

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

## ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MIDEA REAL ESTATE HOLDING LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED AND CLSA CAPITAL MARKETS LIMITED

### Introduction

We report on the historical financial information of Midea Real Estate Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-84, which comprises the consolidated balance sheets as at December 31, 2015, 2016 and 2017 and March 31, 2018, the company balance sheets as at December 31, 2017 and March 31, 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-84 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 28, 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2017 and March 31, 2018 and the consolidated financial position of the Group as at December 31, 2015, 2016 and 2017 and March 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong

September 28, 2018

## I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

## Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## (a) Consolidated statements of comprehensive income

	Note	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
<b>Revenue</b> . . . . .	5	8,312,707	11,992,340	17,716,924	2,200,923	4,845,449
Cost of sales . . . . .	6	(6,524,565)	(9,263,426)	(12,819,864)	(1,460,107)	(3,221,173)
<b>Gross profit</b> . . . . .		1,788,142	2,728,914	4,897,060	740,816	1,624,276
Other income and gains — net . . . . .	9	76,060	235,224	334,702	24,935	169,371
Gains arising from changes in fair value of and transfer to investment properties . . . . .	18	10,424	33,039	18,801	4,092	455
Selling and marketing expenses . . . . .	7	(376,245)	(586,257)	(807,877)	(108,686)	(223,707)
Administrative expenses . . . . .	8	(409,240)	(459,895)	(805,352)	(135,474)	(321,167)
<b>Operating profit</b> . . . . .		1,089,141	1,951,025	3,637,334	525,683	1,249,228
Finance income . . . . .	11	26,818	29,610	231,211	43,447	45,294
Finance costs . . . . .	11	(291,455)	(251,113)	(262,540)	—	(59,782)
Finance (costs)/income — net . . . . .	11	(264,637)	(221,503)	(31,329)	43,447	(14,488)
Share of results of joint ventures and associates . . . . .	16	(321)	(4,492)	2,118	(2,477)	(8,613)
<b>Profit before income tax</b> . . . . .		824,183	1,725,030	3,608,123	566,653	1,226,127
Income tax expenses . . . . .	12	(440,679)	(731,719)	(1,714,554)	(186,713)	(546,852)
<b>Profit for the year/period</b> . . . . .		<u>383,504</u>	<u>993,311</u>	<u>1,893,569</u>	<u>379,940</u>	<u>679,275</u>
<b>Profit attributable to:</b>						
Owners of the Company . . . . .		391,076	1,007,387	1,912,442	379,177	668,369
Non-controlling interests . . . . .		(7,572)	(14,076)	(18,873)	763	10,906
<b>Total comprehensive income for the year/period</b> . . . . .		<u>383,504</u>	<u>993,311</u>	<u>1,893,569</u>	<u>379,940</u>	<u>679,275</u>
<b>Attributable to:</b>						
Owners of the Company . . . . .		391,076	1,007,387	1,912,442	379,177	668,369
Non-controlling interests . . . . .		(7,572)	(14,076)	(18,873)	763	10,906
		<u>383,504</u>	<u>993,311</u>	<u>1,893,569</u>	<u>379,940</u>	<u>679,275</u>
<b>Earnings per share (expressed in RMB per share)</b>						
Basic and diluted earnings per share . . . . .	13	<u>0.52</u>	<u>1.34</u>	<u>2.54</u>	<u>0.51</u>	<u>0.67</u>

## (b) Consolidated balance sheets

	Note	As at December 31,			As at
		2015	2016	2017	March 31,
		RMB'000	RMB'000	RMB'000	2018
				RMB'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment . . . . .	17	1,190,082	755,655	435,882	593,638
Investment properties . . . . .	18	95,730	645,306	709,844	687,809
Land use rights . . . . .	19	139,457	104,849	368,601	367,691
Intangible assets . . . . .	20	7,754	10,177	16,046	16,094
Properties under development . . . . .	21	274,761	2,087,653	3,500,677	3,243,119
Investments in joint ventures . . . . .	16(a)	—	552,551	743,704	987,337
Investments in associates . . . . .	16(b)	4,323	4,994	239,739	357,146
Deferred income tax assets . . . . .	15	225,701	313,277	567,329	613,384
Other non-current assets . . . . .	23	140,000	158,142	—	—
		<u>2,077,808</u>	<u>4,632,604</u>	<u>6,581,822</u>	<u>6,866,218</u>
<b>Current assets</b>					
Inventories . . . . .		1,857	3,329	5,350	15,419
Contract assets . . . . .	5	461,464	702,921	1,065,834	1,595,238
Properties under development . . . . .	21	21,865,910	30,430,316	59,272,059	67,502,053
Completed properties held for sale . . . . .	22	2,474,581	3,015,050	2,618,605	3,536,815
Trade and other receivables . . . . .	24	2,162,647	6,748,766	15,491,821	16,507,052
Prepaid taxes . . . . .		714,190	1,185,331	3,753,948	4,981,726
Financial assets at fair value through profit or loss . . . . .	25	2,303,650	6,142,365	398,439	2,093,579
Restricted cash . . . . .	26	522,656	1,486,874	3,752,716	3,429,625
Term deposits with initial terms of over three months . . . . .	27	176,720	256,520	120,922	89,290
Cash and cash equivalents . . . . .	27	1,983,689	3,284,335	19,917,383	15,707,191
		<u>32,667,364</u>	<u>53,255,807</u>	<u>106,397,077</u>	<u>115,457,988</u>
<b>Total assets</b> . . . . .		<u>34,745,172</u>	<u>57,888,411</u>	<u>112,978,899</u>	<u>122,324,206</u>
<b>EQUITY</b>					
<b>Equity attributable to the owners of the Company</b>					
Share capital and premium . . . . .	28	—	—	6,000,209	6,000,209
Other reserves . . . . .	29	564,697	724,431	868,870	868,870
Retained earnings . . . . .	29	712,563	1,546,792	3,314,600	3,982,969
		<u>1,277,260</u>	<u>2,271,223</u>	<u>10,183,679</u>	<u>10,852,048</u>
Non-controlling interests . . . . .		132,537	823,196	1,981,101	2,571,775
<b>Total equity</b> . . . . .		<u>1,409,797</u>	<u>3,094,419</u>	<u>12,164,780</u>	<u>13,423,823</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Corporate bonds . . . . .	30	—	3,491,819	3,495,481	1,998,409
Bank and other borrowings . . . . .	31	6,048,383	14,446,932	25,688,820	29,383,218
Deferred income tax liabilities . . . . .	15	222,693	391,350	944,193	1,228,623
		<u>6,271,076</u>	<u>18,330,101</u>	<u>30,128,494</u>	<u>32,610,250</u>
<b>Current liabilities</b>					
Contract liabilities . . . . .	5	10,810,263	17,948,011	36,362,728	41,146,946
Corporate bonds . . . . .	30	—	—	—	1,498,031
Bank and other borrowings . . . . .	31	5,405,212	6,420,302	9,070,647	10,699,054
Trade and other payables . . . . .	32	10,149,915	11,391,136	23,686,875	21,492,757
Current income tax liabilities . . . . .		698,909	704,442	1,565,375	1,453,345
		<u>27,064,299</u>	<u>36,463,891</u>	<u>70,685,625</u>	<u>76,290,133</u>
<b>Total liabilities</b> . . . . .		<u>33,335,375</u>	<u>54,793,992</u>	<u>100,814,119</u>	<u>108,900,383</u>
<b>Total equity and liabilities</b> . . . . .		<u>34,745,172</u>	<u>57,888,411</u>	<u>112,978,899</u>	<u>122,324,206</u>

## (c) Company balance sheets

	<i>Note</i>	As at December 31, 2017 RMB'000	As at March 31, 2018 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in a subsidiary . . . . .		4,183,660	4,183,660
<b>Current assets</b>			
Amount due from a subsidiary . . . . .	43	3,891,691	5,741,811
Prepayments . . . . .		—	2,888
Cash and cash equivalents . . . . .	43	2,098,134	1
		<u>5,989,825</u>	<u>5,744,700</u>
<b>Total assets</b> . . . . .		<u><u>10,173,485</u></u>	<u><u>9,928,360</u></u>
<b>EQUITY</b>			
Share capital and premium . . . . .	28	6,000,209	6,000,209
Other reserves . . . . .	43	4,183,465	4,183,465
Accumulated losses . . . . .	43	(11,249)	(266,964)
<b>Total equity</b> . . . . .		<u><u>10,172,425</u></u>	<u><u>9,916,710</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables . . . . .		—	97
Amount due to a subsidiary . . . . .		1,060	11,553
<b>Total liabilities</b> . . . . .		<u><u>1,060</u></u>	<u><u>11,650</u></u>
<b>Total equity and liabilities</b> . . . . .		<u><u>10,173,485</u></u>	<u><u>9,928,360</u></u>

## (d) Consolidated statements of changes in equity

	<i>Note</i>	Attributable to owners of the Company				Non- controlling interests RMB'000	Total Equity RMB'000
		Share capital and premium	Other reserves	Retained earnings	Total		
		RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000		
<b>Balance at January 1, 2015</b> . . . . .		—	415,161	733,789	1,148,950	133,079	1,282,029
<b>Comprehensive income</b>							
Profit for the year . . . . .		—	—	391,076	391,076	(7,572)	383,504
<b>Total comprehensive income for the year</b> . . . . .		—	—	391,076	391,076	(7,572)	383,504
<b>Transactions with owners in their capacity as owners:</b>							
Transfer to statutory reserves . . . . .		—	149,852	(149,852)	—	—	—
Dividends paid to the then shareholders . . . . .	14	—	—	(262,450)	(262,450)	—	(262,450)
Capital injections from non-controlling interests . . . . .		—	—	—	—	7,030	7,030
Business combination under common control . . . . .		—	(316)	—	(316)	—	(316)
<b>Total transactions with owners</b> . . . . .		—	149,536	(412,302)	(262,766)	7,030	(255,736)
<b>Balance at December 31, 2015</b> . . . . .		—	564,697	712,563	1,277,260	132,537	1,409,797
<b>Balance at January 1, 2016</b> . . . . .		—	564,697	712,563	1,277,260	132,537	1,409,797
<b>Comprehensive income</b>							
Profit for the year . . . . .		—	—	1,007,387	1,007,387	(14,076)	993,311
<b>Total comprehensive income for the year</b> . . . . .		—	—	1,007,387	1,007,387	(14,076)	993,311
<b>Transactions with owners in their capacity as owners:</b>							
Transfer to statutory reserves . . . . .		—	161,519	(161,519)	—	—	—
Non-controlling interests arising from business combination . . . . .	40	—	—	—	—	120,089	120,089
Capital injections from non-controlling interests . . . . .		—	—	—	—	581,812	581,812
Capitalisation of retained earnings of a subsidiary upon its conversion into a joint stock company . . . . .		—	11,639	(11,639)	—	—	—
Additional investment in a subsidiary . . . . .	36	—	(12,817)	—	(12,817)	427	(12,390)
Disposal of ownership interest in a subsidiary without change of control . . . . .	36	—	(607)	—	(607)	2,407	1,800
<b>Total transactions with owners</b> . . . . .		—	159,734	(173,158)	(13,424)	704,735	691,311
<b>Balance at December 31, 2016</b> . . . . .		—	724,431	1,546,792	2,271,223	823,196	3,094,419

