income statement.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

(d) Derivative financial instruments

Derivative is initially recognized at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value at the end of each reporting period. The change in the fair value is recognized in the income statement.

(e) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognized as deferred rent receivables. The aggregate benefit of incentives is recognized as a reduction of rental income on a straight-line basis.

(f) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(g) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

2 Summary of Significant Accounting Policies (Continued)

(h) Redeemable Preference Shares of RCA01

In accordance with IAS 32 (Amendment), 'Financial instruments: Presentation', the puttable financial instruments are classified as equity where certain strict criteria are met. Those criteria include:

- the puttable instruments must entitle the holder to a pro-rata share of net assets;
- the puttable instruments must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

RCA01's redeemable preference shares met all these conditions and are classified as equity. Should the terms or conditions of the redeemable preference shares change such that they do not comply with the strict criteria contained in the amended IAS 32, the redeemable shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of new ordinary shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

(i) Payables and provisions

(i) Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(ii) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

(j) Taxation

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the People's Republic of China ("PRC") where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of Significant Accounting Policies (Continued)

(k) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Spring REIT's functional currency is Hong Kong dollar. The consolidated financial statements are presented in US$ to facilitate analysis of financial information by the Unitholders.

The Group's functional currency is different from the presentation currency and the results and financial position are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within other gains or losses.

Translation differences on non-monetary financial assets and liabilities such as derivatives held at fair value through profit or loss are recognized in profit or loss as part of the fair value gains or losses. Translation differences on other non-monetary financial assets are included in other comprehensive income.

(l) Unitholders' funds as a financial liability

In accordance with the Trust Deed, Spring REIT is required to distribute to Unitholders not less than 90% of the Group's total distributable income for each financial year. Accordingly, the units contain a contractual obligation of the trust to pay to its Unitholders cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with IAS 32: Financial Instruments: Presentation. This liability is shown on the consolidated statement of financial position as the net assets attributable to Unitholders.

3 Financial Risk and Capital Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Market risk

(i) Foreign exchange risk

The subsidiary of the Group operates in the PRC with functional currency in RMB and is therefore exposed to foreign exchange risk arising from commercial transactions, and from recognized assets and liabilities that are denominated in non-functional currency. This is primarily with respect to the US$ and Japanese Yen ("JPY").

On 29 June 2010, the Group entered into a currency option with notional principal amount of US$370 million to economically hedge the US$ bank borrowings with principal amount of US$370 million against the potential weakening of RMB against the US$ for a period from 29 June 2010 to 27 June 2013. The strike price of the currency option was RMB7/US$1, and was exercisable on the date of maturity.

The bank loan was early repaid on 28 January 2013 and the currency option was expired upon maturity date.

On 10 January 2013, the Group entered into a new borrowing with principal amount US$515 million.

Except for the foreign currency bank borrowings, the Group currently does not have other foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider entering into forward foreign exchange contracts to reduce the exposure should the need arise.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against the US$ with all other variables held constant, profit for the year would have been increased/decreased by US$23,282,000 (2012: US$22,796,000) respectively, mainly as a result of foreign exchange difference on translation of US$ currency items such as cash and bank balance, derivative financial instruments, other payables and borrowings.

As at 31 December 2013, if RMB had strengthened/weakened by 5% against JPY with all other variables held constant, profit for the year would have been decreased/increased by US$11,000 respectively, mainly as a result of foreign exchange difference on translation of JPY currency items such as cash and bank balance and other payables.

As at 31 December 2012, if RMB had strengthened/weakened by 5% against JPY with all other variables held constant, profit for the year would have been decreased/increased by US$1,455,000 respectively, mainly as a result of foreign exchange difference on translation of JPY currency items such as cash and bank balance, amount due from redeemable preference shareholders of RCA01, and other payables.

3 Financial Risk and Capital Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group's interest rate risk mainly arises from its long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rate. Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use plain vanilla interest rate caps to manage the risk where the Group forecasts a significant rise in interest charge in the foreseeable future.

The Group entered into a plain vanilla interest rate cap with notional principal amount of US$370 million in June 2010 to economically hedge the interest rate risk arising from the variable rate bank borrowings with principal amount of US$370 million as at 31 December 2012. The US dollar London Interbank Offered Rate ("LIBOR") interest rate was capped at 1.53719% until maturity of the caps in June 2013.

