The following is the text of a report received from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Offering Circular. It is prepared and addressed to the directors of the REIT Manager and to the Listing Agent pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

November 25, 2013

The Directors
Spring Asset Management Limited (as manager of Spring REIT)

Credit Suisse (Hong Kong) Limited

Dear Sirs,

We report on the financial information of RCA01 (the "Company") which will be acquired by Spring Real Estate Investment Trust ("Spring REIT") upon completion of the Proposed Listing as defined below, which comprises the statements of financial position as at December 31, 2010, 2011, 2012 and as at June 30, 2013 and the income statements, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and Spring Asset Management Limited (the "REIT Manager") and is set out in Sections I to III below for inclusion in Appendix I to the Offering Circular dated November 25, 2013 (the "Offering Circular") in connection with the initial listing of units of Spring REIT on the Main Board of The Stock Exchange of Hong Kong Limited pursuant to the Code on Real Estate Investment Trusts (the "Proposed Listing").

Spring REIT is a collective investment scheme constituted as a unit trust and is authorized under section 104 of the Securities and Futures Ordinance. Spring REIT was established under a trust deed dated November 14, 2013 made between the REIT Manager and DB Trustees (Hong Kong) Limited.

The Company was incorporated in the Cayman Islands on March 8, 2006 as an exempted company with limited liability under the Companies Law (as amended) of the Cayman Islands.

No audited financial statements have been prepared by Spring REIT as it is newly established and has not been involved in any significant business transactions since its date of establishment. The audited financial statements of the Company as at the date of this report have been prepared in accordance with Japanese generally accepted accounting principles for the years ended December 31, 2010 and 2011; and International Financial Reporting Standards for the year ended December 31, 2012. The auditor of the Company was Tanaka Certified Public Accountants Office for the years ended December 31, 2010 and 2011; and PricewaterhouseCoopers for the year ended December 31, 2012.

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The director of the Company has prepared the financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). The director of the Company is responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs and for such internal control as the director of the Company determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company and the REIT Manager are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs. The directors of the REIT Manager and the executive directors of AD Capital Co., Ltd. are responsible for the contents of the Offering Circular in which this report is included.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at December 31, 2010, 2011 and 2012 and June 30, 2013 and of the Company's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Offering Circular which comprises the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended June 30, 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company and the REIT Manager are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International

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

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE COMPANY

The following is the financial information of the Company prepared by the directors of the Company and the REIT Manager as at December 31, 2010, 2011 and 2012, and as at June 30, 2013 and for each of the years ended December 31, 2010, 2011 and 2012, and for each of the six months ended June 30, 2012 and 2013 (the "Financial Information").

Income Statements

		Year ended December 31,			Six months ended June 30,	
	Note	2010	2011	2012	2012	2013
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Revenues	5	37,191	44,692	52,903	24,829	30,510
Operating expenses	6	(11,691)	(12,425)	(13,630)	(6,468)	(7,755)
General and Administrative expenses	7	(272)	(303)	(226)	(67)	(2,037)
Increase in fair value of an investment property	11	122,058	158,479	190,102	113,356	45,912
Other losses, net	8	(13,777)	(1,025)	(7,520)	(3,749)	(5,158)
Operating profit		133,509	189,418	221,629	127,901	61,472
Finance income		155	194	324	168	188
Finance costs	9	(34,498)	(5,977)	(27,575)	(15,846)	(9,394)
Profit for the year/period		99,166	183,635	194,378	112,223	52,266

Statements of Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Profit for the year/period	99,166	183,635	194,378	112,223	52,266
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Exchange gain/(loss) on translation of financial statements	5,527	15,481	1,838	(1,864)	10,778
Other comprehensive income/(loss) for the year/period	5,527	15,481	1,838	(1,864)	10,778
Total comprehensive income for the year/period	104,693	199,116	196,216	110,359	63,044