	Attributable to owners of the Company				Non-controlling interests	Total Equity	
	Share capital and premium	Other reserves	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000			
	Note	(note 28)	(note 29)	(note 29)	RMB'000	RMB'000	
<b>Balance at January 1, 2017</b>		—	724,431	1,546,792	2,271,223	823,196	3,094,419
<b>Comprehensive income</b>							
Profit for the year		—	—	1,912,442	1,912,442	(18,873)	1,893,569
<b>Total comprehensive income for the year</b>		—	—	1,912,442	1,912,442	(18,873)	1,893,569
<b>Transactions with owners in their capacity as owners:</b>							
Transfer to statutory reserves		—	144,634	(144,634)	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	(1,390)	(1,390)
Non-controlling interests arising from business combination	40	—	—	—	—	542,230	542,230
Capital injections from non-controlling interests		—	—	—	—	635,938	635,938
Business combination under common control		—	(195)	—	(195)	—	(195)
Issue of new shares	28	6,000,209	—	—	6,000,209	—	6,000,209
<b>Total transactions with owners</b>		6,000,209	144,439	(144,634)	6,000,014	1,176,778	7,176,792
<b>Balance at December 31, 2017</b>		6,000,209	868,870	3,314,600	10,183,679	1,981,101	12,164,780
<b>Balance at January 1, 2017</b>		—	724,431	1,546,792	2,271,223	823,196	3,094,419
<b>Comprehensive income</b>							
Profit for the period (unaudited)		—	—	379,177	379,177	763	379,940
<b>Total comprehensive income for the period (unaudited)</b>		—	—	379,177	379,177	763	379,940
<b>Transactions with owners in their capacity as owners:</b>							
Non-controlling interests arising from business combination (unaudited)	40	—	—	—	—	475,395	475,395
Capital injections from non-controlling interests (unaudited)		—	—	—	—	155,164	155,164
<b>Total transactions with owners (unaudited)</b>		—	—	—	—	630,559	630,559
<b>Balance at March 31, 2017 (unaudited)</b>		—	724,431	1,925,969	2,650,400	1,454,518	4,104,918
<b>Balance at January 1, 2018</b>		6,000,209	868,870	3,314,600	10,183,679	1,981,101	12,164,780
<b>Comprehensive income</b>							
Profit for the period		—	—	668,369	668,369	10,906	679,275
<b>Total comprehensive income for the period</b>		—	—	668,369	668,369	10,906	679,275
<b>Transactions with owners in their capacity as owners:</b>							
Non-controlling interests arising from business combination	40	—	—	—	—	336,662	336,662
Capital injections from non-controlling interests		—	—	—	—	243,106	243,106
<b>Total transactions with owners</b>		—	—	—	—	579,768	579,768
<b>Balance at March 31, 2018</b>		6,000,209	868,870	3,982,969	10,852,048	2,571,775	13,423,823

## (e) Consolidated statements of cash flows

	Note	Year ended December 31,			Three months ended	
		2015	2016	2017	March 31,	
		RMB'000	RMB'000	RMB'000	2017	2018
				(Unaudited)		
				RMB'000	RMB'000	
<b>Cash flows from operating activities</b>						
Cash generated from/(used in) operations	33	2,542,948	(4,020,273)	(3,968,299)	(4,724,363)	(6,127,446)
Income tax paid		(613,719)	(853,613)	(1,732,340)	(752,115)	(876,125)
Interest paid		(685,433)	(680,070)	(1,656,527)	(297,086)	(553,619)
<b>Net cash generated from/(used in) operating activities</b>		<u>1,243,796</u>	<u>(5,553,956)</u>	<u>(7,357,166)</u>	<u>(5,773,564)</u>	<u>(7,557,190)</u>
<b>Cash flows from investing activities</b>						
Payments for acquisition of subsidiaries, net of cash acquired	40	—	(272,027)	(1,600,308)	(541,276)	241,654
Proceeds from disposal of subsidiaries, net of cash disposed of	39	154,149	259,106	539,415	—	(9,074)
Purchases of property, plant and equipment		(593,960)	(117,636)	(53,886)	(19,499)	(24,721)
Purchases of land use rights for self-use		(140,000)	(93,630)	(20,250)	—	—
Purchases of intangible assets		(4,735)	(5,255)	(9,191)	—	(1,401)
Investments in joint ventures		—	(491,000)	(178,900)	—	(240,020)
Investments in associates		—	(669)	(243,280)	(66,900)	(119,633)
Advances/(repayment of advances) from joint ventures and associates		67,273	(21,670)	—	—	—
Advances/(repayment of advances) to joint ventures and associates		—	—	(3,919,572)	(1,076,745)	1,340,411
Dividend income from associates		25,144	—	—	—	—
Proceeds from disposal of an associate		836	—	—	—	—
Proceeds from disposal of property, plant and equipment, investment properties and intangible assets	33	125,815	501,789	25,691	1,119	6,563
Decrease/(increase) in term deposits with initial terms of over three months		61,879	(79,800)	135,598	33,417	31,632
Payments for financial assets at fair value through profit or loss		(12,401,350)	(28,144,590)	(29,167,070)	(2,469,028)	(5,744,237)
Proceeds from disposal of financial assets at fair value through profit or loss		10,597,014	24,463,528	35,128,922	2,045,705	4,095,713
Interest received		26,818	29,610	75,862	18,999	45,294
<b>Net cash (used in)/generated from investing activities</b>		<u>(2,081,117)</u>	<u>(3,972,244)</u>	<u>713,031</u>	<u>(2,074,208)</u>	<u>(377,819)</u>
<b>Cash flows from financing activities</b>						
Capital injections from non-controlling interests		7,030	581,812	635,938	155,164	243,106
Capital injections from owners of the Company		—	—	6,000,209	—	—
Payments for acquisition of additional interests in subsidiaries		—	(9,998)	—	—	—
Proceeds from disposal of interests in subsidiaries without loss of control	36	—	1,800	—	—	—
Proceeds from bank and other borrowings		9,194,491	16,978,921	25,675,313	5,297,091	9,410,781
Repayments of bank and other borrowings		(8,078,970)	(7,410,309)	(11,461,823)	(331,643)	(4,043,028)
Payments for listing related expenses		—	—	—	—	(1,561)
Proceeds from corporate bonds	30	—	3,489,000	—	—	—
Dividends paid to the then shareholders		(262,450)	—	—	—	—
Advances/(repayment of advances) from related parties controlled by the Ultimate Controlling Parties		145,182	(2,916,374)	2,702,190	404,273	(1,670,150)
Dividends paid to non-controlling interests		—	—	(1,390)	—	—
Payments for business combination under common control		(316)	—	(195)	—	—
<b>Net cash generated from financing activities</b>		<u>1,004,967</u>	<u>10,714,852</u>	<u>23,550,242</u>	<u>5,524,885</u>	<u>3,939,148</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>167,646</u>	<u>1,188,652</u>	<u>16,906,107</u>	<u>(2,322,887)</u>	<u>(3,995,861)</u>
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)
<b>Cash and cash equivalents at end of the year/period</b>	27	<u>1,983,689</u>	<u>3,284,335</u>	<u>19,917,383</u>	<u>945,820</u>	<u>15,707,191</u>



## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

#### 1.1 General information

The Company was incorporated in the Cayman Islands on November 29, 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in property development and sales, property management services and investment and operation of commercial properties in the People's Republic of China (the "PRC") (the "Listing Business").

The history of the Group can be traced back to July 2004 when Mr. He Xiangjian (何享健, "Mr. He") acquired a majority equity interest in Midea Real Estate Group Company Limited (美的置業集團有限公司, "Midea Real Estate Group Company"), then known as Foshan Shunde Welling Realty Company Limited (佛山市順德區威靈房地產有限公司). In September 2013, in preparation for the independent development of the Group's property business, Midea Development (Hong Kong) Limited, the sole shareholder of Midea Construction (BVI) Limited ("Midea Construction (BVI)") at that time which was indirectly owned by Mr. He and Ms. Lu Deyan (盧德燕, "Ms. Lu") as to 94.55% and 5.45%, respectively, transferred the entire equity interest in Midea Construction (BVI) to Ms. Lu. Since Midea Construction (BVI) held the entire equity interest in Midea Construction (Hong Kong) Limited ("Midea Construction (HK)") and in turn, the entire equity interest in Midea Real Estate Group Company, Ms. Lu became directly or indirectly interested in the entire equity interest in each of Midea Construction (BVI), Midea Construction (HK) and Midea Real Estate Group Company upon completion of the above equity transfer.

On May 14, 2018, a deed of acting-in-concert was entered into between Ms. Lu and Mr. He and pursuant to which, Ms. Lu and Mr. He have agreed to consult each other and reach a unanimous consensus among themselves on the subject matters of any shareholders' resolutions to be passed pursuant to the applicable constitution documents, listing rules or other corporate governance documents during the period when Ms. Lu remains in control of the Group, directly or indirectly. Ms. Lu and Mr. He have also confirmed that the acting-in-concert arrangement has been in place since the date of incorporation of the Company or the date when Ms. Lu became interested in any member of the Group, whichever is earlier.

The ultimate holding company of the Company is Midea Development Holding (BVI) Limited ("Midea Development (BVI)"), and the ultimate controlling parties of the Company are Mr. He and Ms. Lu (the "Ultimate Controlling Parties").

#### 1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below (the "Reorganization"), the Listing Business was operated through Midea Construction (BVI) and its subsidiaries in the PRC during the Track Record Period. Midea Construction (BVI) was incorporated in the British Virgin Islands ("BVI") on October 21, 2009 and is an investment holding company.

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Reorganization was undertaken pursuant to which Midea Construction (BVI) and its subsidiaries were transferred to the Company. The Reorganization involved the following steps:

##### *(1) Establishment of the investment holding company*

Midea Development (BVI) was incorporated in the BVI on November 24, 2017. Upon its incorporation, the authorized capital of Midea Development (BVI) was HK\$10,000 divided into 10,000 shares with a par value of HK\$1.00 each. On the same date, Midea Development (BVI) allotted and issued 10,000 shares with a par value of HK\$1.00 each to Ms. Lu. Midea Development (BVI) was wholly owned by Ms. Lu.