The Group entered into two plain vanilla interest rate cap with notional principal amount of US$260 million and US$255 million in February 2013 to economically hedge the interest rate risk arising from the variable rate bank borrowings with principal amount of US$515 million. The US dollar London Interbank Offered Rate ("LIBOR") interest rate is capped at 1.3000% until the maturity of the caps in January 2016.

As at 31 December 2013, if interest rates had been 10 basis points higher/lower with all other variables held constant, profit for the year would have been US$388,000 (2012: US$431,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings offset by cash held at variable rate.

(b) Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under financial contracts. The Group is exposed to credit risk on its cash and cash equivalents and deposits with banks and financial institutions, derivative financial instruments as well as trade and other receivables.

For deposits with banks and financial institutions, the Group has limited its credit exposure by restricting their selection of financial institutions to reputable banks with sound credit ratings.

In respect of credit exposures to tenants, credit risk exposure is minimized by undertaking transactions with a large number of counterparties and conducting credit reviews on prospective tenants. Monthly rentals are payable in advance by tenants in accordance with the leases. The Group also has policies in place to ensure that rental security deposits are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses is made for irrecoverable amounts.

Notes to the Consolidated Financial Statements (continued)

3 Financial Risk and Capital Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) **Liquidity risk**

Cash flow forecasting is performed by the Group's finance function ("Group Finance"). Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities (note 18) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

Liquidity risk management includes maintaining sufficient cash, the availability of funding from operating cashflow and seeking stable financing activities. The Group will continue to monitor market conditions to assess the possibility of arranging longer term refinancing at favorable rates and extending the maturity profile of its debts.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows which comprise both interest and principal cash flows.

	Within 1 year US$'000	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**
At 31 December 2013			
Accruals and other payables	**1,292**	**–**	**–**
Interest payable on borrowings	**20,947**	**25,960**	**2,251**
Interest-bearing borrowings	**–**	**–**	**515,000**

	Within 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000
At 31 December 2012			
Accruals and other payables	398	–	–
Interest payable on borrowings	10,869	–	–
Interest-bearing borrowings	480,000	–	–

3 Financial Risk and Capital Risk Management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Unitholders.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total assets.

	As at 31 December	
	2013	2012
	US$'000	US$'000
Total borrowings (note 18)	**504,799**	477,174
Total assets	**1,403,684**	1,266,787
Gearing ratio	**36.0%**	37.7%

3.3 Fair value estimation

For financial instruments that are measured at fair value, IFRS requires disclosure of fair value measurement by three levels of fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at their fair values:

	Fair value as at31 December		Fair value hierarchy
	2013	2012	
	US$'000	US$'000	
Asset			
Derivative financial instrument	**780**	–	Level 2
	780	–	

3 Financial Risk and Capital Risk Management (Continued)

3.3 Fair value estimation (Continued)

(a) Valuation techniques used to derive Level 2 fair values

Level 2 derivative financial instruments comprise plain vanilla interest rate cap contracts and currency option contract which are not traded in an active market. The fair values of these derivative financial instruments are based on prices quoted by financial institutions, which are determined using forward prices at the end of the reporting period.

The fair values of plain vanilla interest rate cap contracts and currency option contract are calculated by reference to the present values of the estimated future cash flows, taking into account current interest and exchange rates observed in the market. The Group's plain vanilla interest rate cap contracts are included in Level 2 in December 2013.

There were no changes in valuation techniques during the year.

4 Critical Accounting Estimates and Judgments

Estimates and judgments 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 risk of causing a material adjustment to the 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 based upon the judgement and assumption in Note 12.

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the valuer determined the amount within a range of reasonable fair value estimates and considered information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

4 Critical Accounting Estimates and Judgments (Continued)

(a) Estimates of fair value of investment property (Continued)

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using other method such as the discounted cash flow method or income capitalization approach.

At 31 December 2012, the valuer has relied on the discounted cash flow method as the primary methods with cross-reference to direct comparison approach using office lease comparables. In respect of the valuation as at 31 December 2013, the valuer also used the income capitalization approach in addition to discounted cash flow method.