Statements of Financial Position

	Note	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
		US$'000	US$'000	US$'000	US$'000
ASSETS					
Non-current assets					
Investment property	11	790,614	993,509	1,186,859	1,253,500
Derivative financial instruments	12	6,443	4,613	—	2,043
		797,057	998,122	1,186,859	1,255,543
Current assets					
Trade and other receivables	13	3,113	1,309	1,817	2,693
Amount due from redeemable preference shareholders	14	11,983	25,466	29,080	—
Restricted bank balances	15	30,256	34,782	36,955	55,916
Cash and cash equivalents	15	5,927	2,099	12,076	20,675
		51,279	63,656	79,928	79,284
Total assets		848,336	1,061,778	1,266,787	1,334,827
EQUITY					
Capital and reserves					
Ordinary shares	18	—	—	—	—
Redeemable preference shares	18	151,077	158,793	159,182	161,934
Retained earnings		206,006	389,641	584,019	607,697
Exchange reserves		5,527	21,008	22,846	33,624
Total equity		362,610	569,442	766,047	803,255
LIABILITIES					
Non-current liabilities					
Long-term borrowings	17	465,947	472,343	—	500,535
Current liabilities					
Rental deposits	16	12,446	14,622	16,652	19,314
Receipts in advance, accruals and other payables	16	7,333	5,371	6,914	11,723
Current portion of long-term borrowings	17	—	—	477,174	—
		19,779	19,993	500,740	31,037
Total liabilities		485,726	492,336	500,740	531,572
Total equity and liabilities		848,336	1,061,778	1,266,787	1,334,827
Net current assets/(liabilities)		31,500	43,663	(420,812)	48,247
Total assets less current liabilities		828,557	1,041,785	766,047	1,303,790

Statements of Changes in Equity

	Ordinary shares	Redeemable preference shares	Exchange reserves	Retained earnings	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2010	—	146,530	—	106,840	253,370
Profit for the year	—	—	—	99,166	99,166
Exchange gain on translation of financial statements	—	—	5,527	—	5,527
Total other comprehensive income	—	—	5,527	—	5,527
Total comprehensive income	—	—	5,527	99,166	104,693
Exchange gain on translation of redeemable preference shares	—	4,547	—	—	4,547
At December 31, 2010	—	151,077	5,527	206,006	362,610
At January 1, 2011	—	151,077	5,527	206,006	362,610
Profit for the year	—	—	—	183,635	183,635
Exchange gain on translation of financial statements	—	—	15,481	—	15,481
Total other comprehensive income	—	—	15,481	—	15,481
Total comprehensive income	—	—	15,481	183,635	199,116
Exchange gain on translation of redeemable preference shares	—	7,716	—	—	7,716
At December 31, 2011	—	158,793	21,008	389,641	569,442
At January 1, 2012	—	158,793	21,008	389,641	569,442
Profit for the year	—	—	—	194,378	194,378
Exchange gain on translation of financial statements	—	—	1,838	—	1,838
Total other comprehensive income	—	—	1,838	—	1,838
Total comprehensive income	—	—	1,838	194,378	196,216
Exchange gain on translation of redeemable preference shares	—	389	—	—	389
At December 31, 2012	—	159,182	22,846	584,019	766,047

Statements of Changes in Equity (Continued)

	Ordinary shares	Redeemable preference shares	Exchange reserves	Retained earnings	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2012	—	158,793	21,008	389,641	569,442
Profit for the period (unaudited)	—	—	—	112,223	112,223
Exchange loss on translation of financial statements (unaudited)	—	—	(1,864)	—	(1,864)
Total other comprehensive loss (unaudited)	—	—	(1,864)	—	(1,864)
Total comprehensive income (unaudited)	—	—	(1,864)	112,223	110,359
Exchange loss on translation of redeemable preference shares (unaudited)	—	(603)	—	—	(603)
At June 30, 2012 (unaudited)	—	158,190	19,144	501,864	679,198
At January 1, 2013	—	159,182	22,846	584,019	766,047
Profit for the period	—	—	—	52,266	52,266
Exchange gain on translation of financial statements	—	—	10,778	—	10,778
Total other comprehensive income	—	—	10,778	—	10,778
Total comprehensive income	—	—	10,778	52,266	63,044
Exchange gain on translation of redeemable preference shares	—	2,752	—	—	2,752
Dividend payable to redeemable preference shareholders	—	—	—	(28,588)	(28,588)
At June 30, 2013	—	161,934	33,624	607,697	803,255

