You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto for the years ended December 31, 2015, 2016, 2017 and three months ended March 31, 2018, as well as our unaudited consolidated financial statements for the three months ended March 31, 2017, included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in "Risk Factors" and "Forward-looking statement" in this prospectus.

OVERVIEW

We are a large renowned national property developer in the PRC, providing quality living and Smart Home solutions to our customers across 38 cities and one municipality nationwide in the PRC. We believe that we have inherited from Midea Group its core values and competences which emphasize operating efficiency and consistent quality through standardization, differentiation through product innovation and strong execution through clear responsibility allocation, full empowerment and proper incentivization. We focus our business activities across Pearl River Delta Economic Region and Yangtze River Delta Economic Region, two of the most economically prosperous and vibrant regions in the PRC, as well as the core districts of tier-two, tier-three and selected tier-four cities with economic growth prospects and continuous incoming population such as those cities located in Midstream of Yangtze River Economic Region, Bohai Economic Zone and Southwest China Economic Region which we believe entails great growth potential. We believe this strategy enables us to acquire land at a reasonably low cost while commanding a premium in the sales price through our quality products integrated with our Smart Home solutions.

Our business operations consist of three principal business segments: (i) property development and sales; (ii) property management services; and (iii) investment and operation of commercial properties. With respect to property development and sales, we strive to develop high-quality residential properties primarily for affluent mid- to high-end customers, a fast growing demographic in China. We are also engaged in the development of commercial and mixed-use properties in order to diverse our revenue stream. As of June 30, 2018, we had a property portfolio of 142 projects across 36 cities in 11 provinces, two cities in an autonomous region and one municipality nationwide. In addition, we also participated in 30 projects through joint ventures and associates. The total GFA of our land reserve was 40.0 million sq.m. For details of our projects, see "Business — Property Development and Sales — Portfolio of Our Property Developments Projects" and "Business — Property Development and Sales — Our Projects."

We derive our revenue principally from the sales of properties we developed, including residential, commercial and mixed-use properties. We also generate a portion of our revenue from residential and commercial property management service to properties developed by us and other property developers. In addition, we also retain a small portion of our properties as investment properties to generate rental income and enjoy the benefit of any appreciation in property value. Apart from that, we are also engaged in the operations of hotels developed by us through leaseback model, and we are now developing cultural-tourism project and generate a very small portion of revenue from our operation of cultural-tourism project. Our business operations have experienced significant growth during the Track Record Period. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our revenue amounted to RMB8,312.7 million, RMB11,992.3 million, RMB17,716.9 million, RMB2,200.9 million and RMB4,845.4 million, respectively. During the same period, the profit and total comprehensive income for the year/period was RMB383.5 million, RMB993.3 million, RMB1,893.6 million, RMB379.9 million and RMB679.3 million, respectively. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, we achieve gross margin of 21.5%, 22.8%, 27.6%, 33.7% and 33.5%, respectively, with net profit margin of 4.6%, 8.3%, 10.7%, 17.3% and 14.0%, respectively.

We believe that our strong brand recognition, distinctive market positioning with differentiated products delivering Smart Home solutions, together with our strong land sourcing capabilities, standardized operations and our strong execution capability, all of which have contributed to our growth and have enabled us to replicate our success as we grow in our target markets.

BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the "History, Reorganization and Group Structure — The Reorganization", our Company acts as the holding company of our Group and was established in the Cayman Islands on November 29, 2017.

Immediately prior to and after the Reorganization, our Group's business is held by Midea Construction (BVI) and was and will continue to be conducted through Midea Construction (BVI). Pursuant to the Reorganization, our Group's business is transferred to and held by our Company.

The Reorganization involved only the insertion of our Company into the shareholding structure as the holding company of Midea Construction (BVI). Our Company had not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a reorganization of our Group's Business with no change in the management and the ultimate Controlling Shareholders. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of our Group's business conducted under Midea Construction (BVI). The consolidated balance sheet of the Group as of December 31, 2015, 2016, 2017 and three months ended March 31, 2018 has been prepared and presented using the carrying amounts of the income, expenses, assets and liabilities of the consolidated financial statements of Midea Construction (BVI) for all periods presented.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Economic Conditions and Regulatory Environment in the PRC

The overall economic growth and urbanization in the cities and regions that we operate and intend to operate are expected to continue to impact our business and operating results. The overall economic growth in the PRC and the rate of urbanization will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. Such macroeconomic dynamics and policies have in the past affected and will likely continue to affect the supply and demand for properties and property pricing trends in the cities and regions where we operate and intend to operate.

In addition, our business and operating results have been, and will continue to be, significantly affected by governmental policies and regulations in the PRC, in particular those relating to property market. In the past few years, the PRC government implemented a series of measures to control the overheated property market, which aim to discourage speculative investments and increase the supply of affordable residential properties. From time to time, the central and local governments adjust or introduce policies and regulations relating to land grants, pre-sales of properties, bank financing and taxation, planning and zoning, building design and construction, which have significantly impacted the availability and cost of financing for property developers, including us. In addition, restrictive regulations may also affect the availability and cost of financing for potential property purchasers, such as higher minimum down payment requirements, higher mortgage rates provided by commercial banks, restrictions on the number of properties local residents may purchase and increasing taxes on title transfer and property ownership. We focus on property development in tier-two, tier-three and selected tier-four cities in the PRC, where we believe are less susceptible to the restrictive measures and will continue to benefit from the continued economic growth and urbanization, as well as the government policies to foster the continued growth of the property market in the PRC.

Furthermore, our continuing growth depends, to a significant extent, on our ability to expand into other regions and cities. We intend to further expand into cities in the five major economic regions we currently operate and may enter into additional economic areas in the PRC in the future. We may not have the same level of familiarity with local regulatory environment, local economic conditions, local contractors, business practices, customs and customer tastes, behavior and preference. If we cannot successfully leverage our experience or understand the property market in any other cities which we target for expansion, our business, results of operations and financial position will be adversely affected.

Availability and Cost of Land in Strategically Selected Locations

Land acquisition costs are one of the major components of our cost of sales for property development. Our continued business growth is highly dependent on our ability to secure and acquire quality land parcels at reasonable prices that can yield favorable returns. During the Track Record Period, we primarily acquire land for our projects through the listing-for-sale process organized by the relevant government authorities, auctions and public tenders. We also acquire land for our projects through acquisition of equity interests in companies that hold land use rights. In addition to the above, we also acquire land by cooperating with third-party business partners through joint ventures. As the

PRC economy continues to grow and demand for commodity properties remains relatively strong, we expect competition among property developers to intensify, especially in the tier-two and tier-three cities where most of our properties are located. In addition, PRC governmental land supply policies and implementation measures are likely to further intensify competition, consequently, increase the land acquisition costs. In order to participate in the public tender, auction and listing-for-sale processes, we are required to pay a deposit upfront, which typically represents a significant portion of the actual cost of the relevant land and we are typically required to settle the land premium within one year after signing the land grant contract in accordance with relevant regulation, which have accelerated the timing of our payment for land acquisition costs and have had a significant impact on our cash flows. It is generally expected that land premiums will continue to rise in the PRC as the economy continues to grow, which may materially and adversely affect our business and operating results.

Timing of Property Development, Pre-sale and Delivery

The number of property development projects that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction cost as well as land supply. The development of a property project may take several months to even years before the commencement of pre-sale, depending on the size and difficulty of the project, and in general no revenue with respect to such project is recognized until it is recognized under the relevant accounting policy. For details discussion of revenue recognition of our property development projects, see "— Critical Accounting Policies and Estimates — Revenue Recognition — Sales of Properties." Therefore, our cash flows and results of operation vary from period to period, subject to the selling prices and the GFA pre-sold / sold and recognised in the relevant periods. In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our projects. Timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. The relevant pre-sale requirements vary from city to city and pre-sale proceeds of a project are required to be used to finance its development. As a result of the time differences between cost incurred, cash received from pre-sales and revenue recognition, our results of operation have fluctuated in the past and are likely to continue to fluctuate in the future.

Revenue and Product Mix

We derive our revenue principally from the sale of properties that we developed, including residential and commercial properties. We also generate a small portion of our revenue from property management service to the residential and commercial properties we developed and developed by other developers in the PRC. Moreover, we generate a small portion of our revenue through the operations of hotels and cultural-tourism project and we also retain a portion of our properties as investment properties to generate rental income. As a result, our results of operations, including particularly our gross margins, and the sources and amount of cash from operations, have varied and may continue to vary from period to period depending on the mix of our revenues from sale of properties, the provision of property leasing and commercial property management services and the operation of hotels and cultural-tourism project. We proactively and closely plan and manage the relative growth of our sales of properties, property management operations and commercial properties investment and operation in order to achieve and maintain a desirable revenue mix from these businesses.

With respect to the revenue we generated from sale of properties, we price our properties by taking into account various factors, including prevailing local market prices, supply and demand conditions, the type and positioning of properties being developed. The price of properties in different cities can have significant difference, so are the related land use rights costs. Therefore, our results of operations and cash flows may vary from period to period depending on the types, total GFA and the location of properties delivered and the average selling prices of these properties sold.

Construction Materials and Labor Cost

Construction costs constitute a substantial portion of our cost of sales, of which, construction materials and labor cost are the two major components. Construction costs fluctuate as a result of changes in the price of certain key construction materials, such as steel and cement. Costs for construction materials and construction labor are generally included in the contractor fees agreed between us and our general contractors. However, for certain major construction materials such as steel and cement, where the prices may fluctuate significantly, we and our contractors usually specify the price range within which the total construction contract price will remain fixed. If the price fluctuate outside such initial specified price range, we will be solely responsible for the price increase beyond the agreed scope. If we are unable to successfully pass on such increase in construction costs to our customers, we cannot sell our properties at a price level sufficient to cover all the increased costs, we will not be able to achieve our target margin and our profitability will be adversely impacted as well.

Availability and Cost of Financing

Financing is an important source of funding for property development. During the Track Record Period, we financed our operations primarily through internally generated cash flow including proceeds from the pre-sale of our properties, provision of management services and property leasing, as well as external financings, such as borrowings from commercial banks, trust financing and other financing arrangements and the issuance of corporate bonds. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those that restrict the ability of property developers to obtain bank financings. As commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, we expect that any increase in the benchmark lending rates will increase our borrowing costs. In addition, as of March 31, 2018, we had RMB15,056.4 million outstanding trust financing and other financing arrangements provided by trust financing providers and other financial institutions, which usually have a greater flexibility in terms of fund availability and repayment requirements. While trust financing providers and other financial institutions generally do not link their interest rates to the PBOC benchmark lending rates, they typically charge higher interest rates than those charged by commercial banks. The PRC government may implement more stringent measures to control risks in loan growth, which may include more stringent review procedures that trust financing providers and other financial institutions are required to adopt when considering applications for trust financing and remedial actions that they are required to take in the event of any non-compliance with applicable laws and regulations. Any such further measures that the PRC government may implement could limit the amount that trust financing providers and other financial institutions can make available for the PRC property development industry as a whole and to us. As such, any increase in interest rates offered to us and the general credit availability may significantly impact our real estate development business.

As of December 31, 2015, 2016, 2017 and March 31, 2018, our total outstanding borrowings (including bank and other borrowings and corporate bonds) amounted to RMB11,453.6 million, RMB24,359.1 million, RMB38,254.9 million and RMB43,578.7 million, respectively. The weighted average effective interest rates on our total borrowings (including bank borrowings and other loans and corporate bonds) as of December 31, 2015, 2016, 2017 and March 31, 2018 were 5.81%, 5.32%, 5.23% and 5.60%, respectively. Such borrowings include three corporate bonds in a total amount of RMB3.5 billion at a coupon rate of 4.28% and 4.80% that we issued in 2016. For more details of the issued corporate bonds, see "Business — Project Financing." We may from time to time in the future obtain further funding by accessing both the international and domestic capital markets, including but not limited to the issuance of new corporate bonds, asset-backed securities programs and debt offerings, to diversify our financing sources, secure sufficient working capital and to support our business expansion. In addition, a significant portion of our finance costs are capitalized at the time it is incurred to the extent such costs are directly attributable to the land acquisition and project construction. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign invested property developers in the PRC and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. We recorded LAT provisions of RMB162.9 million, RMB353.8 million, RMB979.4 million, RMB62.5 million and RMB234.4 million for the years ended December 31, 2015, 2016, 2017 and March 31, 2017 and 2018, respectively. We have accrued all LAT payable on our property sales and transfers in compliance with the relevant LAT laws and regulations during the Track Record Period. However, the provision for LAT requires our management to use a significant amount of judgment and estimates and we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Under such circumstances, our results of operations and cash flows may be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our critical accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in details in Note 2 to the Accountant's Report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

Revenue Recognition

Property Development and Sales

Revenues are recognized when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as we perform; or
- do not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on our efforts or inputs to the satisfaction of the performance obligation that best depict our performance in satisfying the performance obligation.

In determining the transaction price, we adjust the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognized when the purchaser obtains the physical possession or the legal title of the completed property and we have present right to payment and the collection of the consideration is probable.

Property management

Revenues from rendering of property management services are recognized in the accounting period in which the related services are rendered and there is rights to invoice.

Investment and operation of commercial properties

Revenues from investment and operation of commercial properties mainly include property lease income, revenues from hotel operation and cultural-tourism project.

Property lease income

Property lease income from properties letting under operating leases is recognized on a straight line basis over the term of the lease.

Hotel operation

Revenues from hotel operation are recognized in the accounting period in which the services are rendered.

Cultural-tourism project

Revenues from cultural-tourism project mainly represent revenues from rendering of tourism-related services, which are recognized in the accounting period in which the related services are rendered.

Properties under Development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalized for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. The normal operating cycle is usually between 2 and 3 years.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortized on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

Completed Properties Held for Sale

Completed properties remaining unsold at each reporting period end are stated at the lower of cost and net realizable value.

Cost comprises development costs attributable to the unsold properties.

Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

Contract assets and liabilities

Upon entering into a contract with a customer, we obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

We recognises the incremental costs of obtaining a contract with a customer within contract assets if we expects to recover these costs.

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 profit or loss 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.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where our entities operate and generate 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.

Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. Generally we are unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives us the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Estimate of Fair Value of Investment Properties

Our investment properties were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, we consider information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date. The principal assumptions for our estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

Applications of HKFRS 9 and HKFRS 15

Our historical consolidated financial information has been prepared based on our underlying financial statements, in which HKFRS 9, 'Financial instruments' ("**HKFRS 9**") and HKFRS 15, 'Revenue from contracts with customers' ("**HKFRS 15**") have been adopted and applied consistently since the beginning of, and throughout, the Track Record Period. Given that the Track Record Period spans from January 1, 2015 to March 31, 2018 by which time HKFRS 9 and HKFRS 15 would be mandatorily applied, we have adopted HKFRS 9 and HKFRS 15, in lieu of HKAS 18 'Revenue' ("**HKAS 18**") and HKAS 39 'Financial Instruments: Recognition and Measurement' ("**HKAS 39**") in the preparation of our financial statements, such that our historical consolidated financial information prepared under HKFRS 9 and HKFRS 15 is comparable on a period-to-period basis.

Nonetheless, we have carried out an internal assessments with our best efforts based on the principles set out in HKAS 18 and HKAS 39, and set forth below certain estimated key impact on our financial position and performance if HKAS 18 and HKAS 39 were adopted instead:

- ***Adoption of new impairment model***. HKFRS 9 requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses while it is based on as incurred model under HKAS 39. We have assessed that the adoption of these two different models would not result in significant difference on bad debt provision.