(b) Estimate of fair value of derivatives

Fair values of derivative financial instruments have been arrived at using valuations provided by the counterparty banks for each reporting period with reference to market data such as interest rates and exchange rates. Actual results may differ when assumptions and selections of valuation technique changes.

(c) Taxation

The Group is a foreign enterprise established outside the PRC, and paid withholding taxation charged at 10% over the revenues derived from the property. Deferred tax liabilities have not been established for the withholding taxation as the management considers that, since the tax is based on gross revenues rather than profits, the withholding tax expense is an operating expense.

The Group is subject to various taxes in the PRC, including withholding taxation charged at 10% over the revenues. Significant judgment 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 provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements (continued)

5 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.

6 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 (i)	**(1,374)**	(1,063)	(128)
Property tax (ii)	**(3,954)**	(3,835)	(287)
Business and other tax (iii)	**(3,989)**	(3,028)	(357)
Withholding tax (iv)	**(6,940)**	(5,341)	(647)
Leasing commission	**(409)**	(196)	(13)
Insurance and others	**(147)**	(167)	(35)
	(16,813)	(13,630)	(1,467)

Notes:

(i) Property management fee represents leasing, marketing and tenancy management services received from a leasing agent in Beijing, namely, Beijing Hua-re Real Estate Consultancy Co., Ltd ("HuaRe").

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

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

(iv) Withholding tax in the PRC is calculated based on 10% of the revenues received from rental operation.

Notes to the Consolidated Financial Statements (continued)

7 General and Administrative 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
Asset management fee/manager fee (i)	**(4,223)**	–	(513)
Trustee fee	**(31)**	–	(31)
Valuation fee	**(20)**	–	(3)
Auditor's remuneration			
— audit services	**(170)**	(95)	(56)
— non-audit services	**(30)**	–	(2)
Legal and other professional fee	**(485)**	(131)	(14)
	(4,959)	(226)	(619)

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's fee on 5 December 2013. For the breakdown of the Manager's fee, please refer note 10.

8 Other Losses, Net

	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
Derivative financial instruments at fair value through profit or loss:			
Net fair value losses	**(1,652)**	(4,604)	(28)
Foreign exchange losses	**(5,338)**	(3,060)	(238)
Other miscellaneous (loss)/gain	**(31)**	144	–
	(7,021)	(7,520)	(266)

9 Finance Costs on Interest-Bearing Borrowings

	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
Interest expense on bank borrowings (i)	**(28,778)**	(29,010)	(2,108)
Foreign exchange gains on bank borrowings (ii)	**15,343**	1,495	2,564
Other incidental borrowing costs (iii)	**(3,867)**	(60)	–
Total	**(17,302)**	(27,575)	456

Notes to the Consolidated Financial Statements (continued)

9 Finance Costs on Interest-Bearing Borrowings (Continued)

Note:

(i) Interest expenses on bank borrowings comprised contractual loan interest and amortized loan arrangement fee, which were recognized using the effective interest rate method.

(ii) Foreign exchange losses and gains on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies to RMB. The exchange gains on bank borrowing during the years ended 31 December 2012 and 2013, and for the period from 5 December 2013 (the "Listing Date") to 31 December 2013, were mainly arisen from the appreciation of RMB against US$.

(iii) Other incidental borrowing costs comprise bank charges and derecognition of unamortized loan arrangement fee. In January 2013, the Group early repaid a bank borrowing (see note 18(i)), resulting in a derecognition of unamortized loan arrangement fee of US$3,124,000 during the year ended 31 December 2013.

10 Manager's Fee

	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
Base fee	**(395)**	–	(395)
Variable fee	**(118)**	–	(118)
	(513)	–	(513)

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

Base Fee — 0.4% per annum of the value of the Deposited Property (as defined in the Trust Deed).

Variable Fee — 3% per annum of the Net Property Income (as defined in the Trust Deed) (before deduction therefrom of the Base Fee and Variable Fee).

For the period from the Listing Date to 31 December 2013, the base fee and variable fee shall be paid to the Manager as to 80% in the form of units and as to 20% in the form of cash.