(2) *Incorporation of the Company*

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 29, 2017. Upon its incorporation, the authorized capital of the Company was HK\$1 billion divided into 1,000,000,000 shares with a par value of HK\$1.00 each. Upon its incorporation on November 29, 2017, the Company allotted and issued at par value one share to Osiris International Cayman Limited, an independent third party, and 9,999 shares to Midea Development (BVI). The one share held by Osiris International Cayman Limited was subsequently transferred to Midea Development (BVI) on the same day. Upon completion of such transfer, Midea Development (BVI) held 10,000 shares with a par value of HK\$1.00 each and the Company was wholly owned by Midea Development (BVI).

(3) *Transfer of the entire interest of Midea Construction (BVI)*

On December 18, 2017, Ms. Lu transferred her entire equity interest in Midea Construction (BVI) to the Company at a consideration of HK\$234,000, which was determined with reference to the issued share capital of Midea Construction (BVI). On the same date, the Company allotted and issued 290,000 shares with a par value of HK\$1.00 each to Midea Development (BVI), 234,000 shares of which represented the consideration of the above equity transfer, and the other 56,000 shares of which were issued at a par value of HK\$1.00 each. As a result of the equity transfer, Midea Construction (BVI) became a direct wholly-owned subsidiary of the Company.

Upon completion of the above transfers, the Company became the holding company of the Group.

(4) *Additional capital injection into the Company*

To prepare for the potential adoption of management share incentive scheme(s) in the future, on December 28, 2017, the Company allotted and issued 76,000, 12,000 and 12,000 shares with a par value of HK\$1.00 each to Midea Development (BVI), Midea Ever Company Limited ("Midea Ever") and Midea Field Company Limited ("Midea Field"), all of which are wholly owned by Ms. Lu, respectively. On the same date, the Company further allotted and issued 939,624,000, 29,988,000 and 29,988,000 shares with a par value of HK\$1.00 each to Midea Development (BVI), Midea Ever and Midea Field, respectively.

The aggregated consideration for the above-mentioned allotment and issuance of the shares of the Company, which was fully paid up by Midea Development (BVI) on December 29, 2017, Midea Ever on December 28, 2017 and Midea Field on December 28, 2017, was RMB4.56 billion, RMB720 million and RMB720 million, respectively. Upon completion of the above additional capital injection into the Company, Midea Development (BVI), Midea Ever and Midea Field held 940,000,000, 30,000,000 and 30,000,000 shares of the Company with a par value of HK\$1.00 each.

On September 12, 2018, in preparation for the listing of the Company's shares, the authorized share capital of the Company was increased to HK\$2,000,000,000 divided into 2,000,000,000 shares of HK\$1.00 each.

The subsidiaries in which the Company held direct or indirect interest upon completion of the Reorganization and as at the date of this report are set out in note 38.

### 1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business is held by Midea Construction (BVI). The Listing Business was and will continue to be conducted through Midea Construction (BVI). Pursuant to the Reorganization, the Listing Business is transferred to and held by the Company. The Reorganization involved only the insertion of the Company into the shareholding structure as the holding company of Midea Construction (BVI). The 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 the Listing Business with no change in the management of such business and the Ultimate Controlling Parties of the Listing Business remain the same.

Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business conducted under Midea Construction (BVI). For the purpose of this report, the Historical Financial Information 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### 2.1.1 New and revised standards adopted

HKFRS 9, 'Financial instruments' and HKFRS 15, 'Revenue from contracts with customers' are effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group has applied HKFRS 9 and HKFRS 15 consistently throughout the Track Record Period.

#### 2.1.2 New and revised standards, amendments and interpretations to existing standards that have been issued but are not effective for the Track Record Period and have not been early adopted

Up to the date of issuance of this report, the HKICPA has issued the following new standards, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 16 . . . . .	Leases	January 1, 2019
Amendments to HKFRSs . . . . .	Annual Improvements to HKFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to HKFRS 9 . . . . .	Prepayment Features with Negative Compensation	January 1, 2019
Amendments to HKAS 19 . . . . .	Plan Amendment, Curtailment or Settlement	January 1, 2019
Amendments to HKAS 28 . . . . .	Long-term Interests in Associates and Joint Ventures	January 1, 2019
Hong Kong International Financial Reporting Interpretations Committee ("HK (IFRIC)") Interpretation 23 . . . . .	Uncertainty over Income Tax Treatment	January 1, 2019
HKFRS 17 . . . . .	Insurance Contract	January 1, 2021
Amendments to HKFRS 10 and Hong Kong Accounting Standards ("HKAS") 28 . . . . .	Sale or Contribution of Assets between An Investor and Its Associates or Joint Ventures	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective except those set out below:

HKFRS 16 provides new provisions for the accounting treatment of leases and requires lessees to recognize certain leases on the consolidated balance sheet. Almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. In the consolidated statement of comprehensive income, leases will be recognized in future as depreciation of right of use assets and interest expense on lease liability and will no longer be recorded as an operating lease expense on a straight line basis.

The Group is a lessee and also a lessor of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17 based on the accounting policy as set out in Note 2.33. As at March 31, 2018, the Group's minimum lease payments and rental receivables under non-cancellable operating lease agreements were RMB95,316,000 and RMB341,135,000, respectively, as separately disclosed in Note 35.

Under HKFRS 16, lessees are required to recognize a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, the adoption of HKFRS 16 will change not only the allocation of expenses but also the total amount of expenses recognized for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in higher expenses in the initial years of the lease term, and lower expenses during the latter part of the lease term. For the lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 except for definition of lease and accounting for sub-lease. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will apply the new standard starting from the financial year beginning on January 1, 2019. Based on the Group's current assessment, the directors of the Company do not expect a material impact on the Group's financial position and performance as a result of the adoption of this new standard when it becomes effective.

## 2.2 Subsidiaries

### 2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (a) Business combination

##### Business combinations under common control

The Historical Financial Information incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or businesses are eliminated on consolidation.

#### Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category if equity as specified/permitted by applicable HKFRSs.

(d) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment and is being either the cash consideration amount or the amount of net asset value of the subsidiary for share-settled transaction under reorganization and business combination under common control. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of results of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in profit or loss.

## 2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

## 2.6 Foreign currency translation

### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within 'other income and gains — net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

*(c) Group companies*

The results and consolidated balance sheet of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

**2.7 Property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	20–35 years
Furniture and equipment	5 years
Vehicles, machinery and others	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income and gains - net' in profit or loss.

**2.8 Intangible assets***Computer software*

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 5 years. Costs associated with maintaining computer software programs are recognized as an expenses as incurred.



## 2.9 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognized in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognized in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognized revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

## 2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.11 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable 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.

## 2.12 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

Net realisable 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.

## 2.13 Financial assets

### 2.13.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### 2.13.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statement of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of comprehensive income within 'other income and gains - net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

#### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognized in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and gains - net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

#### **2.14 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### **2.15 Impairment of financial assets**

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and debt investment at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies 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 contract assets and trade receivables with similar credit risk characteristics 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 analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

#### **2.16 Inventories**

Inventories mainly comprise of spare parts and tools for property management, which are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### **2.17 Land use rights**

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets. Land use rights to be developed for hotel properties and self-use buildings, are non-current assets, which are stated at cost and subsequently amortized in the profit or loss on a straight-line basis over the operating lease periods.

#### **2.18 Trade and other receivables**

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

**2.19 Contract assets and liabilities and costs for obtaining contracts**

Upon entering into a contract with a customer, the Group 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.

The Group recognizes the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover these costs.

**2.20 Cash and cash equivalents and restricted cash**

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheets. Restricted cash are excluded from cash and cash equivalents.

**2.21 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**2.22 Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

**2.23 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

**2.24 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 the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## 2.25 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.

## 2.26 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.

### (a) 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 the Group's 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.

### (b) 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 the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group 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.

(c) *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.

#### 2.27 Employee benefits

(a) *Pension obligations*

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) *Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(d) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

## 2.28 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## 2.29 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies.

(a) *Sales of properties*

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 the Group's performance:

- provides all of the benefits received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has 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 the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determine the transaction price, the Group adjusts 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 the Group has present right to payment and the collection of the consideration is probable.

(b) *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.

(c) *Investment and operation of commercial properties*

Revenues from investment and operation of commercial properties mainly include property lease income, revenues from hotel operations 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 operations

Revenues from hotel operations are recognized in the accounting period in which the related 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.

**2.30 Management and consulting services income**

Income from rendering of management and consulting services is recognized in the accounting period in which the related services are rendered.

**2.31 Interest income**

Interest income is recognized using the effective interest method.

**2.32 Dividend income**

Dividends are recognized as revenue when the right to receive payment is established.

**2.33 Leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**2.34 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

**2.35 Financial guarantee contracts**

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments'; and



- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

### 3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations.

#### 3.1 Financial risk factors

##### 3.1.1 Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD") and United States Dollar ("USD"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are denominated in HKD and USD. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The majority of the subsidiaries of the Group operate in the PRC and most of their transactions are denominated in RMB. The Group did not have other significant exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated balance sheets are as follows:

Assets	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	RMB'000
HKD .....	833,474	859,106	5,486,983	4,989,668
USD .....	367,104	713,841	44,737	127,839
	<u>1,200,578</u>	<u>1,572,947</u>	<u>5,531,720</u>	<u>5,117,507</u>
Liabilities	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	RMB'000
HKD .....	3,765,807	3,700,530	1,347,247	1,543,263
USD .....	1,159,764	1,625,130	1,608,901	1,545,028
	<u>4,925,571</u>	<u>5,325,660</u>	<u>2,956,148</u>	<u>3,088,291</u>

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. 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 post-tax profit for the years would be as follows:

	<b>Change of post-tax profit increase/(decrease)</b>			
	<b>Year ended December 31,</b>			<b>Three months ended</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>March 31,</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
RMB against HKD:				
Strengthened by 5% . . . . .	109,962	106,553	(155,240)	(129,240)
Weakened by 5% . . . . .	<u>(109,962)</u>	<u>(106,553)</u>	<u>155,240</u>	<u>129,240</u>
RMB against USD:				
Strengthened by 5% . . . . .	29,725	34,173	58,656	53,145
Weakened by 5% . . . . .	<u>(29,725)</u>	<u>(34,173)</u>	<u>(58,656)</u>	<u>(53,145)</u>

### 3.1.2 Cash flow and fair value interest rate risks

The Group's 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 the Group to cash flow interest-rate risk. Corporate bonds, bank and other borrowing issued at fixed rates expose the Group to fair value interest rate risk.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements.

As at December 31, 2015, 2016 and 2017 and March 31, 2018, bank and other borrowings of the Group which were bearing at floating rates amounted to approximately RMB7,703,594,000, RMB17,867,210,000, RMB31,253,143,000, and RMB36,048,772,000 respectively. As at December 31, 2015, 2016 and 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 and 2017 and the three months ended March 31, 2018 would increase/decrease by approximately RMB38,518,000, RMB89,336,000, RMB156,266,000, and RMB45,061,000 respectively.