- ***Revenue recognition***. Revenue from pre-sales of properties under development is recognized when or as the control of the asset is transferred to the purchaser. HKFRS 15 requires revenue recognition upon control of the properties under development be transferred over time or at a point in time, depending on the terms of our pre-sales contract and the governing laws of such contracts. Control of properties under development is transferred over time when our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. When control of the property is transferred over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. However, if HKAS 18 was adopted, revenue from pre-sale of properties would be recognized at a single point in time when the risks and rewards of the completed properties are transferred to the purchasers. Based on our initial internal assessment, if HKAS 18 was applied throughout the Track Record Period, we estimate that our revenue and gross profit for each of the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 would have been decreased by approximately RMB0.9 billion, RMB0.3 billion, RMB2.1 billion and RMB1.6 billion, respectively, and RMB0.3 billion, RMB0.2 billion, RMB0.8 billion and RMB0.6 billion, respectively. However, such amounts are estimates only, since neither we had prepared, nor the reporting accountant had audited or reviewed, the consolidated financial statements of the Group for the Track Record Period prepared based on HKAS 18 and HKAS 39.

- ***Properties under development and completed properties held for sale***. As a result of changes in revenue recognition as mentioned in the preceding paragraph, we estimate that our aggregate balances of properties under development and completed properties held for sale as of December 31, 2015, 2016 and 2017 and March 31, 2018 would have decreased by approximately RMB1.9 billion, RMB2.0 billion, RMB3.3 billion and RMB4.3 billion, respectively, as a result of adoption of HKFRS 15, instead of HKAS 18 during the Track Record Period. However, such amounts are estimates only, since neither we had prepared, nor the reporting accountant had audited or reviewed, the consolidated financial statements of the Group for the Track Record Period prepared based on HKAS 18 and HKAS 39.

- ***Accounting for certain costs incurred to obtain a contract***. Under HKFRS 15, incremental costs incurred to obtain a contract are eligible to be capitalized and recognized within contract assets, and subsequently amortized when the related revenue is recognized. However, they would not have been qualified for recognition as an asset and should have been expensed off as incurred if HKAS 18 was applied throughout the Track Record Period. As of December 31, 2015, 2016, 2017 and March 31, 2018, contract assets related to the costs for obtaining contracts of approximately RMB56.2 million, RMB0.1 billion, RMB0.3 billion and RMB0.3 billion, respectively, were recognized under HKFRS 15.

- ***Contract assets and liabilities.*** HKFRS 15 requires separate presentation of contract assets and liabilities in the consolidated balance sheets. If HKAS 18 had been applied throughout the Track Record Period, contract assets in relation to the Group's unbilled amounts resulting from pre-sales of properties (when revenue recognized over time exceeds the amounts billed to the property purchasers) of approximately RMB0.4 billion, RMB0.6 billion, RMB0.8 billion and RMB1.3 billion, respectively, as of December 31, 2015, 2016, 2017 and March 31, 2018 would not have been recognized as an asset. In addition, this would also result in some reclassifications in relation to the Group's unsatisfied performance obligations to contract liabilities, which however would have been presented as 'advances from customers' under HKAS 18. As of December 31, 2015, 2016, 2017 and March 31, 2018, contract liability of approximately RMB10.8 billion, RMB17.9 billion, RMB36.4 billion and RMB41.1 billion, respectively, were recognized accordingly under HKFRS 15.

- ***Net profit and net assets.*** If HKAS 18 was applied instead of HKFRS 15 throughout the Track Record Period, we roughly estimate that our net profit and net assets as at/for the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 would have been affected as follows:

	As of/For the year ended December 31,			As of/ For the three months ended March 31,
	2015	2016	2017	2018
	RMB billion	RMB billion	RMB billion	RMB billion
Decrease in net profit	0.2	0.2	0.7	0.3
Decrease in net assets	0.3	0.5	1.2	1.5

However, the above amounts are estimates only, since neither we had prepared, nor the reporting accountant had audited or reviewed, the consolidated financial statements of the Group for the Track Record Period based on HKAS 18 and HKAS 39.

Taking into account the estimated impact disclosed above, we consider that the impact on our financial position and performance during the Track Record Period would be insignificant if HKAS 39, instead of HKFRS 9, had been applied; while the impact on our financial position and performance during the Track Record Period would be significant if HKAS 18, instead of HKFRS 15, had been applied.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of comprehensive income, for the period indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (unaudited)	(%)	RMB'000	(%)
Revenue	8,312,707	100.0	11,992,340	100.0	17,716,924	100.0	2,200,923	100.0	4,845,449	100.0
Cost of sales	(6,524,565)	(78.5)	(9,263,426)	(77.2)	(12,819,864)	(72.4)	(1,460,107)	(66.3)	(3,221,173)	(66.5)
Gross profit	**1,788,142**	**21.5**	**2,728,914**	**22.8**	**4,897,060**	**27.6**	**740,816**	**33.7**	**1,624,276**	**33.5**
Other income and gains — net	76,060	0.9	235,224	2.0	334,702	1.9	24,935	1.1	169,371	3.5
Gains arising from changes in fair value of and transfer to investment properties	10,424	0.1	33,039	0.3	18,801	0.1	4,092	0.2	455	0.0
Selling and marketing expenses	(376,245)	(4.5)	(586,257)	(4.9)	(807,877)	(4.6)	(108,686)	(4.9)	(223,707)	(4.6)
Administrative expenses	(409,240)	(4.9)	(459,895)	(3.8)	(805,352)	(4.5)	(135,474)	(6.2)	(321,167)	(6.6)
Operating profit	**1,089,141**	**13.1**	**1,951,025**	**16.3**	**3,637,334**	**20.5**	**525,683**	**23.9**	**1,249,228**	**25.8**
Finance (costs)/income — net	(264,637)	(3.2)	(221,503)	(1.8)	(31,329)	(0.2)	43,447	2.0	(14,488)	(0.3)
Share of results of joint ventures and associates	(321)	0.0	(4,492)	0.0	2,118	0.0	(2,477)	(0.1)	(8,613)	(0.2)
Profit before income tax	**824,183**	**9.9**	**1,725,030**	**14.4**	**3,608,123**	**20.4**	**566,653**	**25.7**	**1,226,127**	**25.3**
Income tax expenses	(440,679)	(5.3)	(731,719)	(6.1)	(1,714,554)	(9.7)	(186,713)	(8.5)	(546,852)	(11.3)
Profit and total comprehensive income for the year/period	**383,504**	**4.6**	**993,311**	**8.3**	**1,893,569**	**10.7**	**379,940**	**17.3**	**679,275**	**14.0**
Attributable to:										
Owners of the Company	391,076	4.7	1,007,387	8.4	1,912,442	10.8	379,177	17.2	668,369	13.8
Non-controlling interests	(7,572)	(0.1)	(14,076)	(0.1)	(18,873)	(0.1)	763	0.0	10,906	0.2
	383,504	**4.6**	**993,311**	**8.3**	**1,893,569**	**10.7**	**379,940**	**17.3**	**679,275**	**14.0**

DESCRIPTION OF CERTAIN MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue during the Track Record Period consists of revenue derived from (i) property development and sales, (ii) property management services, and (iii) investment and operation of commercial properties. The table below sets forth our revenue for each of the components described above and the percentage of total revenue represented for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (unaudited)	(%)	RMB'000	(%)
Property development and sales	8,114,160	97.6	11,710,073	97.6	17,330,213	97.8	2,123,866	96.5	4,724,039	97.5
Property management services[(i)]	98,120	1.2	143,302	1.2	232,803	1.3	48,534	2.2	80,481	1.7
Investment and operation of commercial properties										
— Property lease income	7,767	0.1	9,980	0.1	39,126	0.2	5,732	0.3	9,914	0.2
— Hotel operation	92,002	1.1	118,194	1.0	67,331	0.4	16,120	0.7	2,463	0.1
— Cultural-tourism project	658	0.0	10,791	0.1	47,451	0.3	6,671	0.3	28,552	0.5
Total	**8,312,707**	**100.0**	**11,992,340**	**100.0**	**17,716,924**	**100.0**	**2,200,923**	**100.0**	**4,845,449**	**100.0**

Note:

(i) Revenue from rendering of property management services represented the revenue from rendering of property management services to customers outside the Group. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, the revenue from property management services (including revenue from companies comprising the Group) amounted to RMB181.2 million, RMB272.6 million, RMB441.9 million, RMB85.2 million and RMB130.7 million, respectively.

Property Development and Sales

Revenue from property development and sales has constituted, and is expected to continue to constitute, a substantial majority of our total revenue. Our operating results for any given period are dependent upon the GFA and the selling prices of the properties we delivered during such period and the market demand for those properties. Conditions of the property markets change from period to period and are affected by the economic, political and regulatory developments in the PRC in general as well as in the cities and regions in which we operate. During the Track Record Period, our GFA recognized fluctuated from period to period depending on the size of the projects and the stage of their development. The recognized ASP of properties sold also fluctuated from period to period depending on the selling prices for properties in cities and regions where we developed and sold property development projects.

The table below sets forth our total revenue recognized from sale of properties, the aggregate GFA recognized, the recognized ASP per sq.m. for the periods and regions indicated:

	For the Year Ended December 31,									For the Three Months Ended March 31,					
	2015			2016			2017			2017			2018		
	GFA Recognized	Recognized Revenue	ASP	GFA Recognized	Recognized Revenue	ASP	GFA Recognized	Recognized Revenue	ASP	GFA Recognized	Recognized Revenue	ASP	GFA Recognized	Recognized Revenue	ASP
	(sq.m.)	RMB'000	(RMB/ sq.m.)	(sq.m.)	RMB'000	(RMB/ sq.m.)	(sq.m.)	RMB'000	(RMB/ sq.m.)	(sq.m.)	RMB'000 (unaudited)	(RMB/ sq.m.)	(sq.m.)	RMB'000	(RMB/ sq.m.)
Pearl River Delta Economic Region	388,226	2,964,194	7,635	378,051	3,293,295	8,711	706,097	6,546,990	9,272	134,178	983,093	7,327	186,694	1,611,837	8,634
Yangtze River Delta Economic Region	240,815	1,800,427	7,476	446,134	2,659,356	5,961	480,473	3,064,220	6,378	39,206	259,375	6,616	52,111	418,479	8,031
Southwest China Economic Region	183,963	1,382,286	7,514	346,745	2,223,218	6,412	384,826	2,970,404	7,719	79,200	613,192	7,742	162,317	1,215,536	7,489
Midstream of Yangtze River Economic Region	151,784	740,013	4,875	273,205	1,243,485	4,551	310,423	1,669,769	5,379	22,515	127,452	5,661	137,698	792,608	5,756
Bohai Economic Zone	199,730	1,227,240	6,144	399,020	2,290,719	5,741	565,857	3,078,830	5,441	33,136	140,754	4,248	123,588	685,579	5,547
Total	**1,164,518**	**8,114,160**	**6,968**	**1,843,155**	**11,710,073**	**6,353**	**2,447,676**	**17,330,213**	**7,080**	**308,235**	**2,123,866**	**6,890**	**662,408**	**4,724,039**	**7,132**

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. In general, there is a time difference, typically from 12 months to 18 months, between the time we commence the pre-selling properties under development and the delivery of such properties. In general, we recognize revenue from the pre-sales of the properties either (i) such properties are completed and the possession of such properties has been delivered to the customers; or (ii) for properties which are recognizes over time, we will recognize portion of the pre-sales revenue with reference to the progress of the construction and development of the properties. Proceeds from customers of pre-sold properties are recorded as "contract liabilities" under the current liabilities before relevant sales revenue is recognized. Since the revenue from sale of properties are only recognized upon the delivery of properties or with reference to the progress of the development project, the timing of such delivery may affect not only the amount and growth rate of our revenue from sale of properties but also may cause contract liabilities to fluctuate from period to period.

Property management services

Our property management services represent revenue generated from residential and commercial property management services that we provide to residential and commercial properties through our subsidiary, Midea Property Management. Property management revenue is recognized over the period when our property management services are rendered. During the Track Record Period, revenue from property management in absolute amount increased substantially, primarily due to the continued growth of our residential properties completed and under our management, such as our residential property development projects completed in Guiyang, Zunyi, Zhenjiang and Handan and other properties developed by other property developers and under our management.

Investment and operation of Commercial properties

Our investment and operation of commercial properties mainly include leasing of commercial properties, the operations of hotels and cultural-tourism project.

Leasing of Commercial Property

We generate commercial property rental income primarily from the leasing of our investment properties, such as shopping malls and offices. Commercial property rental income is recognized on a straight line basis over the relevant lease terms. As of March 31, 2018, commercial properties that we developed were in operation and open to the public, in which we retained certain commercial shops and spaces as investment properties to generate rental income included the Foshan Midea Xinduhui Mall (佛山美的新都薈) and Zhuzhou Midea Times Square (株洲美的時代廣場). We also engage in subleasing the commercial shops and spaces within the Xuzhou Midea Mall (徐州美的廣場) which was developed by us and sold to independent third party buyers.

The table below sets forth the breakdown of our revenue from rental income by our commercial properties for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (unaudited)	(%)	RMB'000	(%)
Foshan Midea Xinduhui Mall (佛山美的新都薈)	—	—	870	8.7	14,910	38.1	885	15.4	4,634	46.7
Zhuzhou Midea Times Square (株洲美的時代廣場)	4,514	58.1	5,712	57.2	9,475	24.2	1,258	21.9	2,799	28.2
Xuzhou Midea Mall (徐州美的廣場)	—	—	19	0.2	5,324	13.6	821	14.3	1,348	13.6
Offices[(1)]	1,582	20.4	1,675	16.8	1,541	3.9	294	5.1	432	4.4
Other commercial properties and space[(2)]	1,671	21.5	1,704	17.1	7,876	20.2	2,474	43.3	701	7.1
	7,767	100.0	9,980	100.0	39,126	100.0	5,732	100.0	9,914	100.0

Notes:

(1) Offices consist of office premises in Shenzhen Spinning Building (深紡大廈) and Yangcheng Building (羊城商貿大廈). In January 2018, we transferred the office premises in Yangcheng Building (羊城商貿大廈) out from our investment property portfolio into our fixed assets portfolio for our self use as office premises.

(2) Other commercial properties and space primarily include kindergarten school, which we had disposed of in February 2017, Foshan Coastal Garden Club (海岸花園會所), car parks and stores.

Hotel Operations

Our revenue from hotel operations mainly represents hotel room rent generated from our Marriott Hotels in Zhuzhou and Shunde and Lavande Hotel in Xuzhou. This revenue is recognized over the period when such services are rendered. During the Track Record Period, we had disposed of both Marriott Hotels as part of the Reorganization. For details, see ''History, Reorganization and Group Structure — The Reorganization'' and ''Relationship with Our Controlling Shareholders — Delineation of Business — Other Businesses of our Ultimate Controlling Shareholders — (b) Hotel Investment and operations in Foshan, Guangdong Province and Zhuzhou, Hunan Province.''

The following table sets forth a breakdown of the revenue generated by our hotels operations for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (unaudited)	(%)	RMB'000	(%)
Marriot Hotel, Zhuzhou	18,615	20.2	26,355	22.3	52,637	78.2	12,303	76.3	—	—
Marriot Hotel, Shunde	73,387	79.8	91,839	77.7	—	—	—	—	—	—
Lavande Hotel, Xuzhou	—	—	—	—	14,694	21.8	3,817	23.7	2,463	100.0
Total	**92,002**	**100.0**	**118,194**	**100.0**	**67,331**	**100.0**	**16,120**	**100.0**	**2,463**	**100.0**

Cultural-tourism project

We also generate a small portion of our revenue from our operation of cultural-tourism project. As of March 31, 2018, we had one cultural-tourism project in operation and under construction at the same time, i.e. Midea Egret Lake Forest Resort (美的鷺湖森林度假區) (the ''**Midea Egret Lake Forest Resort**''). For details of our cultural-tourism project, see ''Business — Cultural-Tourism Project.