Statements of Cash Flows

	Note	Year ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2012	Six months ended June 30, 2012	Six months ended June 30, 2013
		US$'000	US$'000	US$'000	US$'000 (unaudited)	US$'000
Cash flows from operating activities						
Cash generated from operations	19	31,266	34,381	39,185	18,779	26,875
Interest received		197	194	324	168	188
Net cash generated from operating activities		31,463	34,575	39,509	18,947	27,063
Cash flows from investing activities						
Additions to investment property		(91)	—	—	—	—
Increase in amount due from preference shareholders		(3,771)	(12,552)	(3,535)	(2,834)	(3,234)
Net cash used in investing activities		(3,862)	(12,552)	(3,535)	(2,834)	(3,234)
Cash flows from financing activities						
Drawdown of borrowings		493,433	—	—	—	497,006
Repayment of borrowings		(520,679)	—	—	—	(480,000)
Settlement of derivative financial instruments		27,048	—	—	—	—
Purchase of derivative financial instruments		(20,040)	—	—	—	(2,421)
Interest paid		(21,628)	(22,885)	(23,859)	(11,992)	(10,181)
Other incidental borrowing cost		—	(59)	(60)	(60)	(675)
Decrease/(increase) in restricted bank balances		20,191	(2,907)	(2,079)	957	(18,961)
Net cash used in financing activities		(21,675)	(25,851)	(25,998)	(11,095)	(15,232)
Net increase/(decrease) in cash and cash equivalents		5,926	(3,828)	9,976	5,018	8,597
Cash and cash equivalents at beginning of year/period		1	5,927	2,099	2,099	12,076
Exchange gains on cash and cash equivalents		—	—	1	—	2
Cash and cash equivalents at end of year/period		5,927	2,099	12,076	7,117	20,675

II NOTES TO THE FINANCIAL INFORMATION

1 General information

The Company was incorporated in the Cayman Islands on March 8, 2006, as an exempted company with limited liability under the Companies Law (as amended) of the Cayman Islands. The address of its registered office is PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands. The Company is principally engaged in property investment.

Spring REIT will acquire the ownership of the property through the acquisition of the entire issued share capital of the Company upon the completion of the Proposed Listing.

These financial statements are presented in United States dollar ("US$"), unless otherwise stated.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The 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 Company'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.

Impact of new or revised International Financial Reporting Standards

The International Accounting Standards Board (the "IASB") has issued a number of new standards, amendments or improvements to standards and interpretation of IFRSs which are not yet effective for the six months ended June 30, 2013.

At the date of this report, the following new standards, amendments or improvements to standards and interpretation are in issue but not yet effective, and have not been early adopted by the Company:

		Effective for accounting periods beginning on or after
New standards, interpretation and amendments		
IAS 32 Amendment	Financial Instruments: Presentation— Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IAS 36 Amendment	Recoverable amount disclosure for non-financial assets	January 1, 2014
IFRS 7 and IFRS 9 Amendments	Mandatory Effective Date and Transition Disclosures	January 1, 2015
IFRS 9	Financial Instruments	January 1, 2015
IFRS 10, IFRS 12 Amendment and IAS 27 (revised 2011)	Investment entities	January 1, 2014
IFRIC Interpretation 21	Levies	January 1, 2014

The Company will apply the above new standards, interpretation, amendments or improvements to existing standards as and when they become effective. The Company 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 Company'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 company's activities. The Company 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 company'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.

(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 not occupied by the Company. 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 Company 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 Company 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.

(h) Redeemable Preference Shares

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.

The Company'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.

Where the Company re-purchases its redeemable preference shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the ordinary shares are cancelled, reissued or disposed of.

(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 statement of financial position date in PRC where the Company 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.

(k) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company holds investment property in the People's Republic of China ("PRC") with rental income earned in Chinese Renminbi ("RMB"). As a result, management considers that the functional currency of the Company is RMB.

The financial statements are presented in US$, which is the Company's presentation currency, to facilitate analysis of financial information by the stakeholders.

The Company'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 income or 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.

3 Financial risk and capital risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company'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 Company operates in PRC and its functional currency is 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 June 29, 2010, the Company 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$370 million against the potential weakening of RMB against the US$ as at December 31, 2010, 2011 and 2012. The strike price of the currency option was RMB7/US$1, and was exercisable on the date of maturity on June 27, 2013. The bank loan was early repaid on January 28, 2013 and the currency option was expired upon maturity date.

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

Except for the foreign currency bank borrowings, the Company 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 arises.

As at December 31, 2010, 2011 and 2012, if RMB had strengthened/weakened by 5% against the US$ with all other variables held constant, profit for the period in would have been increased/decreased by US$22,226,000, US$22,816,000 and 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 June 30, 2012 and 2013, if RMB had strengthened/weakened by 5% against the US$ with all other variables held constant, profit for the period in would have been increased/decreased by US$22,893,000 and US$22,554,000 respectively, mainly as a result of foreign exchange difference on translation of US$ currency items such as cash and bank balance, derivative financial instruments, other payables and borrowings.

As at December 31, 2010, 2011 and 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$534,000, US$1,273,000 and 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, and other payables.