### 3.1.3 Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, restricted cash, term deposits with initial terms of over three months and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

<u>Category</u>	<u>Group definition of category</u>	<u>Basis for recognition of expected credit loss provision</u>
Performing . . . . .	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming . . . . .	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing . . . . .	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off . . . . .	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties and contract assets.

Expected loss rate of current contract assets and trade receivables from related parties are assessed to be 0.1%. The loss allowance provision for these balances was not material during the Track Record Period.

To measure the expected credit losses of trade receivables from third parties, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at December 31, 2015, 2016 and 2017 and March 31, 2018 is determined as follows, the expected credit losses below also incorporate forward looking information.

	<u>Within 90 days</u>	<u>Over 90 days and within 180 days</u>	<u>Over 180 days and within 365 days</u>	<u>Over 365 days</u>	<u>Total</u>
<b>Trade receivables (excluding receivables from related parties)</b>					
At December 31, 2015					
Expected loss rate . . . . .	0.10%	2.00%	5.00%	10.00%	
Gross carrying amount (RMB'000) . . . . .	29,296	536	5,453	4,952	40,237
Loss allowance provision (RMB'000) . . . . .	<u>29</u>	<u>11</u>	<u>273</u>	<u>495</u>	<u>808</u>
	<u>Within 90 days</u>	<u>Over 90 days and within 180 days</u>	<u>Over 180 days and within 365 days</u>	<u>Over 365 days</u>	<u>Total</u>
<b>Trade receivables (excluding receivables from related parties)</b>					
At December 31, 2016					
Expected loss rate . . . . .	0.10%	2.00%	5.00%	10.00%	
Gross carrying amount (RMB'000) . . . . .	45,710	2,990	21,311	16,333	86,344
Loss allowance provision (RMB'000) . . . . .	<u>46</u>	<u>60</u>	<u>1,066</u>	<u>1,633</u>	<u>2,805</u>
	<u>Within 90 days</u>	<u>Over 90 days and within 180 days</u>	<u>Over 180 days and within 365 days</u>	<u>Over 365 days</u>	<u>Total</u>
<b>Trade receivables (excluding receivables from related parties)</b>					
At December 31, 2017					
Expected loss rate . . . . .	0.10%	2.00%	5.00%	10.00%	
Gross carrying amount (RMB'000) . . . . .	220,324	67,520	48,386	40,492	376,722
Loss allowance provision (RMB'000) . . . . .	<u>220</u>	<u>1,350</u>	<u>2,419</u>	<u>4,049</u>	<u>8,038</u>

	Within 90 days	Over 90 days and within 180 days	Over 180 days and within 365 days	Over 365 days	Total
<b>Trade receivables (excluding receivables from related parties)</b>					
At March 31, 2018					
Expected loss rate . . . . .	0.10%	2.00%	5.00%	10.00%	
Gross carrying amount (RMB'000) . . . . .	140,237	133,805	71,586	90,542	436,170
Loss allowance provision (RMB'000) . . . . .	<u>140</u>	<u>2,676</u>	<u>3,579</u>	<u>9,054</u>	<u>15,449</u>

The loss allowance provision for trade receivables from third parties as at December 31, 2015, 2016 and 2017 and March 31, 2018 reconciles to the opening loss allowance for that provision as follows:

	<b>Trade receivables (excluding receivables from related parties) RMB'000</b>
At January 1, 2015 . . . . .	1,002
Reversal of provision for loss allowance recognized in profit or loss . . . . .	<u>(194)</u>
At December 31, 2015. . . . .	<u>808</u>
At January 1, 2016 . . . . .	808
Provision for loss allowance recognized in profit or loss . . . . .	<u>1,997</u>
At December 31, 2016. . . . .	<u>2,805</u>
At January 1, 2017 . . . . .	2,805
Provision for loss allowance recognized in profit or loss . . . . .	<u>5,233</u>
At December 31, 2017. . . . .	<u>8,038</u>
At January 1, 2018 . . . . .	8,038
Provision for loss allowance recognized in profit or loss . . . . .	<u>7,411</u>
At March 31, 2018 . . . . .	<u>15,449</u>

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the reversal/provision for loss allowances were recognized in profit or loss in administrative expenses in relation to the impaired trade receivables.

As at December 31, 2015, 2016 and 2017 and March 31, 2018, the gross carrying amount of trade receivables excluding receivables from related parties was RMB40,237,000, RMB86,344,000, RMB376,722,000 and RMB436,170,000, and thus the maximum exposure to loss was RMB39,429,000, RMB83,539,000, RMB368,684,000 and RMB420,721,000.

(ii) Other receivables

Other financial assets at amortized cost include other receivables from third parties, related parties and non-controlling interests.

As at December 31, 2015, 2016 and 2017 and March 31, 2018, the internal credit rating of other receivables from related parties and non-controlling interests were performing. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognized during the Track Record Period.

The loss allowance provision for other receivables from third parties as at December 31, 2015, 2016 and 2017 and March 31, 2018 reconciles to the opening loss allowance for that provision as follows:

	<b>Other receivables (excluding prepayments, deposits, amounts due from non- controlling interests and receivables from related parties)</b>
	<b>RMB'000</b>
At January 1, 2015 . . . . .	15,291
Provision for loss allowance recognized in profit or loss . . . . .	<u>3,708</u>
At December 31, 2015. . . . .	<u>18,999</u>
At January 1, 2016 . . . . .	18,999
Provision for loss allowance recognized in profit or loss . . . . .	<u>13,623</u>
At December 31, 2016. . . . .	<u>32,622</u>
At January 1, 2017 . . . . .	32,622
Provision for loss allowance recognized in profit or loss . . . . .	<u>23,857</u>
At December 31, 2017. . . . .	<u>56,479</u>
At January 1, 2018 . . . . .	56,479
Provision for loss allowance recognized in profit or loss . . . . .	<u>2,244</u>
At March 31, 2018 . . . . .	<u>58,723</u>

All of these financial assets are considered to have low credit risk, and thus the impairment provision recognized during the Track Record Period was limited to 12 months expected losses. Management considered other receivables from third parties to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the reversal/provision for loss allowances were recognized in profit or loss in administrative expenses in relation to the impaired other receivables.

As at December 31, 2015, 2016 and 2017 and March 31, 2018, the maximum exposure to loss of other receivables from third parties, related parties and non-controlling interests were as follows:

	<b>As at December 31,</b>			<b>As at March 31,</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Amounts due from related parties . . . . .	1,113,021	1,863,211	5,916,991	5,456,598
Amounts due from non-controlling interests . . . . .	7,030	35,207	670,056	1,347,178
Amounts due from third parties (including deposits and others). . . . .	<u>634,752</u>	<u>1,620,637</u>	<u>2,875,841</u>	<u>6,430,242</u>
	<u>1,754,803</u>	<u>3,519,055</u>	<u>9,462,888</u>	<u>13,234,018</u>

The Group made no write-off of trade and other receivables during the Track Record Period.

## 3.1.4 Liquidity risk

Management of the Group aims 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, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has 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. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2015					
Bank and other borrowings . . . . .	5,781,850	4,627,935	1,659,791	—	12,069,576
Trade and other payables (excluding salaries payable and other taxes payable) . . . . .	9,868,066	—	—	—	9,868,066
Financial guarantee . . . . .	7,211,162	—	—	—	7,211,162
	<u>22,861,078</u>	<u>4,627,935</u>	<u>1,659,791</u>	<u>—</u>	<u>29,148,804</u>
As at December 31, 2016					
Corporate bonds . . . . .	165,400	165,400	3,551,654	—	3,882,454
Bank and other borrowings . . . . .	6,982,788	9,193,270	5,981,846	—	22,157,904
Trade and other payables (excluding salaries payable and other taxes payable) . . . . .	10,428,309	—	—	—	10,428,309
Financial guarantee . . . . .	13,901,910	—	—	—	13,901,910
	<u>31,478,407</u>	<u>9,358,670</u>	<u>9,533,500</u>	<u>—</u>	<u>50,370,577</u>
As at December 31, 2017					
Corporate bonds . . . . .	165,400	3,551,654	—	—	3,717,054
Bank and other borrowings . . . . .	10,749,813	10,311,801	17,473,954	—	38,535,568
Trade and other payables (excluding salaries payable and other taxes payable) . . . . .	21,469,702	—	—	—	21,469,702
Financial guarantee . . . . .	24,670,415	—	—	—	24,670,415
	<u>57,055,330</u>	<u>13,863,455</u>	<u>17,473,954</u>	<u>—</u>	<u>88,392,739</u>
As at March 31, 2018					
Corporate bonds . . . . .	1,660,226	2,016,044	—	—	3,676,270
Bank and other borrowings . . . . .	12,719,327	11,948,470	19,014,657	1,262,352	44,944,806
Trade and other payables (excluding salaries payable and other taxes payable) . . . . .	20,070,386	—	—	—	20,070,386
Financial guarantee . . . . .	28,254,735	—	—	—	28,254,735
	<u>62,704,674</u>	<u>13,964,514</u>	<u>19,014,657</u>	<u>1,262,352</u>	<u>96,946,197</u>

### 3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owners, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity. Net borrowings are calculated as total borrowings (including corporate bonds and current and non-current bank and other borrowings as shown in the consolidated balance sheets) less total of cash and cash equivalents, restricted cash and term deposits with initial terms of over three months.

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (notes 30 and 31) . . . . .	11,453,595	24,359,053	38,254,948	43,578,712
Less: cash and cash equivalents (note 27) . . . . .	(1,983,689)	(3,284,335)	(19,917,383)	(15,707,191)
term deposits with initial terms of over three months (note 27) . . . . .	(176,720)	(256,520)	(120,922)	(89,290)
restricted cash (note 26) . . . . .	(522,656)	(1,486,874)	(3,752,716)	(3,429,625)
Net borrowings . . . . .	8,770,530	19,331,324	14,463,927	24,352,606
Total equity . . . . .	1,409,797	3,094,419	12,164,780	13,423,823
Gearing ratio . . . . .	622%	625%	119%	181%

The gearing ratios were keeping at a comparatively high level as at December 31, 2015, 2016 and 2017 and March 31, 2018, as the Group's businesses were rapidly expanded during the Track Record Period which were mainly financed by external borrowings. Decrease in gearing ratio as at December 31, 2017 was mainly due to the capital injections made by the owners of the Company.

### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2015, 2016, 2017 and March 31, 2018, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>At December 31, 2015</b>				
Financial assets at fair value through profit or loss . . . . .	—	2,303,650	—	2,303,650
<b>At December 31, 2016</b>				
Financial assets at fair value through profit or loss . . . . .	—	6,142,365	—	6,142,365
<b>At December 31, 2017</b>				
Financial assets at fair value through profit or loss . . . . .	—	398,439	—	398,439
<b>At March 31, 2018</b>				
Financial assets at fair value through profit or loss . . . . .	—	2,093,579	—	2,093,579

(i) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) *Estimates for fair value of investment properties*

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer Jones Lang Lasalle Corporate Appraisal and Advisory Limited ("Jones Lang Lasalle"). Significant judgment and assumptions are required in assessing the fair value of the investment properties. Details of the judgment and assumptions are disclosed in note 18.