Cost of Sales

Our cost of sales primarily represents the costs we incur directly for the property development activities, the provision of property management services and others. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our cost of sales was RMB6,524.6 million, RMB9,263.4 million, RMB12,819.9 million, RMB1,460.1 million and RMB3,221.2 million, respectively, equivalent to approximately 78.5%, 77.2%, 72.4%, 66.3% and 66.5% of our revenue for the respective periods.

The table below sets forth information relating to our cost of sales for our major business segments and as percentage of total cost of sales for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (unaudited)	(%)	RMB'000	(%)
Cost of property development and sales:										
Construction costs	3,649,612	55.9	5,299,619	57.2	7,607,128	59.3	883,709	60.5	1,921,683	59.7
Land costs	1,731,758	26.5	2,525,314	27.3	3,600,102	28.1	387,336	26.5	933,891	29.0
Capitalized interest expenses	429,386	6.6	614,411	6.6	731,680	5.7	40,917	2.8	162,495	5.0
Business taxes and other levies relating to property development and sales	460,754	7.1	479,397	5.2	422,286	3.3	61,945	4.2	69,593	2.2
Sub total	6,271,510	96.1	8,918,741	96.3	12,361,196	96.4	1,373,907	94.1	3,087,662	95.9
Cost of property management services	157,710	2.4	221,130	2.4	367,073	2.9	65,059	4.5	108,198	3.4
Others[(1)]	95,345	1.5	123,555	1.3	91,595	0.7	21,141	1.4	25,313	0.7
Total	6,524,565	100.0	9,263,426	100.0	12,819,864	100.0	1,460,107	100.0	3,221,173	100.0

Note:

(1) Primarily include cost of sales in connection with the investment and operation of commercial properties.

The following table sets forth certain other data regarding our cost of sales for our property development and sale for the periods indicated:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total GFA recognized (sq.m.)	1,164,518	1,843,155	2,447,676	308,235	662,408
Average cost per sq.m. sold (RMB)[(1)]	5,385	4,839	5,050	4,457	4,661
Average cost as % of ASP	77.3%	76.2%	71.3%	64.7%	65.4%
Average land cost per sq.m. sold (RMB)[(2)]	1,487	1,370	1,471	1,257	1,410
Average land cost as % of ASP	21.3%	21.6%	20.8%	18.2%	19.8%

Notes:

(1) Refers to the average cost of our property development and sales and is derived by dividing the sum of construction costs, land costs, capitalized interest and business taxes and other levies for a period by the total GFA recognized in that period.

(2) Refers to the average land cost of our property development and sales and is derived by dividing the land costs for a period by the total GFA recognized in that period.

Cost of property development and sales

Our cost of sales for our property development mainly include direct construction costs, land costs, capitalized interest costs on borrowings and business taxes and levies related to property sales during the period of construction.

Construction costs

Construction costs include all the costs incurred for the design and construction of a project, primarily consisting of payments to our contractors, including those responsible for civil engineering, construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs are affected by a number of factors, including the type and geographic condition of the properties being constructed, the contractor we engaged or the type and amount of construction materials to be used by our contractors, which may vary from city to city or project to project. Historically, construction material costs and labor costs, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, has been a primary contributing factor in terms of fluctuations in our construction costs.

The table below sets forth a sensitivity analysis for our construction costs illustrating, for the periods indicated, their impact on our profit before taxation if our construction costs had been 5% higher or lower, assuming all other variables remained constant.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Increase/(decrease) in profit before taxation					
If construction costs per sq.m. had been 5% lower	182,481	264,981	380,356	44,185	96,084
As a percentage of profit before taxation	22.1%	15.4%	10.5%	7.8%	7.8%
If construction costs per sq.m. had been 5% higher	(182,481)	(264,981)	(380,356)	(44,185)	(96,084)
As a percentage of profit before taxation	(22.1%)	(15.4%)	(10.5%)	(7.8%)	(7.8%)

Land costs

Land costs include costs relating to acquisition of the rights to occupy, use and develop land and primarily land premiums incurred in connection with a land grant from the PRC government or land obtained by transfers, cooperative arrangements, corporate acquisitions or otherwise. These costs for a project are affected by a number of factors, such as the location of the underlying property, the project's plot ratios, regional property market condition, the timing of the land acquisition, the method of acquisition and changes in PRC promulgated policies and regulations. See "Risk Factors — We may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices or at all in the future, which may affect our business, financial condition, results of operations and prospects" for the relevant risk in relation to our land costs.

The table below sets forth a sensitivity analysis for our land acquisition costs, illustrating, for the periods indicated, the impact on our profit before taxation if our land acquisition costs had been 5% higher or lower, assuming all other variables were held constant.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Increase/(decrease) in profit before taxation					
If land costs per sq.m. had been 5% lower	86,588	126,266	180,005	19,367	46,695
As a percentage of profit before taxation	10.5%	7.3%	5.0%	3.4%	3.8%
If land costs per sq.m. had been 5% higher	(86,588)	(126,266)	(180,005)	(19,367)	(46,695)
As a percentage of profit before taxation	(10.5%)	(7.3%)	(5.0%)	(3.4%)	(3.8%)

As land costs vary by location and as we recognize land acquisition costs only when we recognize revenue under the relevant accounting policy, our total land costs per sq.m. vary from period to period due to differences in the composition of the total GFA recognized by each project. For example, a significant proportion of our total GFA recognized in a certain period may be in locations with relatively low land acquisition costs, resulting in relatively low total land acquisition costs per sq.m. for that period, while, in another period, a significant proportion of our total GFA recognized may be in locations with relatively high land acquisition costs, resulting in relatively high total land acquisition costs per sq.m. for that period. As the location of our completed properties and GFA recognized in future periods will vary from past periods, the above sensitivity analysis is for reference only and should not be unduly relied upon.

Our average land cost per sq.m. for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018 was RMB1,487, RMB1,370, RMB1,471, RMB1,257 and RMB1,410 respectively. The average land acquisition cost per sq.m. has been calculated by dividing the land cost for the period by the recognized GFA for the respective period.

Capitalized interest

We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the construction of a particular project. Finance costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated statements of comprehensive income in the period in which they are incurred.

Business taxes and other levies

Business taxes and other levies primarily includes business tax, city maintenance and construction tax and other tax surcharges.

Cost of property management services

Our cost of property management primarily includes staff costs, labor costs, maintenance fees, utility costs, depreciation expenses of our office premises and other miscellaneous fees.

Gross Profit and Gross Profit Margin

Our gross profit for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018 was RMB1,788.1 million, RMB2,728.9 million, RMB4,897.1 million, RMB740.8 million and RMB1,624.3 million, respectively. Our gross profit margin for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018 was 21.5%, 22.8%, 27.6%, 33.7% and 33.5%, respectively.

In addition, our gross profit for our property development and sales for the years ended December 31, 2015, 2016, 2017 and March 31, 2017 and 2018 was RMB1,842.7 million, RMB2,791.3 million, RMB4,969.0 million, RMB750.0 million and RMB1,636.4 million. Our gross profit margin for our property development and sale for the years ended December 31, 2015, 2016, 2017 and March 31, 2017 and 2018 was 22.7%, 23.8%, 28.7%, 35.3% and 34.6%, respectively.

Other Income and Gains

Our other income and gains primarily consist of gains on financial assets at fair value through profit or loss, management and consulting service income, gains on disposal of subsidiaries, government subsidy income, gains on disposal of associate and others. Gains on financial assets at fair value through profit or loss primarily consists of our investment in wealth management products to manage our idle capital. Management and consulting service income primarily represents our management services offer to independent third party in property development projects. Others primarily represents forfeited deposits received from certain potential purchasers who did not subsequently entered into sales contracts with us, penalties received from certain purchasers due to their breach of sales or pre-sales contracts with us, and income generated from design service.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (unaudited)	(%)	RMB'000	(%)
Other income										
Management and consulting service income	4,338	5.7	30,829	13.1	45,872	13.7	2,456	9.8	6,370	3.8
Government subsidy income	1,209	1.6	3,213	1.4	8,637	2.6	1,014	4.1	1,717	1.0
Compensation income[1]	—	—	—	—	—	—	—	—	110,174	65.0
Subtotal	5,547	7.3	34,042	14.5	54,509	16.3	3,470	13.9	118,261	69.8
Other gains — net										
Realized and unrealized gains on financial assets at fair value through profit or loss	76,907	101.1	157,653	67.0	217,926	65.1	19,527	78.3	46,616	27.5
Gains on disposal of subsidiaries	3,438	4.5	22,011	9.4	26,640	8.0	—	—	3,657	2.2
Gain on disposal of an associate	724	1.0	—	—	—	—	—	—	—	—
(Losses)/gains on disposal of property, plant and equipment, investment properties and intangible assets	(20)	(0.0)	233	0.1	—	—	(2)	(0.0)	(149)	(0.1)
Others[2]	(10,536)	(13.9)	21,285	9.0	35,627	10.6	1,940	7.8	986	0.6
Subtotal	70,513	92.7	201,182	85.5	280,193	83.7	21,465	86.1	51,110	30.2
Other income and gains — net	**76,060**	**100.0**	**235,224**	**100.0**	**334,702**	**100.0**	**24,935**	**100.0**	**169,371**	**100.0**

Notes:

(1) This is a compensation payment received from an independent third-party due to its breach of contract in 2018.

(2) Others primarily include income from design services, forfeiture of deposits paid by purchasers and late payment penalties incurred by purchasers.

Gains arising from changes in fair value of and transfer to investment properties

We develop and hold certain investment properties on a long-term basis for rental income or capital appreciation. Our investment properties are recorded as non-current assets in our consolidated balance sheets at fair value as of each balance sheet date as determined by independent valuations. Gains or losses arising from changes in the fair value of our investment properties and transfer to investment properties are accounted for as gains or losses in our consolidated statements of comprehensive income, which may have an effect on our profits. The valuation of property involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties and transfer to investment properties may have been higher or lower if a different set of bases or assumptions is used. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow for our operations. The amounts of fair value adjustments have been, and may continue to change based on property market conditions in China. Our investment properties are appraised annually by our independent property valuer. The fair value gains on investment properties and transfer to investment properties for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2018 were RMB10.4 million, RMB33.0 million, RMB18.8 million and RMB0.5 million, respectively, which are primarily related to the (i) appreciation in value of our properties, in particular Zhuzhou Midea Times Square (株洲美的時代廣場) and Foshan Midea Xinduhui Mall (佛山美的新都薈廣場); and (ii) revaluation gains from transfer of certain property development projects to our investment properties portfolio upon completion of construction.

The fair value of completed investment properties is determined by the income capitalization method by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalization rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of marketing and advertising expenses, employee benefit expenses in connection with our selling and marketing staffs, amortization of contract assets, office expenses, traveling and entertainment expenses and others. Marketing and advertising expenses primarily include costs incurred in connection with advertisement in newspaper and magazines, promotional offers made directly to our customers and certain other promotional events. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our selling and marketing expenses were RMB376.2 million, RMB586.3 million, RMB807.9 million, RMB108.7 million and RMB223.7 million, respectively.

The following table sets forth a breakdown of key components of our selling and marketing expenses, as percentages of revenue, for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (unaudited)	(%)	RMB'000	(%)
Marketing and advertising expenses	174,219	2.1	287,654	2.4	343,511	1.9	47,422	2.2	102,286	2.1
Employee benefit expenses	98,145	1.2	157,958	1.3	218,086	1.2	33,904	1.5	58,500	1.2
Amortization of cost for obtaining contracts	38,878	0.5	70,304	0.6	145,065	0.8	11,412	0.5	43,252	0.9
Office expenses	39,078	0.5	43,883	0.4	68,037	0.4	9,531	0.4	10,754	0.2
Traveling and entertainment expenses	6,098	0.1	5,448	0.0	11,533	0.1	1,117	0.1	3,336	0.1
Depreciation	2,451	0.0	2,513	0.0	2,586	0.0	762	0.0	723	0.0
Rental expenses	1,272	0.0	1,743	0.0	5,774	0.0	954	0.0	1,126	0.0
Others(1)	16,104	0.2	16,754	0.1	13,285	0.1	3,584	0.2	3,730	0.1
Total	**376,245**	**4.6**	**586,257**	**4.8**	**807,877**	**4.5**	**108,686**	**4.9**	**223,707**	**4.6**

Note:

(1) Mainly comprise of maintenance fees of equipment and decoration fees relating to our real estate sales centers.

Administrative Expenses

Administrative expenses primarily consist of employee benefit expenses in connection with administrative staffs, taxes and surcharges such as land use right tax and property tax, bank charges, traveling and entertainment expenses, office expenses, rental expenses and others.

The following table sets forth a breakdown of key components of our administrative expenses, and as percentages of revenue, for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (unaudited)	(%)	RMB'000	(%)
Employee benefit expenses	178,036	2.1	193,493	1.6	364,044	2.1	80,906	3.7	163,250	3.4
Taxes and surcharges(1)	64,687	0.8	55,911	0.5	97,868	0.6	15,856	0.7	36,332	0.7
Bank charges	26,274	0.3	36,288	0.3	85,086	0.5	5,752	0.3	24,246	0.5
Traveling and entertainment expenses	30,126	0.4	40,882	0.3	69,385	0.4	10,101	0.5	16,906	0.3
Office expenses	10,893	0.1	17,521	0.1	30,793	0.2	4,637	0.2	9,488	0.2
Provision for impairment of trade and other receivables	3,514	0.0	15,620	0.1	29,090	0.2	971	0.0	9,655	0.2
Rental expenses	4,394	0.1	4,498	0.0	14,805	0.1	1,884	0.1	5,145	0.1
Depreciation	4,903	0.1	7,730	0.1	12,537	0.1	1,421	0.1	3,180	0.1
Professional service fees										
— Listing related expenses	—	—	—	—	1,060	0.0	—	—	7,605	0.2
— Others	4,318	0.1	16,882	0.1	22,864	0.1	3,127	0.1	6,751	0.1
Amortization of land use rights and intangible assets	1,935	0.0	3,008	0.0	6,329	0.0	1,525	0.1	1,362	0.0
Property management fees	9,913	0.1	3,962	0.0	3,341	0.0	980	0.0	552	0.0
Auditor's remuneration — Audit services	2,254	0.0	3,288	0.0	3,824	0.0	1,246	0.1	3,374	0.1
Others(2)	67,993	0.8	60,812	0.5	64,326	0.4	7,068	0.3	33,321	0.7
Total	**409,240**	**4.9**	**459,895**	**3.8**	**805,352**	**4.5**	**135,474**	**6.2**	**321,167**	**6.6**

Notes:

(1) Mainly includes land use right tax, property tax and stamp duty.

(2) Mainly includes preliminary expenses relating to establishment of new business entities and royalty fees.

Finance Costs/(Income), Net

Our net finance costs primarily consist of interest expenses for bank and other borrowings and our corporate bonds issued in 2016 net of capitalized interest relating to properties under development. For details of our corporate bonds issued in 2016, see "Business — Project Financing". Since the construction period for a project does not necessarily coincide with the interest payment periods of the relevant loan, not all of the interest costs related to a project can be capitalized. Our finance costs fluctuate from period to period depending on the level of total interest expenses as well as the level of interest costs that are capitalized within the reporting period.

Our foreign exchange (loss)/gain on financing activities during the Track Record Period mainly resulted from our bank deposits and borrowings denominated in HKD and USD. The appreciation of RMB contributed to our foreign exchange gain on such HKD-denominated and USD-denominated bank borrowings and foreign exchange loss on our HKD-denominated and USD-denominated bank deposits. Conversely, the depreciation of RMB contributed to our foreign exchange loss on such HKD-denominated and USD-denominated bank borrowings and foreign exchange gain on our HKD-denominated and USD-denominated bank deposits.