As at June 30, 2012 and 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$1,405,000 and US$44,000 respectively, mainly as a result of foreign exchange difference on translation of JPY currency items such as cash and bank balance and other payables.

(ii) Interest rate risk

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

The Company 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 December 31, 2010, 2011 and 2012. The US dollar London Interbank Offered Rate ("LIBOR") interest rate was capped at 1.53719% until maturity of the cap in June 2013.

The Company 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 December 31, 2010, 2011 and 2012, and as at June 30, 2012 and 2013, if interest rates had been 10 basis points higher/lower with all other variables held constant, profit for the years ended December 31, 2010, 2011 and 2012, and each of the six months ended June 30, 2012 and 2013 would have been US$444,000, US$443,000, US$431,000, US$439,000 and US$435,000 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 Company's counterparties to meet their obligations under financial contracts. The Company 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 Company 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 Company 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 Company regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses is made for irrecoverable amounts.

(c) *Liquidity risk*

Cash flow forecasting is performed by the Company's finance function ("Company Finance"). Company Finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities (note 17) at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company'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 Company 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 Company'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	Between 1 and 2 years	Between 2 and 5 years
	US$'000	US$'000	US$'000
At December 31, 2010			
Accruals and other payables	2,763	—	—
Interest payable on borrowings	22,658	22,658	10,863
Borrowings	—	—	480,000
At December 31, 2011			
Accruals and other payables	137	—	—
Interest payable on borrowings	23,989	11,501	—
Borrowings	—	480,000	—
At December 31, 2012			
Accruals and other payables	398	—	—
Interest payable on borrowings	10,869	—	—
Borrowings	480,000	—	—
At June 30, 2013			
Accruals and other payables	1,009	—	—
Interest payable on borrowings	19,431	19,431	11,286
Borrowings	—	—	515,000

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Total borrowings (note 17)	465,947	472,343	477,174	500,535
Total assets	848,336	1,061,778	1,266,787	1,334,827
Gearing ratio	54.9%	44.5%	37.7%	37.5%

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 are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's financial assets and liabilities that are measured at their fair values at December 31, 2010, 2011 and 2012 and June 30, 2013.

	Fair Value as at				
	December 31, 2010	December 31, 2011	December 31, 2012	June 30, 2013	Fair value hierarchy
	US$'000	US$'000	US$'000	US$'000	
Asset					
Derivative financial instruments	6,443	4,613	—	2,043	Level 2
	6,443	4,613	—	2,043	

(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 balance sheet date.

The fair values of plain vanilla interest rate cap contracts and currency swap 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 Company's plain vanilla interest rate cap contracts are included in Level 2 in June 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 Company 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 on a market value assessment, on an existing use basis.

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.

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 December 31, 2010, 2011, 2012 and June 30, 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 June 30, 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 Company 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 director considers that, since the tax is based on gross revenues rather than profits, the withholding tax expense is an operating expense.

The Company is subject to various taxes in the PRC, including withholding taxation charged at 10% over the revenues. Significant judgement is required in determining the provision for taxation including deferred taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company 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.

5 Revenues and segment information

The Company 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, A.D. Capital Co., Ltd. (note 21) that are used to make strategic decisions. Given that management review the operating results of the Company on an aggregate basis, no segment information is therefore presented.

The Company's revenues from external tenants are derived solely from its operation in the PRC and the non-current assets of the Company are also mainly located in the PRC. During each of the years ended December 31, 2010, 2011 and 2012, and each of the six months ended June 30, 2012 and 2013, no revenue from a single external tenant exceeded 10% or more of the Company's total revenue.

An analysis of revenues of the Company is as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Revenues					
Rental income	36,746	43,687	51,345	24,256	30,221
Car park income	388	408	491	224	243
Other income	57	597	1,067	349	46
	37,191	44,692	52,903	24,829	30,510

Note:

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

6 Operating expenses

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Property management fee (i)	(1,308)	(1,382)	(1,063)	(503)	(622)
Property taxes (ii)	(3,562)	(3,732)	(3,835)	(1,912)	(1,944)
Business tax and other taxes (iii)	(1,987)	(2,630)	(3,028)	(1,420)	(1,815)
Withholding tax (iv)	(3,927)	(4,727)	(5,341)	(2,503)	(3,158)
Leasing commission	(297)	(171)	(196)	(60)	(141)
Insurance	(146)	(158)	(141)	(70)	(70)
Provision for trade receivables	(416)	—	—	—	—
Reversal of provision for impaired trade receivables	—	379	—	—	—
Bad debt written off	(21)	—	—	—	—
Others	(27)	(4)	(26)	—	(5)
Total	(11,691)	(12,425)	(13,630)	(6,468)	(7,755)

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.