### 3.4 Financial instruments by category

	As at December 31, 2015		
	Assets at fair value through profit or loss	Assets at amortized cost	Total
	RMB'000	RMB'000	RMB'000
<b>Assets as per consolidated balance sheets</b>			
Trade and other receivables (excluding prepayments) . . . . .	—	1,794,232	1,794,232
Restricted cash . . . . .	—	522,656	522,656
Cash and cash equivalents . . . . .	—	1,983,689	1,983,689
Term deposits with initial terms of over three months . . . . .	—	176,720	176,720
Financial assets at fair value through profit or loss . . . . .	2,303,650	—	2,303,650
Total . . . . .	2,303,650	4,477,297	6,780,947
	As at December 31, 2016		
	Assets at fair value through profit or loss	Assets at amortized cost	Total
	RMB'000	RMB'000	RMB'000
<b>Assets as per consolidated balance sheets</b>			
Trade and other receivables (excluding prepayments) . . . . .	—	3,603,716	3,603,716
Restricted cash . . . . .	—	1,486,874	1,486,874
Cash and cash equivalents . . . . .	—	3,284,335	3,284,335
Term deposits with initial terms of over three months . . . . .	—	256,520	256,520
Financial assets at fair value through profit or loss . . . . .	6,142,365	—	6,142,365
Total . . . . .	6,142,365	8,631,445	14,773,810

## As at December 31, 2017

	Assets at fair value through profit or loss	Assets at amortized cost	Total
	RMB'000	RMB'000	RMB'000
<b>Assets as per consolidated balance sheets</b>			
Trade and other receivables (excluding prepayments) . . . . .	—	9,842,210	9,842,210
Restricted cash . . . . .	—	3,752,716	3,752,716
Cash and cash equivalents . . . . .	—	19,917,383	19,917,383
Term deposits with initial terms of over three months . . . . .	—	120,922	120,922
Financial assets at fair value through profit or loss . . . . .	398,439	—	398,439
Total . . . . .	<u>398,439</u>	<u>33,633,231</u>	<u>34,031,670</u>

## As at March 31, 2018

	Assets at fair value through profit or loss	Assets at amortized cost	Total
	RMB'000	RMB'000	RMB'000
<b>Assets as per consolidated balance sheets</b>			
Trade and other receivables (excluding prepayments) . . . . .	—	13,659,967	13,659,967
Restricted cash . . . . .	—	3,429,625	3,429,625
Cash and cash equivalents . . . . .	—	15,707,191	15,707,191
Term deposits with initial terms of over three months . . . . .	—	89,290	89,290
Financial assets at fair value through profit or loss . . . . .	2,093,579	—	2,093,579
Total . . . . .	<u>2,093,579</u>	<u>32,886,073</u>	<u>34,979,652</u>

## As at December 31, 2015

	Liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
<b>Liabilities as per consolidated balance sheets</b>			
Bank and other borrowings . . . . .	11,453,595	—	11,453,595
Trade and other payables (excluding other taxes payable and salaries payable) . . . . .	9,868,066	—	9,868,066
Total . . . . .	<u>21,321,661</u>	<u>—</u>	<u>21,321,661</u>

## As at December 31, 2016

	Liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
<b>Liabilities as per consolidated balance sheets</b>			
Corporate bonds . . . . .	3,491,819	—	3,491,819
Bank and other borrowings . . . . .	20,867,234	—	20,867,234
Trade and other payables (excluding other taxes payable and salaries payable) . . . . .	10,428,309	—	10,428,309
Total . . . . .	<u>34,787,362</u>	<u>—</u>	<u>34,787,362</u>

	As at December 31, 2017		
	Liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000
<b>Liabilities as per consolidated balance sheets</b>			
Corporate bonds . . . . .	3,495,481	—	3,495,481
Bank and other borrowings . . . . .	34,759,467	—	34,759,467
Trade and other payables (excluding other taxes payable and salaries payable) . . . . .	21,469,702	—	21,469,702
Total . . . . .	<u>59,724,650</u>	<u>—</u>	<u>59,724,650</u>

	As at March 31, 2018		
	Liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000
<b>Liabilities as per consolidated balance sheets</b>			
Corporate bonds . . . . .	3,496,440	—	3,496,440
Bank and other borrowings . . . . .	40,082,272	—	40,082,272
Trade and other payables (excluding other taxes payable and salaries payable) . . . . .	20,070,386	—	20,070,386
Total . . . . .	<u>63,649,098</u>	<u>—</u>	<u>63,649,098</u>

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

##### (a) Revenue recognition

Revenue from sales of properties in the PRC is recognized over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognized at a point in time when the buyer obtains control of the completed property. The Group cannot change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgments, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgments on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

The Group recognizes property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group allocates common costs based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. Changes in cost estimates in future periods can have effect on the Group's revenue recognized. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

**(b) Estimates for net realisable value of properties under development and completed properties held for sale**

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at December 31, 2015, 2016 and 2017 and March 31, 2018.

**(c) Estimates for fair value of investment properties**

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer Jones Lang Lasalle. Significant judgment and assumptions are required in assessing the fair value of the investment properties. Details of the judgment and assumptions are disclosed in note 18.

**(d) Income taxes and deferred taxation**

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

**(e) PRC land appreciation tax ("LAT")**

The Group is subject to LAT in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalized its LAT calculation and payments with local tax authorities in the PRC for most of its properties projects. Accordingly, judgment is required in determining the amount of the land appreciation taxes. The Group recognized LAT based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalized with local tax authorities.

**5. REVENUE AND SEGMENT INFORMATION**

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organized into three business segments as follows:

- Property development and sales;
- Property management services; and
- Investment and operation of commercial properties

During the Track Record Period, the aggregate revenues, profits or losses or total assets of the business segments other than property development and sales accounted for less than 5% of the total revenues, profits or assets of the Group, therefore, the directors of the Company consider these business segments not reportable and the executive directors assess the Group's performance as a whole. Thus operating segment information is not presented.

Revenue of the Group for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018 is analysed as follows:

	Year ended December 31,			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	11,710,073	17,330,213	2,123,866	4,724,039
Property management services . . . . .	98,120	143,302	232,803	48,534	80,481
Investment and operation of commercial properties					
— Property lease income . . . . .	7,767	9,980	39,126	5,732	9,914
— Hotel operation . . . . .	92,002	118,194	67,331	16,120	2,463
— Cultural-tourism project . . . . .	658	10,791	47,451	6,671	28,552
	<u>8,312,707</u>	<u>11,992,340</u>	<u>17,716,924</u>	<u>2,200,923</u>	<u>4,845,449</u>

Represented by:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from sales of properties and services:					
Recognized at a point in time . . . . .	5,143,732	8,239,500	11,154,053	1,160,939	2,570,135
Recognized over time . . . . .	3,161,208	3,742,860	6,523,745	1,034,252	2,265,400
	8,304,940	11,982,360	17,677,798	2,195,191	4,835,535
Revenue from other sources:					
Property lease income . . . . .	7,767	9,980	39,126	5,732	9,914
	<u>8,312,707</u>	<u>11,992,340</u>	<u>17,716,924</u>	<u>2,200,923</u>	<u>4,845,449</u>

The Group's revenue is mainly attributable to the PRC market and over 90% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of purchasers, none of whom contributed 10% or more of the Group's revenue.

(a) Details of contract assets:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets related to property development and sales (i) .	405,249	592,506	788,719	1,319,659
Costs for obtaining contracts (ii) . . . . .	56,215	110,415	277,115	275,579
<b>Total contract assets</b> . . . . .	<u>461,464</u>	<u>702,921</u>	<u>1,065,834</u>	<u>1,595,238</u>

- (i) Contract assets related to property development and sales consist of unbilled amounts resulting from sales of properties when revenue recognized over time exceeds the amounts billed to the property purchasers. Contract assets had been increasing during the Track Record Period, which was primarily due to the growth of the Group's contracted sales.

- (ii) Management expects the incremental costs, primarily sale commissions and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group capitalized these incremental costs and amortized them when the related revenue is recognized. The amounts of amortization were RMB38,878,000, RMB70,304,000, RMB145,065,000, RMB11,412,000 and RMB43,252,000 for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively. There was no impairment loss in relation to the costs capitalized.

(b) **Contract liabilities**

The Group recognized the following revenue-related contract liabilities:

	As at December 31,			As at
				March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities . . . . .	<u>10,810,263</u>	<u>17,948,011</u>	<u>36,362,728</u>	<u>41,146,946</u>

The Group receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales. The increase in contract liabilities during the Track Record Period was mainly attributable to the increase in the Group's contracted sales.

The following table shows the revenue recognized during the Track Record Period related to carried-forward contract liabilities.

	Year ended December 31,			Three months ended	
				March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liability balance at the beginning of the year/period					
Property development and sales . . . . .	<u>4,449,899</u>	<u>6,191,295</u>	<u>9,455,362</u>	<u>1,183,491</u>	<u>2,750,076</u>

(c) **Unsatisfied contracts related to property development and sales**

	As at December 31,			As at
				March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Expected to be recognized within one year . . . . .	7,107,769	10,268,964	19,576,725	20,999,011
Expected to be recognized after one year . . . . .	<u>4,877,360</u>	<u>9,285,811</u>	<u>20,563,962</u>	<u>23,869,506</u>
	<u>11,985,129</u>	<u>19,554,775</u>	<u>40,140,687</u>	<u>44,868,517</u>

The revenue of approximately RMB21.0 billion as at March 31, 2018 expected to be recognized within one year was calculated based on the Group's pre-sale contracts signed up to March 31, 2018.

- (d) For property management services contracts, the Group recognizes revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.

## 6. COST OF SALES

	Year ended December 31,			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 — including construction cost, land cost, capitalized interest expenses . . . . .	5,810,756	8,439,344	11,938,910	1,311,962	3,018,069
Business taxes and other levies relating to property development and sales . . . . .	460,754	479,397	422,286	61,945	69,593
Employee benefit expenses . . . . .	111,187	160,771	246,615	41,678	73,816
Depreciation (note 17) . . . . .	35,436	41,231	28,745	8,126	2,652
Amortization of land use rights . . . . .	3,847	3,765	1,140	211	892
Others . . . . .	102,585	138,918	182,168	36,185	56,151
Total . . . . .	<u>6,524,565</u>	<u>9,263,426</u>	<u>12,819,864</u>	<u>1,460,107</u>	<u>3,221,173</u>

Pursuant to the “Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax” (“Cai Shui 2016 No. 36”) jointly issued by the Ministry of Finance and the State Administration of Taxation, the PRC subsidiaries of the Group are subject to value added tax (“VAT”) on their revenues instead of business tax since May 1, 2016, while the business tax was 5% before then.