The following table sets forth a breakdown of net finance costs, for the periods indicated:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Finance Costs					
Interest Expenses					
Bank and other borrowings	730,013	707,322	1,518,276	255,736	569,854
Corporate bonds	—	116,171	169,062	42,265	42,309
Less	730,013	823,493	1,687,338	298,001	612,163
Capitalized interest	(633,974)	(823,493)	(1,424,798)	(298,001)	(612,163)
	96,039	—	262,540	—	—
Net foreign exchange losses on financing activities	195,416	251,113	—	—	59,782
	291,455	251,113	262,540	—	59,782
Finance Income					
Interest income[1]	(26,818)	(29,610)	(75,862)	(18,999)	(45,294)
Net foreign exchange gains on financing activities	—	—	(155,349)	(24,448)	—
	(26,818)	(29,610)	(231,211)	(43,447)	(45,294)
Finance costs/(income), net	**264,637**	**221,503**	**31,329**	**(43,447)**	**14,488**

Note:

(1) Interest income mainly from bank deposits.

Income Tax Expenses

Income tax expenses represent corporate income tax, withholding income tax on profits distributed and LAT payable by our subsidiaries in the PRC. We calculate our effective corporate income tax rate (deducting the tax effect from LAT) by using the quotient of (a) the result of current corporate income tax plus deferred income tax, divided by (b) the result of profit before income tax minus LAT. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our effective corporate income tax rate was 42.0%, 27.6%, 28.0%, 24.6% and 31.5%, respectively. The relatively higher effective corporate income tax rate in 2015 was primarily due to the non-deductible losses on net foreign exchanges losses on financing activities in 2015.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
Corporate income tax	356,584	383,117	1,026,284	140,822	162,507
Withholding income tax on profits distributed	12,514	12,232	5,000	—	—
LAT	162,924	353,796	979,364	62,533	234,386
Deferred income tax	(91,343)	(17,426)	(296,094)	(16,642)	149,959
Income tax expenses	440,679	731,719	1,714,554	186,713	546,852
Effective corporate income tax rate(1)	42.0%	27.6%	28.0%	24.6%	31.5%

Note:

(1) Calculated effective corporate income tax rate (deducting the tax effect from LAT) by using the quotient of (a) result of current corporate income tax plus deferred income tax, divided by (b) the result of profit before income tax minus LAT.

Corporate Income tax

Pursuant to the EIT Law, a uniform 25% corporate income tax rate is generally applied to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. Our Company and our subsidiaries are subject to the 25% enterprise income tax rate.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. Our direct subsidiary in the BVI was incorporated under the BVI Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax. Hong Kong Profits Tax was calculated at 16.5% of the assessable profit during the Track Record Period.

Withholding Income Tax on Profits Distributed

Withholding income tax is provided on the dividends to be distributed by our PRC subsidiaries. Our overseas holding company had successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from our PRC subsidiaries. Accordingly, we have been provided at 5% of the dividend in withholding income tax to be distributed by our PRC subsidiaries.

LAT

Under PRC laws and regulations, our subsidiaries in the PRC that are engaged in the property development business are subject to LAT as determined by the local authorities in the location in which each project is located. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including charges for land use rights and all property development expenditures, and is included in the consolidated statements of comprehensive income as income tax expense.

In addition, we make provisions for LAT by reference to our recognized sales and in accordance with our estimates of the LAT which will be payable under relevant PRC laws and regulations. During the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, we made LAT provisions of RMB162.9 million, RMB353.8 million, RMB979.4 million, RMB62.5 million and RMB234.4 million, respectively. See "Regulatory Overview — Taxes — Land Appreciation Tax" for more details on the PRC regulations on LAT.

Profit and Total Comprehensive Income for the Year/Period

For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, we had profit and total comprehensive income of RMB383.5 million, RMB993.3 million, RMB1,893.6 million, RMB379.9 million and RMB679.3 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

Revenue

Our revenue increased by 120.2% from RMB2,200.9 million for the three months ended March 31, 2017 to RMB4,845.4 million for the three months ended March 31, 2018, primarily due to the increase in revenue derived from our property development and sales.

Revenue derived from property development and sales increased by 122.4% from RMB2,123.9 million for the three months ended March 31, 2017 to RMB4,724.0 million for the three months ended March 31, 2018, primarily due to increases in the total GFA recognized and recognized ASP. Total GFA recognized increased from 308,235 sq.m. for the three months ended March 31, 2017 to 662,408 sq.m. for the three months ended March 31, 2018, primarily attributable to the sales of properties in midstream of Yangtze River Economic Region such as Nanchang Southern Midea City (南昌南部美的城), in Bohai Economic Zone, such as Shenyang Midea Square (瀋陽美的城), in Southwest China Economic Region, such as Guiyang Midea Lincheng Times Mansion (貴陽林城時代), and in Pearl River Delta Economic Region, such as Foshan Midea Minghu (佛山美的明湖), in the first three months of 2018. The recognized ASP also increased from RMB6,890 per sq.m. for the three months ended March 31, 2017 to RMB7,132 per sq.m. for the same period in 2018, primarily attributable to the general increases in recognised ASP in Pearl River Delta Economic Region and Bohai Economic Zone.

Revenue derived from our property management services increased by 66.0% from RMB48.5 million for the three months ended March 31, 2017 to RMB80.5 million for the three months ended March 31, 2018, primarily due to an increase in the GFA under management in connection with Foshan Midea West Coast (佛山美的西海岸), Zunyi Midea City (遵義美的城) and Shenyang Midea City (瀋陽美的城).

With respect to revenue from investment and operation of commercial properties, our revenue derived from property lease income increased by 73.7% from RMB5.7 million for the three months ended March 31, 2017 to RMB9.9 million for the three months ended March 31, 2018, primarily due to an increase in rentable GFA in Zhuzhou Midea Times square (株洲美的時代廣場).

Our revenue from hotel operation decreased by 84.5% from RMB16.1 million for the three months ended March 31, 2017 to RMB2.5 million for the three months ended March 31, 2018, primarily due to the disposal of Marriot Hotel, Zhuzhou in December 2017. For details, see "History, Reorganization and Group Structure — Major Acquisitions and Disposals" and "Relationship with Our Controlling Shareholders — Delineation of Business — Other Businesses of our Ultimate Controlling Shareholders — (b) Hotel Investment and operations in Foshan, Guangdong Province and Zhuzhou, Hunan Province".

Our revenue from cultural-tourism project increased by 326.9% from RMB6.7 million for the three months ended March 31, 2017 to RMB28.6 million for the three months ended March 31, 2018, primarily due to (i) increase in number of visitors; (ii) the increase in revenue entry fees received as a result of the openings of new tea garden and new theme park; and (iii) the increase in revenue from hotel operation as a result of the openings of new theme hotels in the second half of 2017, all of which are related to Midea Egret Lake Forest Resort.

Cost of Sales

Our cost of sales increased by 120.6% from RMB1,460.1 million for the three months ended March 31, 2017 to RMB3,221.2 million for the three months ended March 31, 2018, primarily reflecting the increase in cost of sales of our property development and sales, which in turn was due to (i) a significant increase in the scale of our operations as evidenced by the increase in GFA recognized for the three months ended March 31, 2018; and (ii) an increase in average cost per sq.m. sold from RMB4,457 for the three months ended March 31, 2017 to RMB4,661 for the three months ended March 31, 2018, primarily as a result of an increase in our land acquisition cost because of an increase in market prices for land acquired for projects completed and delivered in the first quarter of 2018.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 119.3% from RMB740.8 million for the three months ended March 31, 2017 to RMB1,624.3 million for the three months ended March 31, 2018. Our gross profit margin remained relatively stable at 33.7% and 33.5% for the three months ended March 2017 and 2018, respectively.

Other Income and Gains

Our other income and gains increased by 580.3% from RMB24.9 million for the three months ended March 31, 2017 to RMB169.4 million for the three months ended March 31, 2018, primarily due to a one-time compensation payment received from an independent third party due to its breach of contract in 2018, which related to our historical acquisition.

Gains Arising from Changes in Fair Value of and Transfer to Investment Properties

Our gains arising from changes in fair value of and transfer to investment properties decreased by 87.8% from RMB4.1 million for the three months ended March 31, 2017 to RMB0.5 million for the three months ended March 31, 2018, primarily due to the transfer of office premises in Yangcheng Building (羊城商貿大廈) from our investment properties portfolio to our fixed assets portfolio to be used as our own office premises.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 105.8% from RMB108.7 million for the three months ended March 31, 2017 to RMB223.7 million for the three months ended March 31, 2018, primarily due to our strengthened selling and marketing effort to promote newly-launched property development projects.

Administrative Expenses

Our administrative expenses increased by 137.0% from RMB135.5 million for the three months ended March 31, 2017 to RMB321.2 million for the three months ended March 31, 2018, primarily due to an increase in the number of our property development projects under development and planned for future development in line with our business expansion, resulting in the increases in our management and administrative headcount.

Finance Costs, net

We recorded a net finance income of RMB43.4 million for the first three months ended March 31, 2017 and net finance costs of RMB14.5 million for the three months ended March 31, 2018, primarily due to a net foreign exchange gain on financing activities in the first three months of 2017 while we had a net foreign exchange loss on financing activities in the first three months in 2018, as a result of the deprecation of RMB that contributed to the appreciation of the value of our HKD-denominated and USD-denominated borrowings.

Share of Losses of Joint Ventures and Associates

Our share of losses of joint ventures and associates for the three months ended March 31, 2017 and 2018 was RMB2.5 million and RMB8.6 million, respectively, and such increase was due to the increase in number of jointly developed projects. Most of these jointly developed projects have not recognized revenue.

Profit before Income Tax

As a result of the foregoing, our profit before tax increased by 116.4% from RMB566.7 million for the three months ended March 31, 2017 to RMB1,226.1 million for the three months ended March 31, 2018.

Income Tax Expense

Our income tax expense increased by 192.9% from RMB186.7 million for the three months ended March 31, 2017 to RMB546.9 million for the three months ended March 31, 2018, primarily due to an increase of taxable income in the first quarter of 2018.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income increased by 78.8% from RMB379.9 million for the three months ended March 31, 2017 to RMB679.3 million for the three months ended March 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 47.7% from RMB11,992.3 million in 2016 to RMB17,716.9 million in 2017, primarily due to the increase in revenue derived from our property development and sales.

Revenue derived from property development and sales increased by 48.0% from RMB11,710.1 million in 2016 to RMB17,330.2 million in 2017, primarily due to increases in the total GFA recognized and recognized ASP per GFA sold to our customers. Total GFA recognized increased from 1,843,155 sq.m. in 2016 to 2,447,676 sq.m. in 2017, primarily attributable to the sales of properties in Pearl River Delta Economic Region, such as Foshan Midea East Seaside Villa (佛山美的御海東郡), in Bohai Economic Zone, such as Shenyang Midea City (瀋陽美的城), and in Midstream of Yangtze River Economic Region, such as Zhuzhou Eastern Midea City (株洲東部美的城), in 2017. The recognized ASP increased from RMB6,353 per sq.m. in 2016 to RMB7,080 per sq.m. in 2017, primarily attributable to a general increase in the selling prices of our residential and commercial properties, particularly projects in Pearl River Delta Economic Zone, which was generally in line with the market trends.

Revenue derived from our property management services increased by 62.5% from RMB143.3 million in 2016 to RMB232.8 million in 2017, primarily due to an increase in the GFA under management in connection with Zunyi Midea City (遵義美的城), Foshan Midea West Coast (佛山美的西海岸), Shenyang Midea City (瀋陽美的城).

With respect to revenue from investment and operation of commercial properties, our revenue from property lease income increased by 291.0% from RMB10.0 million in 2016 to RMB39.1 million in 2017, primarily due to an increase in rentable GFA of our investment properties completed and put in operation following the opening of Foshan Midea Xinduhui Mall (佛山美的新都薈廣場) in December 2016.

Our revenue from hotel operation decreased by 43.1% from RMB118.2 million in 2016 to RMB67.3 million in 2017 primarily because we disposed of our Marriott Hotel in Shunde in December 2016 as part of the Reorganization. For details, see "History, Reorganization and Group Structure — The Reorganization" and "Relationship with Our Controlling Shareholders — Delineation of Business — Other Businesses of our Ultimate Controlling Shareholders — (b) Hotel Investment and operations in Foshan, Guangdong Province and Zhuzhou, Hunan Province".

Our revenue from cultural-tourism project increased by 339.8% from RMB10.8 million in 2016 to RMB47.5 million in 2017, primarily due to (i) the increase of number of visitors to Midea Egret Lake Forest Resort; and (ii) the commencement of our theme facilities, such as dry ski slope, and other facilities in 2017.

Cost of Sales

Our cost of sales increased by 38.4% from RMB9,263.4 million in 2016 to RMB12,819.9 million in 2017, primarily reflecting an increase in cost of sales of our property development and sales, which in turn was due to (i) a significant increase in the scale of our operations as evidenced by the increase in GFA recognized from 2016 to 2017; and (ii) an increase in average cost per sq.m. sold from RMB4,839 in 2016 to RMB5,050 in 2017, primarily due to an increase in our land acquisition costs because of an increase in market prices for land acquired for projects completed and delivered in 2017.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 79.5% from RMB2,728.9 million in 2016 to RMB4,897.1 million in 2017. Our gross profit margin increased from 22.8% in 2016 to 27.6% in 2017 mainly due to an increase in gross profit margin of property development and sales from 23.8% in 2016 to 28.7% in 2017. Such increase was mainly because (i) most of our projects delivered in 2017 have higher gross margin compared to those of 2016, and (ii) an overall increase in the selling prices of our residential and commercial properties.

Other Income and Gains

Our other income and gains increased by 42.3% from RMB235.2 million in 2016 to RMB334.7 million in 2017, primarily due to the increases in our interest income from our investment in wealth management products for more efficient use of our idle capital.

Gains Arising from Changes in Fair Value of and Transfer to Investment Properties

Our gains arising from changes in fair value of and transfer to investment properties decreased by 43.0% from RMB33.0 million in 2016 to RMB18.8 million in 2017, primarily because Foshan Midea Xinduhui Mall (佛山美的新都薈廣場) recorded a higher level of appreciation in value in 2016 as compared to 2017. This project opened and commenced operation in December 2016 and accordingly, recorded a one-off revaluation gains upon its transfer to our investment properties portfolio in 2016.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 37.8% from RMB586.3 million in 2016 to RMB807.9 million in 2017, primarily due to (i) an increase of amortization of contract assets by 106.4% from RMB70.3 million in 2016 to RMB145.1 million in 2017 as a result of an increase of sales commission from 2016 to 2017, which was in line with the increase in sales of our properties for the same periods and was amortized in the same year, and (ii) an increase in our marketing and advertising expenses and related employee expenses as a result of our continuous expansion of in-house sales and marketing team to support our business expansion and an increase in our pre-sales from 2016 and 2017.

Administrative Expenses

Our administrative expenses increased by 75.1% from RMB459.9 million in 2016 to RMB805.4 million in 2017, primarily due to an increase in the number of our property development projects under development and planned for future development which was in line with our business expansion, resulting in the increases in our management and administrative headcount.

Finance Costs, net

Our net finance costs decreased by 85.9% from RMB221.5 million in 2016 to RMB31.3 million in 2017 primarily due to (i) net foreign exchange gains on financing activities of RMB155.3 million in 2017 as compared to net foreign exchange losses on financing activities of RMB251.1 million in 2016, and (ii) an increase in interest income from bank deposits from RMB29.6 million in 2016 to RMB75.9 million in 2017. Most of our interests costs related to projects were capitalized in 2016 and 2017. The increase in net foreign exchange gains on financing activities was mainly due to the appreciation of RMB that contributed to the depreciation of the value of our HKD-denominated and USD-denominated borrowings.