11 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 1,003,894 units during the period which are dilutive potential units.

12 Investment Property

	As at 31 December	
	2013	2012
	US$'000	US$'000
At beginning of the year	**1,186,859**	993,509
Exchange differences recognized in other comprehensive income	**36,735**	3,248
Changes in fair value recognized in income statement	**49,184**	190,102
At end of the year	**1,272,778**	1,186,859

The investment property comprises office tower 1 & 2 located at No. 79 and 81 Jianguo Road, Beijing, PRC. Land use rights have been granted to RCA01 for a 50-year term expiring on 28 October 2053. As at 31 December 2013, the investment property was pledged to secure the Group's bank borrowings (note 18).

The investment property was revalued by Colliers International, independent qualified valuer. The external valuer used the discounted cash flow method with reference to direct office lease comparable in 2012 to value the investment property as at 31 December 2012. For the 31 December 2013 valuation, the valuer used the discounted cash flow method and income capitalization approach.

The discounted cash flow method in the context of property valuation is defined in the International Valuation Standards as a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property. In operating real property, periodic cash flow is typically estimated as gross income less vacancy and operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value which is anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

Notes to the Consolidated Financial Statements (continued)

12 Investment Property (Continued)

The income capitalization approach estimates the values of the properties on an open market basis by capitalizing net rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. In calculating the net rental income, no deduction has been made from the net passing rental income which is exclusive of property management fee. In this valuation method, the total rental income is divided into a current passing rental income over the existing lease term (the term income) and a potential future reversionary rental income over the residual land use term (the reversionary income). The term value involves the capitalization of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease over the residual land use rights term and is capitalized on a fully leased basis. It is then discounted back to the date of valuation. In this approach, the valuer has considered the term yield and reversionary yield. The term yield is used for capitalization of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

Fair value hierarchy

	Fair value measurements at 31 December 2013 using		
Description	**Quoted prices in active markets for identical assets (Level 1)** US$'000	**Significant other observable inputs (Level 2)** US$'000	**Significant unobservable inputs (Level 3)** US$'000
Recurring fair value measurements			
Investment property	–	–	1,272,778

There were no transfers between Levels 1, 2 and 3 during the year of 2013.

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

(a) Capitalization rate

This is estimated based on the market lease over market value on comparables. The higher the capitalization rates used, the lower the fair values of the investment property. In the 31 December 2013 valuation, a capitalization rate of 7% is used in the income capitalization approach; a net terminal capitalization rate of 6% is used in the discounted cash flow method.

12 Investment Property (Continued)

(b) Discount rate

This is estimated based on cost of capital of a rate of return used to convert a monetary sum, payable or receivable in the future into present value. The higher the discount rates used, the lower the fair values of the investment property. In the 31 December 2013 valuation, a discount rate of 9% is used in the discounted cash flow method.

(c) Base rent

This is estimated based on the market lease comparables. The higher the base rent used, the higher the fair values of the investment property. In 31 December 2013, the average gross monthly office unit base rent of RMB 410 per square meter is used in the valuation.

As at 31 December 2013, 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$62.7 million higher/lower.

13 Derivative Financial Instruments

	As at 31 December	
	2013	2012
	US$'000	US$'000
Non-current assets		
Interest rate cap	**780**	–
	780	–

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

The notional principal amount of the outstanding plain vanilla interest rate cap as at 31 December 2013 was US$515 million. (2012: US$370 million)

The Group recorded fair value losses on derivative financial instruments for the years ended 31 December 2013 amounting to US$1.7 million (2012: US$4.7 million) (note 8) which were charged to the income statement.

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

As at 31 December 2013 and 2012, the Group's derivative financial instruments were pledged to secure the Group's bank borrowings (note 18(ii)).

Notes to the Consolidated Financial Statements (continued)

14 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 18(ii)).

The aging analysis of rent receivable is as follows:

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

As at 31 December 2013, rent receivables that was past due but not impaired was nil. As at 31 December 2012, rent receivables of US$2,000 was 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 trade receivables have 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.