- (i) According to the Circular Cai Shui 2016 No. 36, VAT for property development and sales and income from property leasing is calculated at a tax rate of 5% based on a simple method in the case that the construction of properties commenced or the investment property was acquired before May 1, 2016. Otherwise, the VAT is calculated at a tax rate of 11%.
- (ii) According to the Circular Cai Shui 2016 No. 36, VAT rate for property management services, hotel management and consulting services are 6% or 3% for general VAT payer and small-scale VAT payer respectively.

## 7. SELLING AND MARKETING EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expenses . . . . .	98,145	157,958	218,086	33,904	58,500
Marketing and advertising expenses . . . . .	174,219	287,654	343,511	47,422	102,286
Amortization of costs for obtaining contracts . . . . .	38,878	70,304	145,065	11,412	43,252
Office expenses . . . . .	39,078	43,883	68,037	9,531	10,754
Travelling and entertainment expenses . . . . .	6,098	5,448	11,533	1,117	3,336
Rental expenses . . . . .	1,272	1,743	5,774	954	1,126
Depreciation (note 17) . . . . .	2,451	2,513	2,586	762	723
Others . . . . .	16,104	16,754	13,285	3,584	3,730
Total . . . . .	<u>376,245</u>	<u>586,257</u>	<u>807,877</u>	<u>108,686</u>	<u>223,707</u>

## 8. ADMINISTRATIVE EXPENSES

	Year ended December 31,			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	193,493	364,044	80,906	163,250
Taxes and surcharges . . . . .	64,687	55,911	97,868	15,856	36,332
Depreciation (note 17) . . . . .	4,903	7,730	12,537	1,421	3,180
Amortization of land use rights and intangible assets . . . . .	1,935	3,008	6,329	1,525	1,362
Property management fees . . . . .	9,913	3,962	3,341	980	552
Professional service fees . . . . .	4,318	16,882	23,924	3,127	14,356
— Listing related expenses . . . . .	—	—	1,060	—	7,605
— Others . . . . .	4,318	16,882	22,864	3,127	6,751
Auditor's remuneration					
— Audit services . . . . .	2,254	3,288	3,824	1,246	3,374
Provision for impairment of trade and other receivables . . . . .	3,514	15,620	29,090	971	9,655
Bank charges . . . . .	26,274	36,288	85,086	5,752	24,246
Travelling and entertainment expenses . . .	30,126	40,882	69,385	10,101	16,906
Office expenses . . . . .	10,893	17,521	30,793	4,637	9,488
Rental expenses . . . . .	4,394	4,498	14,805	1,884	5,145
Others . . . . .	67,993	60,812	64,326	7,068	33,321
Total . . . . .	<u>409,240</u>	<u>459,895</u>	<u>805,352</u>	<u>135,474</u>	<u>321,167</u>

## 9. OTHER INCOME AND GAINS — NET

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Other income</b>					
Management and consulting service income	4,338	30,829	45,872	2,456	6,370
Government subsidy income . . . . .	1,209	3,213	8,637	1,014	1,717
Compensation income (note(a)) . . . . .	—	—	—	—	110,174
	<u>5,547</u>	<u>34,042</u>	<u>54,509</u>	<u>3,470</u>	<u>118,261</u>
<b>Other gains — net</b>					
Realized and unrealized gains on financial assets at fair value through profit or loss	76,907	157,653	217,926	19,527	46,616
Gains on disposal of subsidiaries (note 39)	3,438	22,011	26,640	—	3,657
Gain on disposal of an associate . . . . .	724	—	—	—	—
(Losses)/gains on disposal of property, plant and equipment, investment properties and intangible assets . . . . .	(20)	233	—	(2)	(149)
Others . . . . .	(10,536)	21,285	35,627	1,940	986
	<u>70,513</u>	<u>201,182</u>	<u>280,193</u>	<u>21,465</u>	<u>51,110</u>
<b>Other income and gains — net . . . . .</b>	<u>76,060</u>	<u>235,224</u>	<u>334,702</u>	<u>24,935</u>	<u>169,371</u>

- (a) It represented the compensation income from a third party who failed to fulfil its obligation under a cooperative agreement entered into with the Group for the joint development of a piece of land.



## 10. EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses and other benefits . . . . .	433,039	561,615	1,040,528	160,483	319,552
Pension costs — statutory pension . . . . .	40,730	56,252	94,803	15,796	32,456
	473,769	617,867	1,135,331	176,279	352,008
Less: amounts capitalized in properties under development . . . . .	(86,401)	(105,645)	(306,586)	(19,791)	(56,442)
	<u>387,368</u>	<u>512,222</u>	<u>828,745</u>	<u>156,488</u>	<u>295,566</u>

## (a) Pensions scheme — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

## (b) Five highest paid individuals

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, the five individuals whose emoluments were the highest in the Group included 1, 1, 2, 1 and 1 directors, respectively, whose emoluments are reflected in the analysis in note 41 below. The emoluments payable to the remaining 4, 4, 3, 4 and 4 individuals during the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018 are as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses and other benefits . . . . .	5,132	4,061	10,609	630	1,529
Pension costs — statutory pension . . . . .	116	119	91	30	35
	<u>5,248</u>	<u>4,180</u>	<u>10,700</u>	<u>660</u>	<u>1,564</u>

The emoluments payable to these individuals during the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018 are within the following bands:

Emolument band	Number of Individuals				
	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
Nil–HKD1,000,000 . . . . .	2	4	—	4	4
HKD1,000,000–1,500,000 . . . . .	1	—	—	—	—
HKD1,500,000–2,000,000 . . . . .	1	—	—	—	—
HKD2,500,000–3,000,000 . . . . .	—	—	1	—	—
HKD3,000,000–3,500,000 . . . . .	—	—	2	—	—

During the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

#### 11. FINANCE COSTS/(INCOME) — NET

	Year ended December 31,			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
	<u>730,013</u>	<u>823,493</u>	<u>1,687,338</u>	<u>298,001</u>	<u>612,163</u>
Less:					
— 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
	<u>291,455</u>	<u>251,113</u>	<u>262,540</u>	<u>—</u>	<u>59,782</u>
Finance income					
— Interest income . . . . .	(26,818)	(29,610)	(75,862)	(18,999)	(45,294)
— Net foreign exchange gains on financing activities . . . . .	—	—	(155,349)	(24,448)	—
	<u>(26,818)</u>	<u>(29,610)</u>	<u>(231,211)</u>	<u>(43,447)</u>	<u>(45,294)</u>
Finance costs/(income) — net . . . . .	<u>264,637</u>	<u>221,503</u>	<u>31,329</u>	<u>(43,447)</u>	<u>14,488</u>

#### 12. INCOME TAX EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income 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
	<u>532,022</u>	<u>749,145</u>	<u>2,010,648</u>	<u>203,355</u>	<u>396,893</u>
Deferred income tax (note 15)					
— Corporate income tax . . . . .	(91,061)	(10,194)	(291,094)	(16,642)	149,959
— Withholding income tax on profits to be distributed in future (note (d)) . . . . .	(282)	(7,232)	(5,000)	—	—
	<u>(91,343)</u>	<u>(17,426)</u>	<u>(296,094)</u>	<u>(16,642)</u>	<u>149,959</u>
	<u>440,679</u>	<u>731,719</u>	<u>1,714,554</u>	<u>186,713</u>	<u>546,852</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the group entities as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax . . . . .	824,183	1,725,030	3,608,123	566,653	1,226,127
Tax calculated at PRC corporate income tax rate of 25% . . . . .	206,046	431,258	902,031	141,663	306,532
Effects of share of post-tax results of joint ventures and associates . . . . .	80	1,123	(530)	619	2,153
Different tax rates applicable to certain subsidiaries of the Group . . . . .	51,489	61,709	(29,559)	(5,076)	34,237
Expenses not deductible for tax . . . . .	45,617	20,210	108,831	1,573	29,515
Income not subject to tax . . . . .	—	(58,641)	(742)	(3,624)	(1,374)
LAT deductible for calculation of income tax purpose . . . . .	(40,731)	(88,449)	(244,841)	(15,633)	(58,597)
Tax losses for which no deferred income tax assets were recognized . . . . .	3,661	5,713	—	4,658	—
Utilization of tax losses not recognized as deferred income tax assets . . . . .	(639)	—	—	—	—
Withholding income tax on dividends to be distributed in future . . . . .	12,232	5,000	—	—	—
LAT . . . . .	162,924	353,796	979,364	62,533	234,386
Income tax expenses . . . . .	440,679	731,719	1,714,554	186,713	546,852

*Notes:*

- (a) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) PRC corporate income tax has been provided at corporate income tax rate of 25%.
- (c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales property development and sales less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The 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 the PRC subsidiaries of the Group. Accordingly, withholding income tax had been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

As at December 31, 2015, 2016 and 2017 and March 31, 2018, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB486,966,000, RMB1,539,826,000, RMB3,382,548,000 and RMB4,457,274,000, respectively. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimations of overseas funding requirements.

## 13. EARNINGS PER SHARE

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017 (Unaudited)	2018
Profit attributable to owners of the Company (RMB'000) . . . . .	391,076	1,007,387	1,912,442	379,177	668,369
Weighted average number of ordinary shares in issue (thousands) . . . . .	—	—	10,968	—	1,000,000
Adjustment for bonus issue relating to the issue of shares for cash consideration and recapitalization (thousands) . . . . .	749,990	749,990	741,763	749,990	—
	749,990	749,990	752,731	749,990	1,000,000
Earnings per share — Basic (RMB per share) . . . . .	0.52	1.34	2.54	0.51	0.67

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equals the basic earnings per share.

## 14. DIVIDENDS

The following dividends were declared and paid by the companies now comprising the Group to their then equity holders during the Track Record Period.

	Year ended December 31,			Three months ended March 31,	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (Unaudited)	2018 RMB'000
Dividends . . . . .	262,450	—	—	—	—

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

No dividends have been declared or paid by the Company during the Track Record Period.