Share of (Losses)/Gains of Joint Ventures and Associates

Our share of losses of joint ventures and associates in 2016 was RMB4.5 million, and our share of gains of joint ventures and associates in 2017 was RMB2.1 million mainly because certain of our jointly developed projects recognized revenue in 2017.

Profit before Income Tax

As a result of the foregoing, our profit before tax increased substantially by 109.2% from RMB1,725.0 million in 2016 to RMB3,608.1 million in 2017.

Income Tax Expense

Our income tax expense increased substantially by 134.3% from RMB731.7 million in 2016 to RMB1,714.6 million in 2017, primarily due to an increase in our profit before tax.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income increased by 90.6% from RMB993.3 million in 2016 to RMB1,893.6 million in 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 44.3% from RMB8,312.7 million in 2015 to RMB11,992.3 million in 2016, primarily due to the increase in revenue derived from our property development and sales.

Revenue derived from property development and sales increased by 44.3% from RMB8,114.2 million in 2015 to RMB11,710.1 million in 2016, primarily due to the increases in the total GFA recognized. Total GFA recognized increased from 1,164,518 sq.m. in 2015 to 1,843,155 sq.m. in 2016, primarily attributable to the sales of properties in Yangtze River Delta Economic Region such as Zhenjiang Midea City (鎮江美的城), in Bohai Economic Zone such as Handan Midea City (邯鄲美的城) and in Southwest China Economic Region such as Zunyi Midea City (遵義美的城) in 2016. The overall recognized ASP decreased from RMB6,968 per sq.m. in 2015 to RMB6,353 per sq.m. in 2016, primarily because the properties from which we recognized revenue in 2016 were pre-sold in 2014 at a lower selling price which was generally in line with the market trend back then.

Revenue derived from our property management services increased by 46.1% from RMB98.1 million in 2015 to RMB143.3 million in 2016, primarily due to an increase in the GFA under management, in connection with Guiyang Midea Lincheng Times Mansion (貴陽美的林城時代), Panjin Midea City (盤錦美的城) and Handan Midea City (邯鄲美的城) which were developed by us.

With respect to revenue from investment and operation of commercial properties, our revenue property lease income increased by 28.2% from RMB7.8 million in 2015 to RMB10.0 million in 2016, primarily due to an increase in rentable GFA of our investment properties as Zhuzhou Midea Times Square (株洲美的時代廣場) as we rent out most of our rentable GFA in this investment property in 2016.

Our revenue from hotel operation increased by 28.5% from RMB92.0 million in 2015 to RMB118.2 million in 2016 primarily due to the openings of our Marriott Hotel, Shunde in February 2015. As part of our Reorganization, we disposed of our Marriott Hotel in Shunde in December 2016. For details, see ‘‘History, Reorganization and Group Structure — The Reorganization’’ and ‘‘Relationship with Our Controlling Shareholders — Delineation of Business — Other Businesses of our Ultimate Controlling Shareholders — (b) Hotel Investment and operations in Foshan, Guangdong Province and Zhuzhou, Hunan Province’’.

Our revenue from cultural-tourism project increased substantially by 1,442.9% from RMB0.7 million in 2015 to RMB10.8 million in 2016, primarily because we commenced our trial operation of Midea Egret Lake Forest Resort (美的鷺湖森林度假區) in late 2015 and commenced operation in 2016.

Cost of Sales

Our cost of sales increased by 42.0% from RMB6,524.6 million in 2015 to RMB9,263.4 million in 2016, primarily reflecting an increase in cost of sales of our property development and sales, which in turn due to an increase in the scale of our operations as evidenced by the increase in GFA recognized from 2015 to 2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increase by 52.6% from RMB1,788.1 million in 2015 to RMB2,728.9 million in 2016. Our gross profit margin maintained a steady increase from 21.5% in 2015 to 22.8% in 2016.

Other Income and Gains

Our other income and gains increased substantially by 209.1% from RMB76.1 million in 2015 to RMB235.2 million in 2016, primarily due to the increases in our (i) interest income from our investment in wealth management products for more efficient use of our idle capital and (ii) management and consulting service income from our provision of management services offered to independent third party in property development activities.

Gains Arising from Changes in Fair Value of and Transfer to Investment Properties

Our gains arising from changes in fair value of and transfer to investment properties increased substantially by 217.3% from RMB10.4 million in 2015 to RMB33.0 million in 2016, primarily due to an increase in revaluation gains from our completed project in Foshan — Foshan Midea Xinduhui Mall (佛山美的新都薈廣場) which was opened in December 2016.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 55.8% from RMB376.2 million in 2015 to RMB586.3 million in 2016, primarily due to an increase in our marketing and advertising expenses and related employee expenses as a result of continuous expansion of in-house sales and marketing team to support our business expansion and an increase in our pre-sales from 2015 to 2016.

Administrative Expenses

Our administrative expenses increased by 12.4% from RMB409.2 million in 2015 to RMB459.9 million in 2016, primarily due to an increase in the number of our property development projects under development and planned for future development in line with our business expansion, resulting in the increases in our management and administrative headcount.

Finance Costs, net

Our net finance costs decreased by 16.3% from RMB264.6 million in 2015 to RMB221.5 million in 2016 primarily because all of our interests costs related to projects were capitalized in 2016 as compared to that of 2015.

The increase in net foreign exchange losses on financing activities from RMB195.4 million in 2015 to RMB251.1 million in 2016 was mainly due to the depreciation of RMB that contributed to the appreciation of the value of our HKD-denominated and USD-denominated borrowings.

Share of Result of Joint Ventures and Associates

Our share of losses of joint ventures and associates in 2015 and 2016 was RMB0.3 million and RMB4.5 million, respectively, mainly due to an increase in jointly developed projects. Most of these jointly developed projects have not recognized revenue.

Profit before Income Tax

As a result of the foregoing, our profit before tax increased substantially by 109.3% from RMB824.2 million in 2015 to RMB1,725.0 million in 2016.

Income Tax Expense

Our income tax expense increased by 66.0% from RMB440.7 million in 2015 to RMB731.7 million in 2016, primarily due to an increase in profit before income tax.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income increased substantially by 159.0% from RMB383.5 million in 2015 to RMB993.3 million in 2016.

CERTAIN BALANCE SHEET ITEMS

Properties under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land use rights costs, construction costs and capitalized interests incurred during the development period and net realizable value. Upon completion, the properties are transferred to completed properties held for sale. Our properties under development increased from RMB22,140.7 million as of December 31, 2015 to RMB32,518.0 million as of December 31, 2016 and further increased to RMB62,772.7 million as of December 31, 2017 and RMB70,745.2 million as of March 31, 2018, primarily due to the increases in our land reserves and property development activities over the same periods.

As of July 31, 2018, approximately RMB2,252.7 million, representing 3.2% of properties under development as of March 31, 2018, were subsequently transferred to properties held for sale.

Completed Properties Held for Sale

Properties held for sale represent properties pre-sold but yet to delivered and completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realizable value. Cost of properties held for sale is determined by an apportionment of related costs incurred attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable selling and marketing expenses, or by management estimates of the estimated selling prices based on prevailing market conditions. As of December 31, 2015, 2016, 2017 and March 31, 2018, we had completed properties held for sale of RMB2,474.6 million, RMB3,015.1 million, RMB2,618.6 million and RMB3,536.8 million, respectively.

As of July 31, 2018, approximately RMB658.5 million, representing 18.6% of completed properties held for sale as of March 31, 2018, were subsequently sold.

Investment Properties

We retain a portion of the properties that we developed mainly for rental purposes and the appreciation of property value. The fair value of each of our investment properties has fluctuated, and is likely to continue to fluctuate, in accordance with the prevailing property market conditions. See "— Description of Certain Major Components of Our Consolidated Statement of Comprehensive Income — Gains arising from Changes in Fair Value of and Transfer to Investment Properties" for more details. The total fair values of our investment properties as of December 31, 2015, 2016, 2017 and March 31, 2018 are RMB95.7 million, RMB645.3 million, RMB709.8 million and RMB687.8 million, respectively.

The increases in the fair value of our investment properties from 2015 to 2017 were mainly due to (i) the continuous expansion of our investment properties portfolio such as the addition of Zhuzhou Midea Times Square (株洲美的時代廣場) in 2016 and Foshan Midea Xinduhui Mall (佛山美的新都薈廣場) in 2016; and (ii) an increase in the fair value of these investment properties as a result of appreciation in value. Fair value of our investment properties subsequently decreased from RMB709.8 million as of December 31, 2017 to RMB687.8 million as of March 31, 2018 primarily due to the transfer of office premises in Yangcheng Building (羊城商貿大廈) from our investment property portfolio to our Group's fixed assets portfolio to use as our own office premises.

	Year ended December 31,			Three months ended March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount	69,210	95,730	645,306	709,844
Transfer from completed properties held for sale	16,096	516,537	70,307	—
Revaluation gains/(losses) upon transfer from completed properties held for sale	7,514	28,769	(25,566)	—
Fair value changes	2,910	4,270	44,367	455
Transfer to property, plant and equipment	—	—	—	(22,490)
Disposals	—	—	(24,570)	—
Closing net book amount	95,730	645,306	709,844	687,809
Gains arising from changes in fair value of and transfer to investment properties represent:				
— revaluation gains/(losses) upon transfer from completed properties held for sale	7,514	28,769	(25,566)	—
— fair value changes	2,910	4,270	44,367	455
	10,424	33,039	18,801	455

Trade Receivables

Our trade receivables primarily consist of amounts due from third-party customers.

Our trade receivables are unsecured and non-interest-bearing and the carrying amounts of trade receivables approximate to their fair value. The table below sets forth the aging analysis of the trade receivables as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	35,285	71,133	346,868	350,856
Over 1 year	4,952	16,333	40,492	90,542
Total	40,237	87,466	387,360	441,398

For trade receivables, we apply the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. In view of the above, as of December 31, 2015, 2016 and 2017 and March 31, 2018, we have set a provision for impairment of trade receivables in the sum of RMB0.8 million, RMB2.8 million, RMB8.0 million and RMB15.4 million.

As of July 31, 2018, approximately RMB31.1 million, representing 7.0% of trade receivables as of March 31, 2018, were subsequently collected.

Other Receivables

We set out below the breakdown of our other receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other Receivables				
Amounts due from related parties(1)	1,113,021	1,863,211	5,916,991	5,456,598
Amounts due from non-controlling interests(2)	7,030	35,207	670,056	1,347,178
Deposits and others from third parties(3)	653,751	1,653,259	2,932,320	6,488,965
Less:				
Allowance for impairment	(18,999)	(32,622)	(56,479)	(58,723)
Other receivables-net	**1,754,803**	**3,519,055**	**9,462,888**	**13,234,018**
Prepayments for land use rights	344,628	3,128,464	5,265,493	2,097,130
Prepayment for listing related expenses	—	—	—	2,888
Other prepayments(4)	23,787	16,586	384,118	747,067
Total	2,123,218	6,664,105	15,112,499	16,081,103

Notes:

(1) Amounts due from related parties of other receivables are all non-trade in nature, mainly representing the cash advances which are unsecured, interest-free, and payable on demand.

(2) The non-controlling shareholders of the subsidiaries are not Company's connected persons.

(3) Deposits and others from third parties mainly represent deposits and various payments on behalf of and advances made to construction and design vendors.

(4) Other prepayments mainly represent advance made to suppliers.

Our other receivables — net amounted to RMB1,754.8 million, RMB3,519.1 million, RMB9,462.9 million and RMB13,234.0 million as of December 31, 2015, 2016, 2017 and March 31, 2018, respectively.

Our amounts due from related parties, which primarily relates to funds we advanced to joint ventures and associates of our Company and to the Controlling Shareholders and their respective close associates, and such amounts are unsecured. As of March 31, 2018, our non-trade amounts due from related parties other than joint ventures and associates of our Company was RMB867.2 million. All the amounts due from joint venture and associates represents funds we advance to our joint venture and associates to finance the funding needs of our joint-developed projects such as land costs, costs of property development and sales. These amounts are non-trade in nature, and it represents the investment amount from our Company into the joint-developed projects and were invested in proportion to our respective interest in our joint venture and associates. In accordance with our joint venture agreement and associates agreement, we and our joint venture partner/associates provided these funds in proportion to the equity interests held and these amounts due from joint venture and associates will be settle from time to time, depending on the progress of the pre-sale/sale of the jointly-developed projects, until the final settlement and distribution of the jointly-developed projects. We and the Controlling Shareholders have agreed to settle the non-trade amounts due from the Controlling Shareholders and their respective close associates prior to the Listing.

Our amounts due from non-controlling interests increased from RMB7.0 million as of December 31, 2015 to RMB35.2 million as of December 31, 2016 to RMB670.1 million as of December 31, 2017 and continued to increase to RMB1,347.2 million as of March 31, 2018, primarily due to the increase in the number of our subsidiaries and non-controlling interests in the Track Record Period.

Our deposits and others from third parties primarily relates to upfront deposits required for the participation in the public tender, auction and listing-for-sale processes, and deposits lodged with the relevant regulatory departments before we commence construction of our projects as required under the PRC laws and regulations. The deposits increased from RMB653.8 million as of December 31, 2015 to RMB1,653.3 million as of December 31, 2016, to RMB2,932.3 million as of December 31, 2017 and further increased to RMB6,489.0 million as of March 31, 2018, mainly due to our strengthened land acquisition efforts as part of our business expansion.

Our prepayments for land use rights increased substantially from RMB344.6 million as of December 31, 2015 to RMB3,128.5 million as of December 31, 2016, further increased to RMB5,265.5 million as of December 31, 2017, primarily attributable to our increased land acquisition efforts, which was in line with our business expansion. Our prepayments for acquisition of land use rights decreased from RMB5,265.5 million as of December 31, 2017 to RMB2,097.1 million as of March 31, 2018, primarily due to the reclassification of a portion of these balances as of December 31, 2017 to properties under development as we obtained the land use right certificates for, and commenced development of, certain new projects in the first quarter of 2018.

Our other prepayments, which primarily relates to advance made to construction and designs companies, increased substantively from RMB16.6 million as of December 31, 2016 to RMB384.1 million as of December 31, 2017 and further increased to RMB747.1 million as of March 31, 2018, mainly due to the increase in prepayments to our suppliers in 2017 which was in line with of our business expansion.

Trade Payables

Trade payables mainly include payables to third party suppliers and construction and design contractors. Our trade payables increased from RMB3,828.0 million as of December 31, 2015 to RMB5,832.6 million as of December 31, 2016 and further increased to RMB8,085.9 million as of December 31, 2017, primary due to increased construction costs relating to our increased property construction and development activities. Our trade payables subsequently decreased to RMB6,620.9 million as of March 31, 2018 primarily because we settled a portion of the trade payables as of December 31, 2017 by March 31, 2018. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not defaulted on payment of trade and bills payables.

The table below sets forth the aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of March 31,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Less than 1 year	3,585,818	5,655,871	7,738,918	6,287,431
Over 1 year	242,157	176,735	347,011	333,458
	3,827,975	5,832,606	8,085,929	6,620,889

As of July 31, 2018, approximately RMB1,577.2 million, representing 23.8% of trade payables as of March 31, 2018, were settled.