(iv) No allowance for doubtful debts were made during the year (2012: Nil)

15 Amount Due from RCA Fund

Amount due from RCA Fund was unsecured, interest free, repayable on demand and the carrying amount was denominated in JPY. The amount was offset by a dividend payable on 28 June 2013 of the same amount (note 21(i)).

16 Restricted Bank Balances and Cash and Cash Equivalents

	As at 31 December	
	2013	2012
	US$'000	US$'000
Total time deposits and bank balances		
Restricted	**59,610**	36,955
Unrestricted	**67,360**	12,076
	126,970	49,031

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

	As at 31 December	
	2013	2012
	US$'000	US$'000
RMB	**30,803**	27,640
JPY	**110**	135
US$	**49,365**	21,256
HKD	**46,692**	–
	126,970	49,031

As at 31 December 2013, the Group's restricted bank accounts were charged to the facility agent of the Group's bank borrowing (note 18(ii)). The restricted bank balances are bank accounts established and restricted under the bank borrowing facility agreements entered in January 2013. Prior consent from facility agent, The Australia and New Zealand Banking Group Limited, must be obtained before transfer and withdrawal of funds in the restricted bank accounts.

Notes to the Consolidated Financial Statements (continued)

16 Restricted Bank Balances and Cash and Cash Equivalents (Continued)

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. Included in the unrestricted bank balances, there is an amount of US$5,000 which is denominated in RMB.

	As at 31 December	
	2013	2012
	US$'000	US$'000
Bank balances	**126,860**	48,896
Short-term bank deposits	**110**	135
	126,970	49,031

17 Rental Deposits and Trade and Other Payables

	As at 31 December	
	2013	2012
	US$'000	US$'000
Rental deposits (note i)	**21,913**	16,652
Trade and other payables:		
Receipts in advance	**8,639**	5,080
Provision for withholding tax	**743**	493
Provision for other taxes (note ii)	**410**	279
Accrued expenses and other payables	**4,936**	1,062
	14,728	6,914

Notes:

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

	As at 31 December	
	2013	2012
	US$'000	US$'000
Within 1 year	**5,106**	6,958
Over 1 year	**16,807**	9,694
	21,913	16,652

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

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

18 Interest-Bearing Borrowings

	As at 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	**504,799**	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 (the "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 (note 12), derivative financial instruments (note 13), rent receivables and all future rent receivables (note 14), restricted bank accounts (note 16), 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.

Notes to the Consolidated Financial Statements (continued)

19 Other Reserves

	As at 31 December	
	2013	2012
	US$'000	US$'000
Ordinary shares of RCA01 (note a)	**–**	–
Redeemable preference share of RCA01 (note a)	**–**	159,182
Exchange reserve	**–**	22,846
	–	182,028

Note a

	As at 31 December	
	2013	2012
	US$'000	US$'000
Authorized		
1,000 ordinary shares of US$1 each (note i)	**–**	1
49,000,000 non-voting preference shares of US$0.001 each (note i)	**–**	49
	–	50
Issued and fully paid		
250 ordinary shares of US $1 each (note i)	**–**	–
31,094,000 non-voting preference shares of US$0.001 each (note i)	**–**	159,182
	–	159,182

Notes:

(i) As described in note 2(a) regarding the capital reorganization, Spring REIT issued 1,000,000,000 units in exchange of the shares of RCA01. After that, RCA01 becomes a wholly-owned subsidiary of the Spring REIT. Details of the movements of the units of Spring REIT are set out in note 20.

20 Units in Issue

	Number of units
Units issued under capital reorganization (note 2(a))	1,000,000,000
New units issued for public offering (note 2(a))	98,000,000
Balance as at 31 December 2013	1,098,000,000

Spring REIT issued 98,000,000 units to public investors on 5 December 2013 at HK$3.81 per unit upon initial public offering. The total proceeds from the public offering is US$47.9 million.

Traded market value of the units as of 31 December 2013 was HK$3.17 per unit. Based on 1,098,000,000 units, market capitalization was US$448.9 million.