## 15. DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities is as follows:

	As at December 31,			As at March 31,
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Deferred tax assets				
— to be realized within 12 months . . . . .	129,561	102,631	313,537	329,320
— to be realized after more than 12 months . . . . .	217,339	324,337	586,211	652,110
	346,900	426,968	899,748	981,430
Deferred tax liabilities				
— to be realized within 12 months . . . . .	175,385	199,244	286,869	404,136
— to be realized after more than 12 months . . . . .	168,507	305,797	989,743	1,192,533
	343,892	505,041	1,276,612	1,596,669
	3,008	(78,073)	(376,864)	(615,239)

(i) **Deferred income tax assets**

The movement of deferred income tax assets is as follows:

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Beginning of the year/period . . . . .	142,206	346,900	426,968	899,748
Recognized in profit or loss . . . . .	204,694	80,068	472,780	81,682
End of the year/period . . . . .	<u>346,900</u>	<u>426,968</u>	<u>899,748</u>	<u>981,430</u>
Offsetting with deferred tax liabilities . . . . .	<u>(121,199)</u>	<u>(113,691)</u>	<u>(332,419)</u>	<u>(368,046)</u>
Net deferred tax assets . . . . .	<u>225,701</u>	<u>313,277</u>	<u>567,329</u>	<u>613,384</u>

Movement of deferred tax assets without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Tax losses	Deductible temporary differences of expenses and cost of sales	Impairment of assets	Elimination of unrealized profits	Deferred income	Accrued land appreciation tax	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015 . . . . .	11,906	18,573	4,073	118	15,155	92,381	142,206
Recognized in profit or loss . . . . .	<u>148,236</u>	<u>714</u>	<u>879</u>	<u>627</u>	<u>38,539</u>	<u>15,699</u>	<u>204,694</u>
At December 31, 2015 . . . . .	160,142	19,287	4,952	745	53,694	108,080	346,900
Recognized in profit or loss . . . . .	<u>24,292</u>	<u>18,208</u>	<u>3,905</u>	<u>915</u>	<u>31,982</u>	<u>766</u>	<u>80,068</u>
At December 31, 2016 . . . . .	184,434	37,495	8,857	1,660	85,676	108,846	426,968
Recognized in profit or loss . . . . .	<u>322,564</u>	<u>(5,891)</u>	<u>7,272</u>	<u>20,386</u>	<u>(15,276)</u>	<u>143,725</u>	<u>472,780</u>
At December 31, 2017 . . . . .	506,998	31,604	16,129	22,046	70,400	252,571	899,748
Recognized in profit or loss . . . . .	<u>36,161</u>	<u>11,063</u>	<u>2,414</u>	<u>9,759</u>	<u>(779)</u>	<u>23,064</u>	<u>81,682</u>
At March 31, 2018 . . . . .	<u>543,159</u>	<u>42,667</u>	<u>18,543</u>	<u>31,805</u>	<u>69,621</u>	<u>275,635</u>	<u>981,430</u>

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefits through future taxable profits is probable. At December 31, 2015, 2016 and 2017 and March 31, 2018, the Group did not recognize deferred income tax assets of RMB3,661,000, RMB5,713,000, nil and nil, in respect of losses amounting to RMB14,644,000, RMB22,852,000, nil and nil, respectively, that can be carried forward to offset against future taxable income. These tax losses will expire up to and including years 2020, 2021 and 2022, respectively.

(ii) **Deferred income tax liabilities**

The movement of deferred income tax liabilities is as follows:

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018 RMB'000
Beginning of the year/period . . . . .	230,541	343,892	505,041	1,276,612
Acquisition of subsidiaries (note 40) . . . . .	—	98,507	594,885	88,416
Recognized in profit or loss . . . . .	113,351	62,642	176,686	231,641
End of the year/period . . . . .	343,892	505,041	1,276,612	1,596,669
Offsetting with deferred tax assets . . . . .	(121,199)	(113,691)	(332,419)	(368,046)
Net deferred tax liabilities . . . . .	222,693	391,350	944,193	1,228,623

Movement of deferred tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Movements	Valuation surplus of properties under development	Fair value gains on investment properties	Recognition of contract revenue and contract costs over time	Withholding income tax on profits to be distributed in future	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2015</b>	—	2,748	215,279	12,514	230,541
Recognized in profit or loss	—	2,606	111,027	(282)	113,351
<b>At December 31, 2015</b>	—	5,354	326,306	12,232	343,892
Acquisition of subsidiaries (note 40)	98,507	—	—	—	98,507
Recognized in profit or loss	(568)	8,260	62,182	(7,232)	62,642
<b>At December 31, 2016</b>	97,939	13,614	388,488	5,000	505,041
Acquisition of subsidiaries (note 40)	594,885	—	—	—	594,885
Recognized in profit or loss	(6,146)	2,582	185,250	(5,000)	176,686
<b>At December 31, 2017</b>	686,678	16,196	573,738	—	1,276,612
Acquisition of subsidiaries (note 40)	88,416	—	—	—	88,416
Recognized in profit or loss	—	(2,894)	234,535	—	231,641
<b>At March 31, 2018</b>	775,094	13,302	808,273	—	1,596,669

## 16(a). INVESTMENTS IN JOINT VENTURES

The movement of investments in joint ventures is as follows:

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Beginning of the year/period . . . . .	—	—	552,551	743,704
Transfer from investment in subsidiaries . . . . .	—	66,045	—	10,000
Other additions . . . . .	—	491,000	180,500	240,020
Share of results . . . . .	—	(4,494)	10,653	(6,387)
End of the year/period . . . . .	—	552,551	743,704	987,337

Set out below are the particulars of the joint venture which is material to the Group as at December 31, 2015, 2016 and 2017 and March 31, 2018:

	Place of incorporation and operation	Principle activities	As at December 31,			As at
			2015	2016	2017	March 31,
						2018
Wuxi Languang Real Estate Co., Ltd. 無錫藍光置地有限公司("Wuxi Languang") . . . . .	Wuxi, PRC	Property Development	—	49%	49%	49%

\* The English name of the joint venture represents the best effort made by the management of the Group in translating its Chinese name as it does not have an official English name.

Set out below are the summarized financial information for Wuxi Languang, which is material to the Group.

## Summarized balance sheets

	As at/Year ended December 31,			As at/Three months ended
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018 RMB'000
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents . . . . .	—	706	575,302	266,162
Trade and other receivables . . . . .	—	502,318	1,248,302	1,580,739
Properties under development. . . . .	—	889,963	1,389,947	1,270,305
	—	1,392,987	3,213,551	3,117,206
<b>Non-current assets. . . . .</b>	—	265	13,103	13,089
<b>Total assets . . . . .</b>	—	1,393,252	3,226,654	3,130,295
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables . . . . .	—	493,307	1,787,171	1,717,823
Other liabilities. . . . .	—	27	2,399	—
	—	493,334	1,789,570	1,717,823
<b>Non-current liabilities</b>				
Bank and other borrowings . . . . .	—	—	549,000	529,000
<b>Total liabilities . . . . .</b>	—	493,334	2,338,570	2,246,823
<b>Net assets . . . . .</b>	—	899,918	888,084	883,472
<b>Reconciliation to carrying amounts:</b>				
Opening net assets . . . . .	—	—	899,918	888,084
Additions. . . . .	—	900,807	—	—
Loss for the year/period. . . . .	—	(889)	(11,834)	(4,612)
<b>Closing net assets . . . . .</b>	—	899,918	888,084	883,472
Group's share in % . . . . .	—	49%	49%	49%
Group's share of carrying amounts . . . . .	—	440,960	435,161	432,901

## Summarized statements of comprehensive income

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018 RMB'000
Interest income. . . . .	—	—	—	307
Interest expenses. . . . .	—	—	(603)	—
Other expenses — net . . . . .	—	(889)	(11,231)	(4,919)
Income tax expenses . . . . .	—	—	—	—
<b>Loss and total comprehensive loss for the year/period . . . . .</b>	—	(889)	(11,834)	(4,612)



The summarized financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	As at/Year ended December 31,			As at/ Three months ended March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amounts in the consolidated balance sheets . . .	—	111,591	308,543	554,436
Share of results for the year/period . . . . .	—	(4,058)	16,452	(4,127)
Share of total comprehensive (loss)/income for the year/period . . . . .	<u>—</u>	<u>(4,058)</u>	<u>16,452</u>	<u>(4,127)</u>

As at December 31, 2015, 2016 and 2017 and March 31, 2018, there were no significant commitments relating to the Group's interests in the joint ventures, while certain borrowings of the joint ventures were guaranteed by the Group (note 34).

#### 16(b). INVESTMENTS IN ASSOCIATES

The movement of investments in associates is as follows:

	Year ended December 31,			Three months ended March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balances . . . . .	29,900	4,323	4,994	239,739
Additions . . . . .	—	669	243,280	119,633
Dividends received . . . . .	(25,144)	—	—	—
Disposals . . . . .	(112)	—	—	—
Share of results . . . . .	<u>(321)</u>	<u>2</u>	<u>(8,535)</u>	<u>(2,226)</u>
Ending balances . . . . .	<u>4,323</u>	<u>4,994</u>	<u>239,739</u>	<u>357,146</u>

The directors of the Company consider that none of the associates as at December 31, 2015, 2016 and 2017 and March 31, 2018 were significant to the Group and thus the individual financial information of the associates was not disclosed.

The summarized financial information of the individually immaterial associates on an aggregate basis is as follows:

	As at/Year ended December 31,			As at/ Three months ended March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amounts in the consolidated balance sheets . . . . .	4,323	4,994	239,739	357,146
Share of results for the year/period . . . . .	(321)	2	(8,535)	(2,226)
Share of total comprehensive (loss)/income for the year/period . . . . .	<u>(321)</u>	<u>2</u>	<u>(8,535)</u>	<u>(2,226)</u>

As at December 31, 2015, 2016 and 2017 and March 31, 2018, certain borrowings of the associates were guaranteed by the Group (note 34).