Other Payables

We set out below the breakdown of our other payables as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties	5,152,124	2,965,392	5,811,306	5,015,764
Amounts due to non-controlling interests(2)	276,901	494,647	4,600,708	4,639,988
Deposit payables	176,318	213,083	1,176,935	1,799,013
Other taxes payable(1)	141,221	757,732	1,830,978	1,169,288
Outstanding acquisition considerations payable	20	20,673	872,532	472,964
Accrued expenses	73,499	181,796	265,267	378,648
Salaries payable	140,628	205,095	386,195	253,083
Interest payable	62,842	206,265	237,076	294,661
Other payables(3)	298,387	513,847	419,949	848,459
Other payables, net	**6,321,940**	**5,558,530**	**15,600,946**	**14,871,868**

Notes:

(1) Other taxes payables mainly represent value-added tax, business taxes and land use right tax.

(2) The non-controlling shareholders of the subsidiaries are not Company's connected persons.

(3) Other payables mainly represent miscellaneous receipts from property purchasers for various purposes such as obtaining certificates from government authorities.

Our amounts due to related parties mainly represents amounts due to the Controlling Shareholders and their respective close associates and joint venture and associates of our Company. Our amounts due to related parties was RMB5,152.1 million, RMB2,965.4 million, RMB5,811.3 million and RMB5,015.8 million as of December 31, 2015, 2016, 2017 and March 31, 2018, respectively. Changes in our amounts due to related parties was mainly due to changes of loans from related parties, which are interest free and non-trade in nature. We and the Controlling Shareholders have agreed to settle the non-trade due to the Controlling Shareholders and their respective close associates prior to the Listing.

Our amounts due to non-controlling interests increased from RMB276.9 million as of December 31, 2015 to RMB494.6 million as of December 31, 2016 and further increased to RMB4,600.7 million as of December 31, 2017 and RMB4,640.0 million as of March 31, 2018, primarily due to the increase in the number of our subsidiaries and non-controlling interests during the Track Record Period.

Our outstanding acquisition consideration payables increased substantially from RMB20,000 as of December 31, 2015 to RMB20.7 million as of December 31, 2016 and further increased to RMB872.5 million as of December 31, 2017, primarily due to our acquisitions of Xiangtan Gongyuan Real Estate Development Co., Ltd. (湘潭公元房地產開發有限公司) in 2016 and Heyuan Tongren Copper Industry Development Co., Ltd. (河源市銅人銅業發展有限公司) in 2017 to support our business growth. Our outstanding acquisitions consideration payable subsequently decreased to RMB473.0 million as of March 31, 2018, primarily due to settlement of a portion of outstanding acquisition consideration in connection with companies acquired in 2017.

Our deposits payables mainly related to quality warranty deposits we retained from our construction contractors and deposit retained from third parties working in collaboration projects. We generally settle up to 95% of the total contract price upon completion of the construction, and retain the remaining 5% as quality warranty deposits. Our deposits related to construction increased from RMB176.3 million as of December 31, 2015 to RMB213.1 million as of December 31, 2016, to RMB1,176.9 million as of December 31, 2017 and further increased to RMB1,799.0 million as of March 31, 2018, which was in line with the increase in the number of our completed projects.

Our other taxes payable mainly related to value added taxes, business taxes and land use right tax. Our other taxes payable increased from RMB141.2 million as of December 31, 2015 to RMB757.7 million as of December 31, 2016 and further increased to RMB1,831.0 million as of December 31, 2017 primarily due to the increase in our sales. Our other taxes payable subsequently decreased to RMB1,169.3 million as of March 31, 2018, primarily due to the offset of value added tax as a result of our payment to constructors.

Contract Liabilities

Contract liabilities mainly represent advances from customers, i.e. the sales proceeds received from customers in connection with our pre-sale of properties. We start the sales of our properties and the collection of proceeds from customers before the properties are completed and ready for delivery. Such proceeds from customers are recorded as contract liabilities before the relevant sales are recognized as revenue under the HKFRS 15. Contract liabilities are non-interest-bearing. As of December 31, 2015, 2016, 2017 and March 31, 2018, our contract liabilities amounted to RMB10,810.3 million, RMB17,948.0 million, RMB36,362.7 million and RMB41,146.9 million, respectively, which was in line with our increase in pre-sales of our properties during the Track Record Period.

Investment in Joint Ventures

In recent years, we began to co-develop property development projects by establishing joint ventures with third-party property developers. Such joint ventures are project companies established for the purpose of the development of particular property development projects and are jointly incorporated by us and third-party property developers over which we have joint control with such relevant third parties. As of December 31, 2015, 2016, 2017 and March 31, 2018, our investments in joint ventures amounted to nil, RMB552.6 million, RMB743.7 million and RMB987.3 million, respectively. We generally expect to incur share of loss in such joint ventures until their respective development of property development projects completes and starts to contribute revenue. For more details about our joint ventures, see note 16(a) to the Accountant's Report included in Appendix I to this prospectus. As of the Latest Practicable Date, the number of our joint ventures increased to 28.

LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity

We operated in a capital-intensive industry and have financed our working capital, capital expenditure and other capital requirements primarily through cash generated from operations including proceeds from the pre-sale of our properties, bank loans, trust financing and other financings and the issuance of corporate bond. We may also look for additional financing opportunities, such as the issuance of new corporate bonds, asset-backed securities programs and other debt offerings, to fund our property development operations. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

As of December 31, 2015, 2016, 2017 and March 31, 2018, we had cash and cash equivalents of RMB1,983.7 million, RMB3,284.3 million, RMB19,917.4 million and RMB15,707.2 million, respectively, which primarily consisted of cash at bank and in hand.

Net Current Assets

The table below sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current asset					
Inventories	1,857	3,329	5,350	15,419	4,975
Contract assets	461,464	702,921	1,065,834	1,595,238	3,872,556
Properties under development	21,865,910	30,430,316	59,272,059	67,502,053	83,019,510
Completed properties held for sale	2,474,581	3,015,050	2,618,605	3,536,815	1,743,723
Trade and other receivables	2,162,647	6,748,766	15,491,821	16,507,052	24,093,847
Prepaid taxes	714,190	1,185,331	3,753,948	4,981,726	8,423,119
Financial assets at fair value through profit or loss	2,303,650	6,142,365	398,439	2,093,579	1,280,256
Restricted cash	522,656	1,486,874	3,752,716	3,429,625	4,446,722
Term deposits with initial terms of over three months	176,720	256,520	120,922	89,290	—
Cash and cash equivalents	1,983,689	3,284,335	19,917,383	15,707,191	12,464,484
Total current assets	32,667,364	53,255,807	106,397,077	115,457,988	139,349,192
Current liabilities					
Contract liabilities	10,810,263	17,948,011	36,362,728	41,146,946	56,543,308
Corporate bonds	—	—	—	1,498,031	3,511,502
Trade and other payables	10,149,915	11,391,136	23,686,875	21,492,757	27,035,538
Current income tax liabilities	698,909	704,442	1,565,375	1,453,345	1,858,250
Bank and other borrowings	5,405,212	6,420,302	9,070,647	10,699,054	7,813,502
Total current liabilities	**27,064,299**	**36,463,891**	**70,685,625**	**76,290,133**	**96,762,100**
Net current assets	**5,603,065**	**16,791,916**	**35,711,452**	**39,167,855**	**42,587,092**

Our net current assets increased substantially from RMB5,603.1 million as of December 31, 2015 to RMB39,167.9 million as of March 31, 2018 primary due to increases in (i) properties under development during the same periods as we accelerated our nationwide expansion and significantly increased our property construction activities; (ii) trade and other receivables; and (iii) cash and cash equivalents, which was partially offset by continuous increases in (i) our contract liabilities, i.e. advance from our customers as the pre-sale of our properties then under development continued, (ii) trade and other payables and (iii) bank and other borrowings, which are consistent with our business expansion during the Track Record Period.

Our net current assets further increased from RMB39,167.9 million as of March 31, 2018 to RMB42,587.1 million as of July 31, 2018 primary due to increases in (i) properties under development during the same periods as we accelerated our nationwide expansion and significantly increased our property construction activities and (ii) trade and other receivables, which was partially offset by continuous increases in (i) our contract liabilities, i.e. advance from our customers as the pre-sale of our properties then under development continued and (ii) trade and other payables, which are consistent with our business expansion during the same periods.

As of July 31, 2018, approximately RMB382.3 million, representing 24.0% of contract assets as of March 31, 2018, were subsequently billed.

Cash Flows Analysis

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash generated from/(used in) operating activities	1,243,796	(5,553,956)	(7,357,166)	(5,773,564)	(7,557,190)
Net cash (used in)/generated from investing activities	(2,081,117)	(3,972,244)	713,031	(2,074,208)	(377,819)
Net cash generated from financing activities	1,004,967	10,714,852	23,550,242	5,524,885	3,939,148
Net increase/(decrease) in cash and cash equivalents	167,646	1,188,652	16,906,107	(2,322,887)	(3,995,861)
Cash and cash equivalents at beginning of the year/period	1,786,474	1,983,689	3,284,335	3,284,335	19,917,383
Exchange gains/(losses) on cash and cash equivalents	29,569	111,994	(273,059)	(15,628)	(214,331)
Cash and cash equivalents at end of the year/period	1,983,689	3,284,335	19,917,383	945,820	15,707,191

Net Cash generated from/(used in) Operating Activities

Our primary source of cash generated from operating activities is proceeds we receive from the sales of our properties, including pre-sales of properties under development, as well as rental income from our property leasing business and property management income from our property management business. Our primary uses of cash in operating activities are amounts that we pay for our property development activities, including land acquisitions.

For the three months ended March 31, 2018, our net cash used in operating activities was RMB7,557.2 million, which was the result of cash used in operations of RMB6,127.4 million, income tax paid of RMB876.1 million and interest paid of RMB553.6 million. Net cash used in operation was primarily attributable to the profit for the period of RMB679.3 million, adjusted by the following items: (i) increase in properties under development and completed properties held for sale of RMB8,042.3 million, (ii) increase in trade and other receivables of RMB1,700.3 million, both of which were in line with our business expansion, (iii) decrease of trade and other payables of RMB1,297.9 million due to our settlement of a portion of trade payable as of December 31, 2017 by 31 March 2018, partially offset by increase in contract liabilities of RMB4,784.2 million mainly due to the increase in our pre-sales for the periods.

For the three months ended March 31, 2017, our net cash used in operations of RMB5,773.6 million, which was the result of cash used in operations of RMB4,724.4 million, income tax paid of RMB752.1 million and interest paid of RMB297.1 million. Net cash used in operation was primarily attributable to the profit for the period of RMB379.9 million, adjusted by the following items: (i) increase in properties under development and completed properties held for sale of RMB7,178.1 million, (ii) increase in trade and other receivables of RMB6,490.4 million, both of which were in line with our business expansion, partially offset by (i) an increase of contract liabilities of RMB5,266.2 million which was in line with the increase in our pre-sales; and (ii) an increase in trade and other payables of RMB3,046.8 million primarily due to increased construction costs relating to our increased property construction and development activities.

For the year ended December 31, 2017, our net cash used in operating activities was RMB7,357.2 million, which was the result of cash used in operations of RMB3,968.3 million, income tax paid of RMB1,732.3 million and interest paid of RMB1,656.5 million. Net cash used in operations was primarily attributable to the profit for the year of RMB1,893.6 million, adjusted by the following items: (i) increase in properties under development and completed properties held for sale of RMB24,858.9 million, (ii) increase in trade and other receivables of RMB4,140.4 million due to the increase of deposits relating to land auction and construction and prepayments for land use rights and other prepayments relating to construction cost and facility costs; (iii) increase in restricted cash of RMB2,265.8 million due to increase of pre-sales; and (iv) increase of prepaid taxes of RMB1,974.7 million, partially offset by (i) increase in contract liabilities of RMB18,414.7 million in line with the increased in our contracted sales and (ii) increase in trade and other payables of RMB7,767.4 million mainly due to increase in construction costs relating to our increased property construction and development activities.

For the year ended December 31, 2016, our net cash used in operating activities was RMB5,554.0 million, which was the result of cash used in operations of RMB4,020.3 million, income tax paid of RMB853.6 million and interest paid of RMB680.1 million. Net cash used in operations was primarily attributable to the profit for the year of RMB993.3 million, adjusted by the following items: (i) increase in properties under development and completed properties held for sale of RMB10,004.7 million; and (ii) increase of trade and other receivables of RMB3,847.5 million, both of which were in line with our business growth, partially offset by (i) increase in contract liabilities of RMB7,137.7 million in line with the increase in our pre-sales and (ii) increase in trade and other payables of RMB2,450.5 million due to increase in construction cost relating to our increased property construction and development activities.

For the year ended December 31, 2015, our net cash generated from operating activities was RMB1,243.8 million, which was the result of cash generated from operations of RMB2,542.9 million, adjusted by (i) interest paid of RMB685.4 million and (ii) income tax paid of RMB613.7 million. Net cash generated from operations was primarily attributable to the profit for the year of RMB383.5 million, adjusted by the following items: (i) increase in contract liabilities of RMB3,117.9 million in line with the increase in our pre-sales and (ii) decrease in trade and other receivables of RMB1,037.6 million, partially offset by increase in property under development and completed properties held for sale of RMB1,803.6 million.

Net Cash (used in)/generated from Investing Activities

Net cash used in our investing activities is primarily related to cash outflow in connection with our payments for acquisition of subsidiaries, loans advanced to related and third parties and payment for financial assets at fair value through profit or loss. Net cash flows from our investing activities is primarily related to cash inflow in connection with disposal of financial assets at fair value through profit or loss.

Net cash used in investing activities for the three months ended March 31, 2018 was RMB377.8 million, primarily attributable to net cash payments for financial assets at fair value through or loss of RMB1,648.5 million, reflecting the purchases and disposals of wealth management products invested by us for fund management, partially offset by an increase in advances to our joint ventures and associates of RMB1,340.4 million.

Net cash flow used in investing activities for the three months ended March 31, 2017 was RMB2,074.2 million, primarily attributable to (i) repayments of advances to joint ventures and associates of RMB1,076.7 million, (ii) payments for acquisition of subsidiaries of RMB541.3 million, (iii) net cash payments for financial assets at fair value through profit or loss of RMB423.3 million, reflecting the purchases and disposals of wealth management products invested by us for fund management.

Net cash generated from investing activities in 2017 was RMB713.0 million, primarily attributable to net proceeds from disposal of financial assets at fair value through profit or loss of RMB5,961.9 million, reflecting the purchases and disposals of wealth management products invested by us for fund management, partially offset by (i) repayment of advances to joint ventures and associates of RMB3,919.6 million, and (ii) payment for acquisition of subsidiaries of RMB1,600.3 million.

Net cash used in investing activities in 2016 was RMB3,972.2 million, primarily attributable to net cash payments for financial assets at fair value through profit or loss of RMB3,681.1 million, reflecting the purchases and disposals of wealth management products invested by us for fund management.

Net cash used in investing activities in 2015 was RMB2,081.1 million, primarily attributable to net cash payments for financial assets at fair value through profit or loss of RMB1,804.3 million, reflecting the purchases and disposals of wealth management products invested by us for fund management.

Net Cash generated from Financing Activities

Cash generated from financing activities is primarily related to proceeds from bank and other borrowings and capital injections from owners of the Company and non-controlling interests. Cash used in financing activities is primarily related to repayment of bank and other borrowings and net amount due to related third party.

Net cash generated from financing activities for the three months ended March 31, 2018 was RMB3,939.1 million, which was primarily attributable to proceeds from bank and other borrowings of RMB9,410.8 million, partially offset by (i) repayments of bank and other borrowings of RMB4,043.0 million and (ii) decrease in net amounts due to related parties controlled by the Controlling Shareholders of RMB1,670.2 million.

Net cash generated from financing activities for the three months ended March 31, 2017 was RMB5,524.9 million, which was primarily attributable to (i) proceeds from bank and other borrowings of RMB5,297.1 million and (ii) increase in net amounts due to related parties controlled by the Controlling Shareholders of RMB404.3 million, partially offset by repayments of bank and other borrowings of RMB331.6 million.