7 General and Administrative expenses

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Asset management fee (i)	—	—	—	—	(1,824)
Professional fee	(272)	(303)	(226)	(67)	(213)
Total	(272)	(303)	(226)	(67)	(2,037)

Note:

(i) During the years ended December 31, 2010, 2011 and 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 Property, financial reporting, financing and business plan preparation. The asset management fee will be terminated prior to the Proposed Listing and be replaced by REIT Manager fee.

8 Other losses, net

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Derivative financial instruments at fair value through profit or loss:					
Net fair value losses	(15,766)	(2,106)	(4,604)	(3,301)	(418)
Foreign exchange gains/(losses)	1,953	(847)	(3,060)	(448)	(4,735)
Payables written off	—	1,928	—	—	—
Other miscellaneous gains/(loss)	36	—	144	—	(5)
	(13,777)	(1,025)	(7,520)	(3,749)	(5,158)

9 Finance costs

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Interest expenses on bank borrowings (i)	(30,588)	(29,663)	(29,010)	(14,020)	(14,153)
Foreign exchange (losses)/gains on bank borrowings (ii)	(3,910)	23,745	1,495	(1,766)	8,558
Other incidental borrowing costs (iii)	—	(59)	(60)	(60)	(3,799)
	(34,498)	(5,977)	(27,575)	(15,846)	(9,394)

Notes:

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

(ii) Foreign exchange losses and gains on bank borrowings arise upon translating the bank borrowings denominated in foreign currencies to RMB, the Company's function currency. The exchange gains on bank borrowing during the years ended December 31, 2011, 2012 and the 6 months ended June 30, 2013 were mainly arisen from the appreciation RMB of against USD.

(iii) Other incidental borrowing costs comprise bank charges and derecognition of unamortized loan arrangement fee. In January 2013, the Company early repaid a bank borrowing (see Note 17 (i)), resulting in a derecognition of unamortized loan arrangement fee of US$3,124,000 during the 6 months ended June 30, 2013.

10 Director's remuneration

For each of the years ended December 31, 2010, 2011 and 2012, and each of the six months ended June 30, 2012 and 2013, no fee or other emoluments were paid to the director in respect of his services to the Company, nor were any payable.

11 Investment property

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
At beginning of year/period	645,705	790,614	993,509	1,186,859
Exchange differences recognized in other comprehensive income	22,760	44,416	3,248	20,729
Changes in fair value recognized in income statement	122,058	158,479	190,102	45,912
Additions	91	—	—	—
At end of year/period	790,614	993,509	1,186,859	1,253,500

The investment property comprises office tower 1 & 2 located at No. 79 and 81 Jianguo Road, Beijing, the People's Republic of China ("PRC"). Land use rights has been granted to RCA01 for a 50-year term expiring on October 28, 2053.

As at December 31, 2010, 2011 and 2012, and as at June 30, 2013, the investment property was pledged to secure the Company's bank borrowings (note 17 ii).

The investment property was revalued by Colliers International, independent qualified valuer not connected to the Company for each of the years ended December 31, 2010, 2011, 2012 and each of the six months ended June 30, 2012 and 2013. The external valuer used the discounted cash flow method with reference to direct office lease comparable in 2010, 2011 and 2012 and June 2012 to value the investment property. For the June 30, 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.

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.

Key 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 June 30, 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.

(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 June 30, 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 June 30, 2013, the average gross monthly office unit base rent of RMB 410 per square meter is used in the valuation.

As at June 30, 2013, if the market value of investment property had been 5% (Dec 2012: 5%) higher/lower with all other variables held constant, the carrying value of the Company's investment property would have been US$62.7 million (Dec 2012: US$59.3 million) higher/lower.

12 Derivative financial instruments

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Interest rate cap	2,872	307	—	2,043
Currency option	3,571	4,306	—	—
Total	6,443	4,613	—	2,043

The Company 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. Currency option is used to hedge foreign currency borrowings against foreign currency risks.

The notional principal amount of the outstanding plain vanilla interest rate cap as at December 31, 2010, 2011 and 2012, and as at June 30, 2013 were US$370 million, US$370 million, US$370 million and US$515 million respectively. The notional principal amount of the outstanding currency option at December 31, 2010, 2011 and 2012 were US$370 million, US$370 million and US$370 million.