21 Notes to Statements of Cash Flows

Net cash flow from operating activities

	Year ended 31 December	
	2013	2012
	US$'000	US$'000
Profit for the year before transactions with Unitholders	**69,822**	194,378
Changes in fair value of investment property	**(49,184)**	(190,102)
Net fair value losses on derivative financial instruments	**1,652**	4,604
Interest income	**(384)**	(324)
Finance costs on interest-bearing borrowings	**17,302**	27,575
Net exchange losses	**3,959**	47
Increase in trade and other receivables	**(1,281)**	(502)
Increase in rental deposits	**4,744**	1,985
Increase in trade and other payables	**7,598**	1,524
	54,228	39,185

Note: Material non-cash movement

(i) The dividend payable of US$28,588,000 to preference shareholders of RCA01 before the listing of the Spring REIT is offset with the amount due from preference shareholders on 30 June 2013.

22 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

23 Connected Party Transactions and Related Party Transactions and Balances

As at 31 December 2013, RCA01 Fund L.P. is the immediate and ultimate holding company of the Group.

For the year ended 31 December 2013, the Group entered into the following transactions with related parties at mutually agreed terms in the normal course of its business.

After the listing date on 5 December 2013, the transactions with connected parties would be considered as connected party transactions subjected to the requirement of REIT Code at the wavier letter by SFC date 21 November 2013.

23 Connected Party Transactions and Related Party Transactions and Balances (Continued)

(a) Nature of relationship with connected/related parties

The table set forth below summarizes the names of the connected/related parties and nature of their relationship with the Group as at 31 December 2013:

Connected/related party	Relationship with the Group
DB Trustees (HK) Ltd#	The Trustee of Spring REIT
Spring Asset Management Limited#*	The Manager of Spring REIT
RCA01 Fund L.P. ("RCA Fund")*	Significant Holder of Spring REIT
AD Capital Co., Ltd ("ADC")*	Parent of the Manager
Development Bank of Japan, Inc. ("DBJ")*	An associated company of a significant holder of Spring REIT and a controlling entity of the Manager through ADC
Beijing Development Investment Consulting Ltd. ("BDIC")*	An associated company of a director of the Manager
Asuka DBJ (Beijing) Investment Consulting Co. Ltd. ("ADC BJ")*	An associated company of the Manager
Beijing Hua-re Real Estate Consultancy Co., Ltd. ("HuaRe")*	An associated company of the Manager
Colliers International (Hong Kong) Ltd.#	The Principal Valuer
DBJ-JAIC Investment Consulting (Beijing) Co., Ltd. ("JAIC")*	An associated company of the Manager
Wownew (Beijing) Commerce Co. Ltd. ("Wownew")*	An associated company of a director of the Manager
Deutsche Bank AG, Hong Kong Branch ("DBHK")	Trustee Connected Person
Deutsche Bank (China) Company Ltd. ("DB China")	Trustee Connected Person
Zhong De Securities ("ZDS")	Trustee Connected Person

* These connected parties are also considered as related parties.

\# These are the connected persons but for transactions which constituted in the Trust Deed are not deemed as connected party transactions in accordance with the REIT code.

Notes to the Consolidated Financial Statements (continued)

23 Connected Party Transactions and Related Party Transactions and Balances (Continued)

(b) Income from connected/related parties

	Note	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 US$'000
Rental revenue from ADC BJ	(i)	**113**	109	8
Rental revenue from BDIC	(i), (x)	**30**	44	–
Rental revenue from JAIC	(i), (ix)	**10**	–	10
Rental revenue from Wownew	(i), (ix)	**4**	–	4
Rental revenue from DB China	(i), (ix)	**337**	–	337
Rental revenue from ZDS	(i), (ix)	**178**	–	178
Interest income from DBHK	(ii), (ix)	**85**	–	85

(c) Expenses to connected/related parties

	Note	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 US$'000
Finance costs to DBJ	(iii), (x)	**–**	9,920	–
Management fees to HuaRe	(iv)	**1,374**	1,063	128
Asset management fee to AD Capital Co., Ltd	(v), (x)	**3,710**	–	–
Trustee's fee paid and payable to the Trustee	(vi), (ix)	**31**	–	31
REIT manger fee to Spring Asset Management Limited	(vii), (ix)	**513**	–	513
Valuation fee paid to valuer	(viii), (ix)	**3**	–	3

23 Connected Party Transactions and Related Party Transactions and Balances (Continued)

(d) Balances with connected/related parties

	As at 31 December	
	2013	2012
	US$'000	US$'000
Bank borrowings with DBJ	**–**	110,000
Amount due from RCA Fund (note 15)	**–**	29,080
Lease deposit from ADC BJ	**35**	34
Lease deposit from BDIC	**–**	14
Lease deposit from JAIC	**45**	–
Lease deposit from Wownew	**17**	–
Lease deposit from DB China	**350**	–
Lease deposit from ZDS	**641**	–

(i) Rental revenue was charged in accordance with the terms of the relevant agreements with the connected/related parties.