Net cash generated from financing activities in 2017 was RMB23,550.2 million, which was primarily attributable to (i) proceeds from bank and other borrowings of RMB25,675.3 million and (ii) capital injections of RMB6,000.2 million from the owners of the Company, partially offset by repayment of bank and other borrowings of RMB11,461.8 million.

Net cash generated from financing activities in 2016 was RMB10,714.9 million, which was primarily attributable to proceeds from bank and other borrowings of RMB16,978.9 million, partially offset by (i) repayment of bank and other borrowings of RMB7,410.3 million and (ii) decrease in net amount due to related party controlled by the Controlling Shareholders of RMB2,916.4 million.

Net cash generated from financing activities in 2015 was RMB1,005.0 million, which was primarily attributable to proceeds from bank and other borrowings of RMB9,194.5 million, partially offset by repayment of bank and other borrowings of RMB8,079.0 million.

Working Capital

We need working capital to service our debts when due and pay construction costs, land costs and all applicable taxes for projects developed by our subsidiaries. For the years ended December 31, 2016, 2017 and the three months ended March 31, 2017 and 2018, we recorded continuous net operating cash outflows, primarily due to our continued increase in property development activities and strengthened land acquisition efforts. Such cash outflows may not always be completely offset by the proceeds received from our pre-sales and sales of the properties for the respective year, which we believe is consistent with our industry practice. See "— Cash Flows Analysis — Net Cash generated from/(used in) Operating Activities" for detailed information.

To achieve sufficient working capital, we will continue to improve our cash inflow associated with the sales and pre-sales of our properties by strengthening marketing efforts and further enhancing the payment collection from our customers with respect to the property sales and pre-sales. We also intend to better utilize the payment terms under the construction agreements provided by our general contractors through negotiation and the establishment of strategic relationships, in order to optimize the payment schedules for construction fees to match our proceeds collection and property sales plan. In addition, at our headquarters level, various departments will coordinate to plan and monitor our cash outflow by establishing our development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with existing and planned external financing opportunities, including but not limited to the issuance of corporate bonds, asset-backed securities programs or other debt offerings.

Sufficiency of Working Capital

As of March 31, 2018, we had capital commitments of RMB10,365.7 million. As of the same date, we had aggregate bank and other borrowings of approximately RMB21,257.0 million to be repaid within the two years ending March 31, 2020. As confirmed by the Directors, we plan to satisfy such repayment obligations principally through proceeds from pre-sales and sales of properties, new bank borrowings or refinancings and issuance of corporate bonds. Our Directors expect that we will have significant cash inflow from pre-sales and sales of properties which are currently under development. As of July 31, 2018, we had total credit facilities from bank and other financial institutions of RMB56,483.1 million, with unused credit facilities of RMB18,723.1 million. Our Directors are of the view that we have sufficient unused banking facilities and internal resources to fund and repay our indebtedness as it becomes due, to meet our capital commitments, including for both existing and future development projects. For details regarding our fund and working capital management measures, see "Business — Fund Management".

Taking into account our current project development and sales schedules, our expected cash generated from operating activities, the estimated net proceeds from the Global Offering, our credit facilities maintained with banks, and additional financial resources available to us, together with our expected cash outflow in the near future, which mainly driven by the increase in the number of our existing property development projects entering into development stage and the unpaid land premiums, our Directors are of the opinion that we will have available sufficient working capital for our present requirements, that is for at least the 12 months following the date of this prospectus.

Capital Expenditures

Our capital expenditures during the Track Record Period primarily represented expenditures incurred in relation to purchase of property, plant and equipment and acquisition of intangible assets such as certain software, and purchase of land use rights for self use. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2018, we incurred capital expenditures of RMB603.0 million, RMB205.6 million, RMB252.7 million and RMB26.3 million, respectively. Our Directors estimate that our capital expenditure for the years ending December 31, 2018 and 2019 will be approximately RMB1,010 million and RMB1,500 million, respectively. Such estimate represents the total capital expenditure that we expect to incur in the relevant period based on our existing business plans. We may adjust our business plans from time to time and the estimated total capital expenditure may also change.

COMMITMENTS

Expenditure Commitments

The following table sets forth our property, plant and equipment and property development expenditures we had contracted but yet provided for as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
Property, plant and equipment	102,286	73,591	134,820	64,214
Property development expenditure	3,354,658	2,126,739	6,591,941	10,301,485
	3,456,944	2,200,330	6,726,761	10,365,699

We intend to fund our expenditure commitments by using our cash flow generated from our operating activities, bank and other financings, issuance of corporate bond and the net proceeds received from the Global Offering.

Operating Lease Commitments

We lease certain of our office properties under operating lease arrangements for a term of one to 10 years. The following table sets forth our operating lease expenditures as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	5,181	4,668	17,732	19,807
Later than one year and not later than five years	11,375	6,868	39,211	39,270
Over five years	681	520	37,795	36,239
	17,237	12,056	94,738	95,316

The following table sets forth the total future minimum lease payments receivable by us under operating leases as of the dates indicated:

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	10,482	11,351	51,578	58,254
Later than one year and not later than five years	51,724	47,531	209,933	217,484
Over five years	53,716	46,557	69,513	65,397
	115,922	105,439	331,024	341,135

INDEBTEDNESS

Borrowings

The following table sets forth the principal amounts of our current and non-current bank and other borrowings and corporate bonds as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank borrowings	5,691,335	6,216,940	17,255,467	22,007,062	22,914,870
Loans from related parties	2,012,260	1,650,294	2,855,600	3,018,860	1,997,660
Other loans[(1)]	3,750,000	13,000,000	14,648,400	15,056,350	17,566,000
	11,453,595	20,867,234	34,759,467	40,082,272	42,478,530
Included in non-current liabilities:					
— Secured/guaranteed	8,000,042	16,422,237	21,421,014	23,868,113	28,133,852
— Unsecured	1,467,360	2,196,005	9,807,419	11,330,058	8,192,341
Less:					
Current portion of non-current liabilities	(3,419,019)	(4,171,310)	(5,539,613)	(5,814,953)	(1,661,165)
	6,048,383	14,446,932	25,688,820	29,383,218	34,665,028
Included in current liabilities:					
— Secured/guaranteed	836,193	2,209,992	2,523,833	3,832,901	2,978,885
— Unsecured	1,150,000	39,000	1,007,201	1,051,200	3,173,452
— Current portion of non-current liabilities	3,419,019	4,171,310	5,539,613	5,814,953	1,661,165
	5,405,212	6,420,302	9,070,647	10,699,054	7,813,502
Total bank and other borrowings	**11,453,595**	**20,867,234**	**34,759,467**	**40,082,272**	**42,478,530**
Corporate bonds	—	3,491,819	3,495,481	3,496,440	4,959,276
Total borrowings	**11,453,595**	**24,359,053**	**38,254,948**	**43,578,712**	**47,437,806**

Note:

(1) These borrowings are mainly in the form of trust financing and other financing arrangements, asset management companies and other financial institutions. See "— Trust Financing and Other Financing Arrangements."

The weighted average effective interest rates on our total borrowings, which represent actual total borrowing cost incurred, including bank and other borrowings and corporate bonds, during the period divided by weighted average borrowings that are outstanding during the period as of December 31, 2015, 2016, 2017 and March 31, 2018 were 5.81%, 5.32%, 5.23% and 5.60%, respectively.

As of July 31, 2018, we had a total credit facilities from bank and other financial institutions of RMB56,483.1 million with unused credit facilities of RMB18,723.1 million. Our Directors have confirmed that, other than the Global Offering and the potential financing plans contemplated by us as disclosed under the section entitled "Summary — Recent Developments," we do not currently have any concrete and material external financing plans outside our ordinary course of business. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although there is no assurance that we will be able to access bank financing on favorable terms or at all.

Our Controlling Shareholders and their respective close associates guaranteed certain of our borrowings up to RMB6,850.9 million, RMB17,023.6 million, RMB16,738.3 million and RMB17,296.1 million as of December 31, 2015, 2016, 2017 and March 31, 2018, respectively.

Certain corporate bonds, trust financing and other financing arrangements with guarantee from the Controlling Shareholders and their respective associates are expected to continue after Listing. For the reasons of the continuation of such guarantees after Listing, see "Relationship with our Controlling Shareholders — Financial Independence".

Bank and Other Borrowings

Our total outstanding bank and other borrowings increased from RMB11,453.6 million as of December 31, 2015 to RMB20,867.2 million as of December 31, 2016 and further increased to RMB34,759.5 million as of December 31, 2017 and RMB40,082.3 million as of March 31, 2018. The increase in our total outstanding bank and other borrowings during the Track Record Period was primarily due to the increasing capital needs in association with new development projects in light of our business expansion and cash flow planning.

We are subject to certain customary restrictive covenants under our credit facilities with commercial banks. For example, certain of our subsidiaries are prohibited from merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business, declaration of dividends and incurring further indebtedness without the prior consent of the relevant banks. Certain of our banking facilities also contain cross default provisions. See "Risk Factors — Risks Relating to Our Business — We had negative net operating cash flow for the years ended December 31, 2016 and 2017 and three months ended 31 March, 2017 and 2018 and we may not be able to obtain sufficient funding for our land acquisitions and future property developments whether through bank loans, corporate bonds, trust financing or other arrangements, on commercially reasonable terms, or at all." However, our Directors do not expect that such covenants would materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our current business plans. Our Directors confirmed that they are not aware of any breach of any of the covenants contained in our banking and other loan facilities constituting any event of default during the Track Record Period and up to the Latest Practicable Date, nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities. Our Directors further confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in obtaining banking facilities nor had we been rejected for any loan application.

The weighted average effective interest rates on our total bank and other borrowings, which represent actual bank and other borrowing cost incurred during the period divided by weighted average bank and other borrowings that are outstanding during the period, as of December 31, 2015, 2016, 2017 and March 31, 2018 were 5.81%, 5.42%, 5.28% and 5.66%, respectively.

The following table sets forth the maturity profiles of our total bank and other borrowings as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	5,405,212	6,420,302	9,070,647	10,699,054	7,813,502
1 to 2 years	4,459,333	8,703,886	9,042,408	10,557,961	14,468,938
2 to 5 years	1,589,050	5,743,046	16,646,412	18,050,257	19,217,090
Over 5 years	—	—	—	775,000	979,000
	11,453,595	20,867,234	34,759,467	40,082,272	42,478,530

Trust Financing and Other Financing Arrangements

As with many other property developers in the PRC, we also enter into financing arrangements with trust companies and other financial institutions in the ordinary course of business to finance our property development and other related operations. Compared with bank borrowings, such financing arrangements usually offer greater flexibility in terms of availability, approval schedule and repayment requirements, which constitute an effective alternative source of funding for some of our project developments, particularly during the tightened banking credit environments. As of March 31, 2018, the total amount of trust financing and other financing arrangements outstanding accounted for 34.5% of our total borrowings, including bank and other borrowings and corporate bonds, as of the same date. For additional information as to the relevant laws and regulations applicable to trust financing arrangements, see "Regulatory Overview — Real Estate Financing — Trust Financing." For further details on trust financing arrangements, see "Business — Project Financing — Trust Financing and Other Financing Arrangements".

Corporate Bonds

In addition to bank borrowings and trust financing and other financing arrangements, we have funded our expansion through the issuance of the corporate bonds. During the Track Record Period, we issued three corporate bonds to qualified investors in a total amount of RMB3.5 billion all with a three-year term at a coupon rate between 4.28% and 4.80% per annum.

Name of bond	Par Value	Interest Rate	Issue Date	Term of bond	Net proceeds after issuance cost	Effective interest rate per annum
	RMB'000				RMB'000	
2016 Midea debenturer	500,000	4.28%	01/05/2016	3 years	495,000	4.65%
2016 Midea debenturer 01	1,000,000	4.80%	03/30/2016	3 years	998,000	4.87%
2016 Midea debenturer 02	2,000,000	4.80%	06/01/2016	3 years	1,996,000	4.87%

For our corporate bonds issued after the Track Record Period, see "— Subsequent event" and "Summary — Recent Development" for further details.

Contingent Liabilities and Guarantees

We provide mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to retain the legal title and take over the possession of the related properties. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks.

In addition, we also provide guarantees to for borrowings of certain joint ventures and associates. The following table sets forth our contingent liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Guarantees in respect of mortgage facilities for certain purchasers	7,211,162	13,901,910	22,956,879	26,043,975	33,147,973
Guarantees to joint ventures and associates in respect of borrowings	—	—	1,713,536	2,210,760	3,618,645
	7,211,162	**13,901,910**	**24,670,415**	**28,254,735**	**36,766,618**

Except as disclosed above, we did not have other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, contingent liabilities and guarantees as of March 31, 2018. Save as the corporate bonds issued in May 2018 and September 2018 and the asset-backed securities issued in July 2018, we experienced no material change in its indebtedness position from March 31, 2018 up to the Latest Practicable Date for the purposes of this indebtedness statement.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties and related parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engage in leasing or hedging or research and development services with us.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the period or as of the dates indicated:

	As of/For the Year Ended December 31,			As of/For the Three Months Ended March 31,
	2015	2016	2017	2018
Gross profit margin (%)[1]	21.5	22.8	27.6	33.5
Net profit margin (%)[2]	4.6	8.3	10.7	14.0
Return on equity (%)[3]	30.6	44.4	18.8	24.6
Current ratio (times)[4]	1.2	1.5	1.5	1.5
Gearing ratio (%)[5]	622.1	624.7	118.9	181.4

Notes:

(1) Gross profit margin for each of the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2018 was calculated based on our gross profit of respective periods divided by our revenue of respective periods and multiplied by 100%.

(2) Net profit margin for each of the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2018 was calculated based on our net profit of respective periods divided by our revenue of respective periods and multiplied by 100%.

(3) Return on equity for each of the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2018 was calculated based on our net profit attributable to owners of the Company of the respective years or annualized periods, as the case may be, divided by the equity attributable to owners of the Company as of the end of the respective periods and multiplied by 100%.

(4) Current ratios as of December 31, 2015, 2016, 2017 and March 31, 2018 were calculated based on our total current assets as of the respective dates divided by our total current liabilities as of the respective dates.

(5) Gearing ratios as of December 31, 2015, 2016, 2017 and March 31, 2018 were calculated as net borrowings divided by total equity. Net borrowings was calculated as total borrowings (including corporate bonds and bank and other borrowings as shown in the consolidated balance sheets) less total of cash and cash equivalents, term deposits with initial terms of over three months and restricted cash.

Gross Profit Margin

Our gross profit margin was 21.5%, 22.8%, 27.6%, 33.7% and 33.5%, respectively, for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018. See "— Period to Period Comparisons of Results of Operations".

Net Profit Margin

Our net profit margin was 4.6%, 8.3%, 10.7%, 17.3% and 14.0%, respectively, for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018. The increase in our net profit margin from 2015 to 2017, was primarily due to the increase in revenue, the rise in gross profit margin and our effective control over expenses. The decrease of our net profit margin for the three months ended March 31, 2018 was mainly due to the significant increase in our marketing and advertising expenses, as a result of our strengthened selling and marketing efforts.

Return on Equity

Our return on equity decreased from 44.4% for the year ended December 31, 2016 to 18.8% for the year ended December 31, 2017 due to the capital injection of RMB6.0 billion from our Controlling Shareholders.

Current Ratio

Our current ratio remained relatively stable at 1.2 times, 1.5 times, 1.5 times and 1.5 times, respectively, as of December 31, 2015, 2016, 2017 and March 31, 2018.