The Company recorded fair value losses on derivative financial instruments for the years ended December 31, 2010, 2011 and 2012 and each of the six months ended June 30, 2012 and 2013 amounting to US$15.8 million, US$2.1 million, US$4.6 million, US$3.3 million (unaudited) and US$0.4 million respectively (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 December 31, 2010, 2011 and 2012, and as at June 30, 2013, the Company's derivative financial instruments were pledged to secure the Company's bank borrowings (note 17 ii).

13 Trade and other receivables

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Trade receivables	465	56	2	116
Less: provision for trade receivables	(426)	—	—	—
Trade receivables – net	39	56	2	116
Deferred rent receivables	3,042	1,243	1,815	2,486
Prepayment	—	—	—	91
Other receivables	32	10	—	—
	3,113	1,309	1,817	2,693

Notes:

(i) 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 Company's exposure from outstanding trade receivables is generally fully covered by the rental deposits from the corresponding tenants.

(iii) As at December 31, 2010, 2011 and 2012, and as at June 30, 2013 the Company's trade receivables and all future trade receivables were pledged to secure the Company's bank borrowing (note 17 ii).

The ageing analysis of trade receivables is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
0—30 days	38	56	2	116
31—90 days	171	—	—	—
Over 90 days	256	—	—	—
	465	56	2	116

As at December 31, 2010, 2011 and 2012, and as at June 30, 2013 trade receivables of US$39,000, US$56,000, US$2,000 and US$116,000 were past due but not impaired.

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
0—30 days	31	56	2	116
31—90 days	8	—	—	—
Over 90 days	—	—	—	—
	39	56	2	116

As at December 31, 2010, 2011 and 2012, and as at June 30, 2013, trade receivables of US$426,000, US$nil, US$nil and US$nil were considered as impaired and had been provided for. The individually impaired receivables are those where collectability is in doubt.

The ageing analysis of the impaired trade receivables is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
0—30 days	7	—	—	—
31—90 days	163	—	—	—
Over 90 days	256	—	—	—
	426	—	—	—

Movements on the provision for impairment of trade receivables are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
At beginning of year/period	—	426	—	—
Provision for trade receivables	416	—	—	—
Reversal of provision for trade receivables	—	(379)	—	—
Bad debt written off	—	(57)	—	—
Exchange difference	10	10	—	—
At end of year/period	426	—	—	—

The creation and release of provision for trade receivables have been included in operating expenses in the income statement. Amounts charged to the provision account will be written off when there is no expectation of recovering additional cash.

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

14 Amount due from redeemable preference shareholders

Amount due from redeemable preference shareholders was unsecured, interest free, repayable on demand and the carrying amount was denominated in JPY. The amount was off set by a dividend payable as at June 28, 2013 of the same amount (note 19 i).

15 Restricted bank balances and cash and cash equivalents

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Total time deposits and bank balances				
Restricted	30,256	34,782	36,955	55,916
Unrestricted	5,927	2,099	12,076	20,675
	36,183	36,881	49,031	76,591

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
RMB	20,931	25,464	27,640	27,011
JPY	10	3	135	118
US$	15,242	11,414	21,256	49,462
	36,183	36,881	49,031	76,591

As at December 31, 2010, 2011 and 2012, and as at June 30, 2013, the Company's restricted bank accounts were charged to, or otherwise subject to the control of, the facility agent of the Company's bank borrowing (note 17 ii). The restricted bank balances are bank accounts established and restricted under the bank borrowing facility agreements entered in June 2010 and January 2013. Prior consent from facility agent, Deutsche Bank AG, must be obtained before transfer and withdrawal of funds in the restricted bank accounts.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Bank balances	36,180	36,878	48,896	76,473
Short-term bank deposits	3	3	135	118
Total	36,183	36,881	49,031	76,591

16 Rental deposits, receipts in advance, accruals and other payables

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Rental deposits (note i)	12,446	14,622	16,652	19,314
Receipts in advance	3,471	3,897	5,080	6,336
Provision for withholding tax	289	435	493	542
Provision for other taxes (note ii)	179	239	279	325
Accrued expenses and other payables	3,394	800	1,062	4,520
	7,333	5,371	6,914	11,723

Notes:

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Within 1 year	3,781	2,086	6,958	8,213
Over 1 year	8,665	12,536	9,694	11,101
Total	12,446	14,622	16,652	19,314

(ii) The balance represents provision for business tax, urban construction and maintenance tax, education surcharge and stamp duty.

(iii) The carrying amounts of rental deposits, receipts in advance, accruals and other payables approximate their fair values.