(ii) Interest income received on bank deposits was charged in accordance with the terms of the relevant agreements with DBHK.

(iii) Finance cost to DBJ was charged based on a bank borrowing at effective interest rate for the year ended 31 December 2012 of 9.20% per annum.

(iv) Property management services fees were charged based on mutually agreed terms between the parties.

(v) Asset management fee was charged based on mutually agreed terms between the parties.

(vi) The Trustee is entitled to receive a one-off acceptance fee of US$23,000 and in each financial year, an ongoing fee of not more than 0.025% per annum of the value of the Deposited Property payable semi-annually or quarterly in arrears, subject to a minimum US$9,000 per annum.

(vii) Fee to the Manager was charged in accordance with the Trust Deed.

(viii) Valuation fee were charged based on mutually agreed terms between the parties.

(ix) The amount represented the transactions with those connected/related parties since the relationship of connected/related parties established from the Listing Date.

(x) The amount represented the transactions with those connected/related parties before the Listing Date.

No transaction was entered with the directors of the Manger (being the key management personnel) for the year ended 31 December 2013 (2012: Nil).

Notes to the Consolidated Financial Statements (continued)

24 Subsidiary

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

25 Approval of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the Manager on 17 March 2014.

Performance Table

	For the period from 5 December 2013 (the "Listing Date") to 31 December 2013
Net assets attributable to Unitholders	US$ 862.2 million
Net asset value per unit attributable to Unitholders	HK$6.09
Highest traded unit price	HK$3.81
Highest premium of the traded unit price to net asset value per unit	N/A
Lowest traded unit price	HK$2.99
Highest discount of the traded unit price to net asset value per unit	50.9%
Market capitalization (note i)	US$448.9 million
Unit issued	1,098,000,000
Annualized net yield per unit (note ii)	6.8%

Notes:

i. Market capitalization is calculated based on the closing unit price of HK$3.17 times the unit issued as at 31 December 2013.

ii. The annualized net yield per unit is calculated based on the total distributable income for the period and the closing unit price HK$3.17.

iii. No comparative figures have been presented as this is the first set of Spring REIT's financial results since its listing on 5 December 2013.

Corporate Information

The Manager
Spring Asset Management Limited
Suite 2019, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Board of Directors of the Manager
Chairman and non-executive Director
Mr. Toshihiro Toyoshima

Executive Directors
Mr. Lau Jin Tin, Don
Mr. Nobumasa Saeki

Non-executive Director
Mr. Hideya Ishino

Independent Non-executive Directors
Mr. Simon Murray
Dr. Tin Sek Tang
Mr. Liping Qiu

Responsible Officers of the Manager
Mr. Lau Jin Tin, Don
Mr. Nobumasa Saeki
Mr. Chung Wai Fai

Company Secretary of the Manager
Fair Wind Secretarial Services Limited

Trustee
DB Trustees (Hong Kong) Limited

Auditor
PricewaterhouseCoopers

Principal Valuer
Colliers International (Hong Kong) Limited

Legal Advisors
As to Hong Kong and United States laws
DLA Piper Hong Kong

As to PRC law
Zhong Lun Law Firm

As to Cayman Islands law
Maples and Calder

Unit Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Property Manager
Beijing Hua-re Real Estate Consultancy Co., Ltd.

Investor Relations
Mr. Chung Wai Fai
Email: ir@springreit.com

Stock Code
1426

Website
www.springreit.com

Spring Real Estate Investment Trust
春泉產業信託

Stock Code : 01426
www.springreit.com

Managed by
Spring Asset Management Limited