Gearing Ratio

Our gearing ratio increased slightly from 622.1% as of December 31, 2015 to 624.7% as of December 31, 2016. Our gearing ratio decreased from 624.7% as of December 31, 2016 to 118.9% as of December 31, 2017, primarily due to capital injection of approximately RMB6.0 billion by our Controlling Shareholders. Our gearing ratio increased from 118.9% as of December 31, 2017 to 181.4% as of March 31, 2018 was primarily due to reduced cash flows for investment in wealth management products as a result of our fund management.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to various market risks, including interest rate risk, credit risk and liquidity risk. Our capital risk management strategy aims to safeguard our ability to continue as a going concern in order to provide returns for our shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Our exposure interest rate risk arises from interest-bearing bank deposits, corporate bonds, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose us to cash flow interest-rate risk. Corporate bonds, bank and other borrowing issued at fixed rates expose us to fair value interest rate risk.

For borrowings obtained at variable rates, we are exposed to cash flow interest rate risk which is partially offset by cash held at variable rates. We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently have not used any interest rate swap arrangements.

As of December 31, 2015, 2016, 2017 and March 31, 2018, our bank and other borrowings which were bearing at floating rates amounted to approximately RMB7.7 billion, RMB17.9 billion, RMB31.3 billion, and RMB36.0 billion, respectively. As of December 31, 2015, 2016, 2017 and March 31, 2018, if interest rates on borrowings at floating rates had been 50 basis points higher or lower with all other variables held constant and without taking into account interest capitalisation, interest charges for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2018 would increase/decrease by approximately RMB38.5 million, RMB89.3 million, RMB156.3 million, and RMB45.1 million respectively.

Our Directors do not anticipate significant impacts to interest-bearing assets resulting from the changes interest rates, because the interest rates of bank balances are not expected to change significantly.

The sensitivity analysis above assumes that the changes in interest rates would have occurred as of the dates indicated and had been applied to all of our floating rate loans and borrowings from financial institutions, without taking into account the impact of interest capitalization.

Credit Risk

We account for our credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, we consider historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Trade and other receivables from related parties

As of December 31, 2015, 2016, 2017 and March 31, 2018, our internal credit rating of trade and other receivables from related parties were performing. We have assessed that the expected credit losses for these receivables is not material under 12 months expected losses method. Thus no loss allowance provision was recognized during the Track Record Period.

As of December 31, 2015, 2016, 2017 and March 31, 2018, our trade and other receivables from related parties was RMB1.1 billion, RMB1.9 billion, RMB5.9 billion and RMB5.5 billion, respectively. Such amounts represent our maximum exposure to loss of trade and other receivable from related parties as of December 31, 2015, 2016, 2017 and March 31, 2018.

(ii) Trade and other receivables (excluding prepayments, deposits, amounts due from non-controlling interests and receivables from related parties) and contract assets

Our expected loss rate of current contract assets is assessed to be 0.1%. The loss allowance provision for contract assets was not material during the Track Record Period.

As of December 31, 2015, 2016, 2017 and March 31, 2018, our trade and other receivables (excluding prepayments, deposits, amounts due from non-controlling interest and receivables from related parties) was RMB291.4 million, RMB617.1 million, RMB965.9 million and RMB1,288.2 million, respectively. Such amounts represent our maximum exposure to loss of trade and other receivables (excluding prepayments, deposits, amounts due from non-controlling interest and receivables from related parties) as of December 31, 2015, 2016, 2017 and March 31, 2018.

We have no significant concentrations of credit risk in view of our large number of customers. We did not record any significant bad debts losses during the Track Record Period. The credit risk of our other financial assets, which mainly comprise restricted cash and pledged deposits, other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Directors do not expect any losses from non-performance of these counterparties.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents or have available funding through proceeds from pre-sale of properties and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

We have a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. We will pursue such options basing on its assessment of relevant future costs and benefits. Our directors consider that we will be able to maintain sufficient financial resources to meet its operation needs.

Currency Risk

Our businesses are principally conducted in RMB. Our majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in HKD and USD. Our Group is subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in HKD and USD. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The majority of our subsidiaries operate in the PRC and most of their transactions are denominated in RMB. We did not have other significant exposure to foreign exchange risk.

We undertook certain transactions denominated in foreign currencies during the Track Record Period, hence exposure to exchange rate fluctuations arose. We did not have a foreign currency hedging policy. However, our management monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

The following table shows the sensitivity analysis of a 5% change in RMB against the HKD and USD. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/ weakened by 5% against the relevant currencies, the effect on net profit for the years would be as follows:

	Changes in net profit increase/(decrease)			
	For the Year Ended December 31,			For the Three Months Ended March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
RMB against HKD:				
Strengthened by 5%	109,962	106,553	(155,240)	(129,240)
Weakened by 5%	(109,962)	(106,553)	155,240	129,240
RMB against USD:				
Strengthened by 5%	29,725	34,173	58,656	53,145
Weakened by 5%	(29,725)	(34,173)	(58,656)	(53,145)

SENSITIVITY ANALYSIS OF HISTORICAL RESULTS

For illustrative purposes only, the following table demonstrates the sensitivity of our net profit during the Track Record Period to hypothetical changes in cost of sales:

	Changes in net profit									
Hypothetical changes in cost of sales	For the Year Ended December 31, 2015		2016		2017		For the Three Months Ended March 31, 2017		2018	
	(RMB'000, except for percentages)									
8%	(391,474)	(102.1%)	(555,806)	(56.0%)	(769,192)	(40.6%)	(87,607)	(23.1%)	(193,271)	(28.5%)
6%	(293,606)	(76.6%)	(416,855)	(42.0%)	(576,894)	(30.5%)	(65,705)	(17.3%)	(144,953)	(21.3%)
4%	(195,737)	(51.0%)	(277,903)	(28.0%)	(384,596)	(20.3%)	(43,803)	(11.5%)	(96,635)	(14.2%)
2%	(97,868)	(25.5%)	(138,952)	(14.0%)	(192,298)	(10.2%)	(21,902)	(5.8%)	(48,317)	(7.1%)
0	—	0.0%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
–2%	97,868	25.5%	138,952	14.0%	192,298	10.2%	21,902	5.8%	48,317	7.1%
–4%	195,737	51.0%	277,903	28.0%	384,596	20.3%	43,803	11.5%	96,635	14.2%
–6%	293,606	76.6%	416,855	42.0%	576,894	30.5%	65,705	17.3%	144,953	21.3%
–8%	391,474	102.1%	555,806	56.0%	769,192	40.6%	87,607	23.1%	193,271	28.5%

DIVIDEND

As at March 31, 2018, the Company had share premium of RMB5,162.9 million and accumulated losses of RMB267.0 million. Assuming that the Company has resolved to apply part of the share premium to set-off the accumulated losses and the share premium has not been applied for any other purposes, the net amount of RMB4,895.9 million would be available for distribution under Cayman Companies Law, subject to a solvency test as prescribed in the Cayman Companies Law and the provisions of the Company's memorandum and articles of association.

We declared dividends of RMB262.5 million in 2015. We currently intend to pay dividends of approximately 40% of our consolidated profit attributable to Shareholders (excluding net fair value gains or losses on investment properties) from the financial year ending December 31, 2018. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. In addition, our Controlling Shareholders will be able to influence our dividend policy. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into the future. There is, no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set forth in any plan to our Board or at all. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

LISTING EXPENSES INCURRED AND TO BE INCURRED

The listing expenses in connection with the Global Offering consist primarily of underwriting commissions and professional fees. During the Track Record Period, we incurred listing expenses of approximately RMB11.6 million, of which RMB8.7 million were charged to our administrative expenses for the year ended December 31, 2017 and the three months ended March 31, 2018. We currently expect to incur further expenses amounting to RMB121.9 million subsequent to the end of the Track Record Period, of which RMB40.0 million will be charged to our consolidated statements of comprehensive income and RMB81.9 million will be capitalized in our equity. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending December 31, 2018.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is prepared to show the effect on the net tangible assets of our Group as of March 31, 2018 as if the Global Offering had occurred on March 31, 2018:

	Audited Net Tangible Assets of Our Group attributable to the owners of the Company as of March 31, 2018(1)	Estimated Net Proceeds from the Global Offering(2)	Unaudited Pro Forma Adjusted Net Tangible Assets attributable to the owners of the Company as of March 31, 2018(3)	Unaudited Pro Forma Adjusted Net Tangible Assets per Share(4) (5)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$17.00 per Share	10,835,985	2,557,938	13,393,923	11.35	12.99
Based on an Offer Price of HK$21.50 per Share	10,835,985	3,248,046	14,084,031	11.94	13.66

Notes:

(1) The audited net tangible assets attributable to the owners of the Company as of March 31, 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of March 31, 2018 of approximately RMB10,852.0 million less the Group's intangible assets attributable to the owners of the Company of approximately RMB16.1 million as of March 31, 2018.

(2) The estimated net proceeds from the Global Offering are based on the offer prices of HK$17.00 and HK$21.50 per share, being the low and high ends of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by our Group and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option and may be allotted and repurchased by our Group pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in "Share Capital."

(3) No adjustment has been made to the unaudited *pro forma* adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to March 31, 2018. The unaudited pro forma statement of adjusted net tangible assets has not taken into account the dividend of RMB17,920,000 which was declared in May 2018 by a subsidiary of the Company, of which RMB14,676,000 will be eliminated upon consolidation and RMB3,244,000 will be payable to the subsidiary's non-controlling shareholders. Had the dividend of RMB3,244,000 to the non-controlling shareholders been taken into account, the unaudited pro forma adjusted net tangible assets per share would be RMB11.35 (HK$12.99) based on offer price of HK$17.00 per Offer Share and RMB11.93 (HK$13.65) based on offer price of HK$21.50 per Offer Share.

(4) The unaudited *pro forma* including adjusted net tangible assets per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,180,000,000 Shares are expected to be in issue following the Global Offering, but do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(5) For purposes of the estimated net proceeds of the Global Offering and the unaudited *pro forma* adjusted net tangible assets per Share are converted into Hong Kong dollars and RMB at an exchange rate of RMB1.00 to HK$1.1443. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or *vice versa*, at that rate.

RELATED PARTY TRANSACTIONS

The related party transactions during the Track Record Period are as set forth in Note 37 to the Accountant's Report in Appendix I.

Our non-trade amounts due from and to our Controlling Shareholders and their respective close associates mainly represented interest-free fund transfers to and from related parties, payments made by us on behalf of them or vice versa for convenience purpose. We recorded non-trade amounts due from the Controlling Shareholders and their respective close associates of RMB1,111.5 million, RMB1,788.1 million, RMB1,143.2 million and RMB867.2 million as of December 31, 2015, 2016, 2017 and March 31, 2018, respectively. Non-trade amounts due to the Controlling Shareholders and their respective associates amounted to RMB5,054.5 million, RMB2,813.2 million, RMB4,872.5 million and RMB2,926.4 million as of December 31, 2015, 2016, 2017 and March 31 2018, respectively.

Based on the weighted average effective interest rates on our total borrowings of 5.81%, 5.32%, 5.23% and 5.60%, respectively, as of December 31, 2015, 2016, 2017 and March 31, 2018, which we consider represent the prevailing market interest rates for the relevant periods, our notional interest income for the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 in relation to the interest-free fund transfers to and from related parties amounted to RMB33.3 million, RMB79.2 million, RMB203.8 million and RMB79.7 million, respectively, while our notional interest expense for the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 in relation to the interest-free fund transfers to and from related parties amounted to RMB261.8 million, RMB215.9 million, RMB229.5 million and RMB75.8 million, respectively.

Loans from related parties amounted to RMB2,012.3 million, RMB1,650.3 million, RMB2,855.6 million and RMB3,018.9 million as of December 31, 2015, 2016, 2017 and March 31, 2018, respectively, representing loans from the Controlling Shareholders and their respective close associates.

The above non-trade amounts due from and to and the loans from the Controlling Shareholders and their respective associates (collectively, the non-trade balances with the Controlling Shareholders and their respective close associates) involved the lending of money which may not be in compliance with the General Lending Provisions (《貸款通則》) (the "**General Provisions**"), a regulation promulgated by the PBOC in 1996. As advised by our PRC Legal Advisor, the General Provisions are a regulation promulgated by one of the departments of the State Council, not laws or administrative regulations under the PRC Contract Law. According to the General Lending Provisions, only financial institutions may legally engage in the business of extending loans, and loans as between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities and suppress such lending activity. However, according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Provisions**") promulgated on June 23, 2015 and effective on September 1, 2015, loans among companies are legal if extended for purposes of financing production or business operations. PRC courts will also support a company's claim for interest in respect of such a loan as long as the annual interest rate does not exceed 24%. Pursuant to the Notice of the Supreme People's Court on Conscientiously Studying, Implementing and Applying the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於認真學習貫徹適用《最高人民法院關於審理民間借貸案件適用法律

若干問題的規定》的通知) published on August 25, 2015, the Provisions shall apply to loans entered into prior to the implementation of the Provisions that are invalid under the former judicial interpretations but valid under the Provisions. Pursuant to the Provisions, private lending contracts concluded between legal persons or other organizations are effective and valid under PRC law except where the contracts for the lending (i) are void under the PRC Contract Law or (ii) fall within the scope of void lending contracts as particularly provided in the Provision; and if the interest rate provided in a private lending contract in not more than 24% per annual, the PRC courts will rule that the lender is legally entitled to such interest income. As of the Latest Practicable Date, the Company had not received any notice of claim or penalty relating to the loans. As advised by our PRC Legal Advisor, the possibility that the PBOC could impose a penalty on the Company in respect of the loans to third parties or suppress such loans arrangements is low.

As confirmed by the Directors, as of the Latest Practicable Date, we had not received any notice of claim or penalty relating to the non-trade balances with the Controlling Shareholders and their respective close associates. We are advised by our PRC Legal Advisor that under normal circumstances, the possibility that the PBOC would impose a fine amounting to one to five times of the illegal income on the companies in respect of the intra-group financing arrangement or suppress such intra-group leading activities pursuant to the Provisions is low.

Our Directors have confirmed that all of the non-trade balances with the Controlling Shareholders and their respective close associates will be settled prior to the Listing.

PROPERTY INTERESTS AND PROPERTY VALUATION

JLL Valuer, an independent property valuer, has valued our property interests as of June 30, 2018 and is of the opinion that the aggregate value of our property interests as of such date was RMB135,678.3 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

SUBSEQUENT EVENT

In May 2018 and September 2018, we issued corporate bonds in an aggregated principal amount of RMB1.4 billion and RMB1.0 billion, respectively. The corporate bonds issued in May 2018 and September 2018 carry coupon interest rate of 7.8% and 7.5% per annum, respectively; and will mature in May 2020 and September 2020, respectively. In addition, in July 2018, we also issued an asset-backed securities in an aggregate principal amount of RMB1.79 billion, which are collateralized by certain receivables due from property purchasers.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2018, being the date on which our latest audited consolidated financial information were prepared, and there is no event since March 31, 2018 which would materially affect the information as set out in the Accountant's Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

	RMB'000
Net book value of the following assets of the Group as of March 31, 2018	77,253,354
— Land use rights[(1)]	186,428
— Investment Properties	687,809
— Prepayments for land use rights	2,097,130
— Properties under Development	70,745,172
— Completed Properties held for sales	3,536,815
Additions	18,264,449
Less: Cost of property development and sales	3,477,986
Less: Amortisation[(1)]	1,354
Net book value of the above assets of the Group as of June 30, 2018	92,038,463
Valuation surplus, before tax	43,639,837
Valuation of properties of the Group as of June 30, 2018 as set out in the Property Valuation Report in Appendix III	135,678,300

Note: (1) This comprises the land use rights or the respective amortisation of the land parcels owned by Foshan Shunde District Baohong Property Management Company Limited (佛山市順德區寶弘物業管理有限公司) and Foshan Shunde Xunde Real Estate Investment Company Limited (佛山市順德區迅德置業有限公司).