17 Long-term borrowings

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Non-current				
Bank borrowings	465,947	472,343	—	500,535
Current				
Bank borrowings	—	—	477,174	—
Total	465,947	472,343	477,174	500,535

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
6 months or less	465,947	472,343	477,174	500,535

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

The Company's bank borrowings are denominated in US$.

Notes:

(i) As at December 31, 2010, 2011 and 2012, the Company had a term loan facility with carrying amount of US$359 million, US$364 million and US$367 million, respectively. The borrowings bore interest at 3.5% above LIBOR and were scheduled to be repaid on June 24, 2013. These were early settled on January 28, 2013.

As at December 31, 2010, 2011 and 2012, the Company had a term loan facility with carrying amount of US$107 million, US$108 million, and US$110 million, respectively. The borrowings bore interest at 7.5% above LIBOR and were scheduled to be repaid on June 24, 2013. These were early settled on January 31, 2013.

A new term loan facility, with principal of US$515 million and carrying amount of US$501 million as at June 30, 2013, was drawdown on January 28, 2013. The amount is wholly repayable on January 27, 2016. The borrowing bears interest of 3.5% above 3-months LIBOR.

(ii) As at December 31, 2010, 2011 and 2012, and as at June 30, 2013, the Company's investment property (note 11), derivative financial instruments (note 12), rental receivables and all future trade receivables (note 13) , restricted bank accounts (note 15), Company's ordinary shares and preference shares (note 18) was pledged to secure the Company's term loan facilities.

18 Ordinary shares and redeemable preference shares

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Authorized:				
1,000 ordinary shares of US$1 each (note i)	1	1	1	1
49,000,000 non-voting preference shares of US$0.001 each (note ii)	49	49	49	49
	50	50	50	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 ii)	151,077	158,793	159,182	161,934
	151,077	158,793	159,182	161,934

Notes:

(i) The Company's authorized ordinary share capital is 1,000 shares with par value of US$1 per share. The shares carry voting rights, no rights to dividends and receive the par value of ordinary share capital before any payment to the redeemable preference share capital in case the Company was winding-up.

The Company's issued ordinary share capital is 250 shares. All issued ordinary shares are fully paid. All issued ordinary shares are held and ultimately held by MaplesFS Limited (formerly known as Maples Finance Limited) under a charitable trust.

As at December 31, 2010, 2011 and 2012, and as at June 30, 2013, the Company's ordinary shares were pledged to secure the Company's bank borrowings (note 17 ii).

(ii) The Company's authorized redeemable preference share capital is 49,000,000 shares with par value of US$0.001 per share. The shares carry no voting rights, are entitled to discretionary dividends, are redeemable at the option of the preference shareholders, and are entitled to redeem at a proportionate share of the Company's net assets attributable to redeemable preference shares. The preference shareholders are entitled to all the dividends distributed by the Company. In the case of winding up, the preference shareholders are entitled to all the Company's net assets after the par value of the issued ordinary shares was returned to the ordinary shareholder.

The Company's issued redeemable preference share capital is 31,094,000 shares. All issued redeemable preference shares are fully paid.

As at December 31, 2010, 2011 and 2012, and as at June 30, 2013, the Company's preference shares were pledged to secure the Company's bank borrowings (note 17 ii).

19 Notes to statements of cash flows

Net cash flow from operating activities

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Profit for the year	99,166	183,635	194,378	112,223	52,266
Changes in fair value of investment property	(122,058)	(158,479)	(190,102)	(113,356)	(45,912)
Payables written off	—	(1,928)	—	—	—
Net fair value losses on derivative financial instruments	15,766	2,106	4,604	3,301	378
Provision for trade receivables	416	—	—	—	—
Bad debt written off	21	—	—	—	—
Interest income	(155)	(194)	(324)	(168)	(188)
Finance costs	34,498	5,977	27,575	15,846	9,394
Net exchange losses	129	200	47	(21)	4,342
(Increase)/decrease in trade and other receivables	(239)	1,837	(502)	(824)	(876)
Increase in rental deposits	1,773	1,502	1,985	973	2,662
Increase/(decrease) in receipts in advance, accruals and other payables	1,949	(275)	1,524	805	4,809
	31,266	34,381	39,185	18,779	26,875

Note: Material non-cash movement

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

20 Future minimum rental receivables

At December 31, 2010, 2011 and 2012, and as at June 30, 2013, the analysis of the Company's aggregate future minimum rental receivable under non-cancellable leases is as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000
Within 1 year	39,151	45,347	48,812	59,388
After 1 year, but within 5 years	56,085	43,338	51,741	78,663
	95,236	88,685	100,553	138,051

21 Related party transactions

The Company's ordinary shares are held by MaplesFS Limited (formerly known as Maples Finance Limited), a Cayman Islands incorporated limited liability company. The

Company's preference shares are held by RCAC, a Cayman Islands incorporated exempted company, on behalf of RCA01 Fund L.P.. RCAC is the general partner of RCA01 Fund L.P., a Cayman Islands incorporated exempted partnership and whose fund manager is Asuka Asset Management, Co., Ltd ("Asuka"). A.D. Capital Co., Ltd. is the sub-fund manager of RCA01 Fund L.P. and is jointly owned by Asuka and Development Bank of Japan, Inc. ("DBJ").

For the years ended December 31, 2010, 2011 and 2012, the and each of the six months ended June 30, 2012 and 2013, Company undertook the following transactions with related parties at mutually agreed terms in the normal course of its business:

(a) Income

		Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
	Note	US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Rental revenue from ADC BJ	(i)	—	18	109	54	56
Rental revenue from BDIC	(ii)	21	43	44	22	23

(b) Expenses

		Year ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
		US$'000	US$'000	US$'000	US$'000 (Unaudited)	US$'000
Finance costs to DBJ	(iii)	4,929	9,840	9,920	4,860	—
Management fees to HuaRe	(iv)	1,308	1,382	1,063	503	622
Asset management fee to AD Capital Co., Ltd.	(v)	—	—	—	—	1,824

(c) Balances with related parties

		Year ended December 31,			As at June 30,
		2010	2011	2012	2013
		US$'000	US$'000	US$'000 (Unaudited)	US$'000
Bank borrowing with DBJ	(iii)	107,000	108,000	110,000	—
Amount due from redeemable preference shareholders (note 14)		11,983	25,466	29,080	—
Lease deposit from ADC BJ	(vi)	—	34	34	34
Lease deposit from BDIC	(vii)	14	14	14	14

Notes:

(i) Rental revenue was charged in accordance with the terms of the relevant agreements with Asuka DBJ (Beijing) Investment Consulting Co., Ltd. ("ADC BJ"), a subsidiary of A.D. Capital Co., Ltd.

(ii) Rental revenue was charged in accordance with the terms of the relevant agreements with Beijing Development Investment Consulting Ltd. ("BDIC"), a company in which A.D. Capital Co., Ltd., is the non-controlling shareholder.
(iii) Finance cost to DBJ was charged based on a bank borrowing at effective interest rate for each of the years ended December 30, 2010, 2011 and 2012 are 9.06%, 9.24% and 9.20% per annum respectively (note 17i).
(iv) Property management services were charged based on mutually agreed prices with HuaRe, a company in which A.D. Capital Co., Ltd., is the non-controlling shareholder.
(v) Asset management fee was charged based on mutually agreed prices agreed with A.D. Capital Co., Ltd.
(vi) Lease deposit placed with the Company for the lease of the Company's property to ADC BJ, a subsidiary of A.D. Capital Co., Ltd..
(vii) Lease deposit placed with the Company for the lease of the Company's property to BDIC, a company in which A.D. Capital Co., Ltd., is the non-controlling shareholder.

No transaction was entered with director of the Company (being the key management personnel) for the years ended December 31, 2010, 2011, 2012 and each of the six months ended June 30, 2012 and 2013 and no emoluments was paid to the director as disclosed in note 10.

22 Subsequent events

(a) On November 12, 2013, the Company declared a dividend of US$15,000,000 to the preference shareholders, which has been paid out on November 15, 2013.

(b) As stated in Note 21, RCA Fund owns all of the Company's issued preference share and Maple FS Limited owns all of the Company's issued ordinary shares. On November 21, 2013, RCA Fund and MaplesFS have entered into an agreement pursuant to which RCA Fund will acquire all of the issued ordinary shares in RCA01 from Maples FS. Upon such acquisition, as a part of a reorganization, RCA Fund will cause all of the issued preference shares in RCA01 to be re-classified as ordinary shares in RCA01. Accordingly RCA Fund will be the sole shareholder of RCA01, holding all of the issued ordinary shares in RCA01.

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

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to June 30, 2013 and up to the date of this report. Except as disclosed in this report, no dividend or distribution have been declared, made or paid by the Company in respect of any period subsequent to June 30, 2013.

Yours faithfully,

PricewaterhouseCoopers
Certificate Public Accountants
Hong Kong