## 17. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Furniture and equipment</u>	<u>Vehicles and machinery</u>	<u>Construction in progress</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2015</b>						
Cost . . . . .	200,183	19,347	14,632	571,202	3,651	809,015
Accumulated depreciation . . . . .	(23,193)	(11,876)	(9,633)	—	(885)	(45,587)
<b>Net book amount . . . . .</b>	<u>176,990</u>	<u>7,471</u>	<u>4,999</u>	<u>571,202</u>	<u>2,766</u>	<u>763,428</u>
<b>Year ended December 31, 2015</b>						
Opening net book amount . . . . .	176,990	7,471	4,999	571,202	2,766	763,428
Additions . . . . .	—	6,615	1,649	588,220	1,735	598,219
Disposal of subsidiaries (note 39) . . . . .	—	(293)	(246)	—	—	(539)
Other disposals . . . . .	(125,835)	—	—	—	—	(125,835)
Internal transfer . . . . .	1,121,277	31,639	—	(1,152,916)	—	—
Depreciation . . . . .	(34,428)	(8,151)	(1,504)	—	(1,108)	(45,191)
<b>Closing net book amount . . . . .</b>	<u>1,138,004</u>	<u>37,281</u>	<u>4,898</u>	<u>6,506</u>	<u>3,393</u>	<u>1,190,082</u>
<b>At January 1, 2016</b>						
Cost . . . . .	1,181,707	55,915	15,834	6,506	5,386	1,265,348
Accumulated depreciation . . . . .	(43,703)	(18,634)	(10,936)	—	(1,993)	(75,266)
<b>Net book amount . . . . .</b>	<u>1,138,004</u>	<u>37,281</u>	<u>4,898</u>	<u>6,506</u>	<u>3,393</u>	<u>1,190,082</u>
<b>Year ended December 31, 2016</b>						
Opening net book amount . . . . .	1,138,004	37,281	4,898	6,506	3,393	1,190,082
Additions . . . . .	16,715	15,066	2,599	79,562	10,924	124,866
Disposal of subsidiaries (note 39) . . . . .	—	(142)	(44)	—	—	(186)
Other disposals . . . . .	(501,536)	(20)	—	—	—	(501,556)
Internal transfer . . . . .	14,716	—	—	(14,716)	—	—
Depreciation . . . . .	(45,945)	(6,975)	(1,351)	—	(3,280)	(57,551)
<b>Closing net book amount . . . . .</b>	<u>621,954</u>	<u>45,210</u>	<u>6,102</u>	<u>71,352</u>	<u>11,037</u>	<u>755,655</u>
<b>At January 1, 2017</b>						
Cost . . . . .	672,838	70,023	18,294	71,352	16,310	848,817
Accumulated depreciation . . . . .	(50,884)	(24,813)	(12,192)	—	(5,273)	(93,162)
<b>Net book amount . . . . .</b>	<u>621,954</u>	<u>45,210</u>	<u>6,102</u>	<u>71,352</u>	<u>11,037</u>	<u>755,655</u>
<b>Year ended December 31, 2017</b>						
Opening net book amount . . . . .	621,954	45,210	6,102	71,352	11,037	755,655
Acquisition of subsidiaries (note 40) . . . . .	170,261	131	106	—	—	170,498
Other additions . . . . .	—	17,375	4,764	31,380	11,593	65,112
Transfer from properties under development . . . . .	13,302	—	—	26,450	—	39,752
Disposal of subsidiaries (note 39) . . . . .	(520,878)	(25,553)	(178)	—	—	(546,609)
Other disposals . . . . .	—	(837)	(284)	—	—	(1,121)
Internal transfer . . . . .	64,417	—	—	(64,417)	—	—
Depreciation . . . . .	(30,372)	(7,198)	(2,864)	—	(6,971)	(47,405)
<b>Closing net book amount . . . . .</b>	<u>318,684</u>	<u>29,128</u>	<u>7,646</u>	<u>64,765</u>	<u>15,659</u>	<u>435,882</u>
<b>At December 31, 2017</b>						
Cost . . . . .	344,638	53,775	21,907	64,765	27,903	512,988
Accumulated depreciation . . . . .	(25,954)	(24,647)	(14,261)	—	(12,244)	(77,106)
<b>Net book amount . . . . .</b>	<u>318,684</u>	<u>29,128</u>	<u>7,646</u>	<u>64,765</u>	<u>15,659</u>	<u>435,882</u>
<b>Three months ended March 31, 2018</b>						
Opening net book amount . . . . .	318,684	29,128	7,646	64,765	15,659	435,882
Acquisition of subsidiaries (note 40) . . . . .	36,007	314	1,029	—	—	37,350
Other additions . . . . .	3,228	4,072	433	9,064	8,066	24,863
Transfer from properties under development . . . . .	87,891	—	—	—	—	87,891
Transfer from investment properties . . . . .	22,490	—	—	—	—	22,490
Disposal of subsidiaries (note 39) . . . . .	—	(676)	—	—	—	(676)
Other disposals . . . . .	(6,454)	(47)	(202)	—	—	(6,703)
Depreciation . . . . .	(3,942)	(1,603)	(516)	—	(1,398)	(7,459)
<b>Closing net book amount . . . . .</b>	<u>457,904</u>	<u>31,188</u>	<u>8,390</u>	<u>73,829</u>	<u>22,327</u>	<u>593,638</u>
<b>At March 31, 2018</b>						
Cost . . . . .	487,800	57,437	23,166	73,829	35,969	678,201
Accumulated depreciation . . . . .	(29,896)	(26,249)	(14,776)	—	(13,642)	(84,563)
<b>Net book amount . . . . .</b>	<u>457,904</u>	<u>31,188</u>	<u>8,390</u>	<u>73,829</u>	<u>22,327</u>	<u>593,638</u>

Depreciation of property, plant and equipment has been charged to profit or loss or capitalized in properties under development as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Selling and marketing expenses . . . . .	2,451	2,513	2,586	762	723
Administrative expenses . . . . .	4,903	7,730	12,537	1,421	3,180
Cost of sales . . . . .	35,436	41,231	28,745	8,126	2,652
Properties under development . . . . .	2,401	6,077	3,537	853	904
	<u>45,191</u>	<u>57,551</u>	<u>47,405</u>	<u>11,162</u>	<u>7,459</u>

As at December 31, 2015, 2016 and 2017 and March 31, 2018, buildings with net book value of RMB618,807,000, RMB625,814,000, nil and RMB116,734,000, respectively, were pledged as collateral for the Group's bank and other borrowings.

As at December 31, 2015, 2016, 2017 and March 31, 2018, title certificates of certain buildings with net book value of nil, RMB13,980,000, RMB91,020,000 and RMB77,718,000, respectively, were to be obtained.

## 18. INVESTMENT PROPERTIES

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31,
	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 . . . . .	<u>95,730</u>	<u>645,306</u>	<u>709,844</u>	<u>687,809</u>
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 . . . . .	<u>2,910</u>	<u>4,270</u>	<u>44,367</u>	<u>455</u>
	<u>10,424</u>	<u>33,039</u>	<u>18,801</u>	<u>455</u>

The Group's policy is to recognize transfers in and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that causes the transfer. At December 31, 2015, 2016 and 2017 and March 31, 2018, the Group had only level 3 investment properties.

As at December 31, 2015, 2016 and 2017 and March 31, 2018, title certificates of buildings with net book value of RMB9,000,000, RMB9,120,000, RMB9,500,000 and RMB9,540,000, respectively were still to be obtained.

### Valuation processes of the Group

A valuation of the Group's investment properties as at December 31, 2015, 2016 and 2017 and March 31, 2018 was carried out by an independent and professionally qualified valuer, Jones Lang Lasalle, who holds a recognized relevant professional qualification and has recent experience in the locations and nature of the investment properties being valued. For all investment properties, their current use equates the highest and best use.

Discussions of the valuation processes and results were held between management and the valuer on a regular basis, in line with the Group's Track Record Period.

At each financial year/period end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

**Valuation techniques**

Valuations are based on:

Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

There were no changes to the valuation techniques during the Track Record Period.

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at				Valuation techniques	unobservable inputs	Range of unobservable inputs			
	Fair value as at December 31,						As at			
	2015	2016	2017	2018			As at December 31,			As at
RMB'000	RMB'000	RMB'000	RMB'000	2015	2016	2017	2018	March 31,		
					The rate of return/ capitalization rate	3%-5%	3%-6%	3.5%-6%	3.5%-6%	
					Monthly rental(RMB/ square meter/ month)	6-115	2.75-115	5-182	5-182	
Completed investment properties . . . . .	95,730	645,306	709,844	687,809	Income capitalisation	2%-9%	2%-60%	2%-70%	2%-70%	
					Vacancy rate					

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;

## Amounts recognized in profit or loss for investment properties

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Rental income . . . . .	7,102	8,278	14,966	4,441
Direct operating expenses . . . . .	(15,677)	(13,382)	(18,460)	(3,044)
	<u>(8,575)</u>	<u>(5,104)</u>	<u>(3,494)</u>	<u>1,397</u>

As at December 31, 2015, 2016, 2017 and March 31, 2018, investment properties with fair value of nil, nil, nil, and RMB147,278,000 were pledged as collateral for the Group's bank and other borrowings.

## 19. LAND USE RIGHTS

	RMB'000
<b>Year ended December 31, 2015</b>	
Opening net book amount . . . . .	172,785
Disposal of subsidiaries (note 39) . . . . .	(29,406)
Amortization . . . . .	(3,922)
Closing net book amount . . . . .	<u>139,457</u>
<b>Year ended December 31, 2016</b>	
Opening net book amount . . . . .	139,457
Additions . . . . .	75,488
Disposal of subsidiaries (note 39) . . . . .	(106,155)
Amortization . . . . .	(3,941)
Closing net book amount . . . . .	<u>104,849</u>
<b>Year ended December 31, 2017</b>	
Opening net book amount . . . . .	104,849
Additions . . . . .	178,392
Acquisition of subsidiaries (note 40) . . . . .	116,734
Disposal of subsidiaries (note 39) . . . . .	(27,391)
Amortization . . . . .	(3,983)
Closing net book amount . . . . .	<u>368,601</u>
<b>Three months ended March 31, 2018</b>	
Opening net book amount . . . . .	368,601
Amortization . . . . .	(910)
Closing net book amount . . . . .	<u>367,691</u>

The land use rights were located in the PRC and were held on leases of between 40 to 70 years. Land use rights with net book amount of nil, nil, nil and RMB166,310,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, were pledged as collateral for the Group's bank and other borrowings.

Amortization of land use rights has been charged to cost of sales and administrative expenses.

## 20. INTANGIBLE ASSETS

	<b>Computer software</b>
	<b>RMB'000</b>
<b>At January 1, 2015</b>	
Cost .....	8,962
Accumulated amortization .....	<u>(4,069)</u>
<b>Net book amount.</b> .....	<u><b>4,893</b></u>
<b>Year ended December 31, 2015</b>	
Opening net book amount .....	4,893
Additions .....	4,735
Disposal of subsidiaries (note 39) .....	(14)
Amortization .....	<u>(1,860)</u>
<b>Closing net book amount.</b> .....	<u><b>7,754</b></u>
<b>At December 31, 2015</b>	
Cost .....	13,682
Accumulated amortization .....	<u>(5,928)</u>
<b>Net book amount.</b> .....	<u><b>7,754</b></u>
<b>Year ended December 31, 2016</b>	
Opening net book amount .....	7,754
Additions .....	5,255
Amortization .....	<u>(2,832)</u>
<b>Closing net book amount.</b> .....	<u><b>10,177</b></u>
<b>At December 31, 2016</b>	
Cost .....	18,937
Accumulated amortization .....	<u>(8,760)</u>
<b>Net book amount.</b> .....	<u><b>10,177</b></u>
<b>Year ended December 31, 2017</b>	
Opening net book amount .....	10,177
Acquisition of subsidiaries (note 40) .....	164
Other additions .....	9,191
Amortization .....	<u>(3,486)</u>
<b>Closing net book amount.</b> .....	<u><b>16,046</b></u>
<b>At December 31, 2017</b>	
Cost .....	26,561
Accumulated amortization .....	<u>(10,515)</u>
<b>Net book amount.</b> .....	<u><b>16,046</b></u>
<b>Three months ended March 31, 2018</b>	
Opening net book amount .....	16,046
Additions .....	1,401
Disposal .....	(9)
Amortization .....	<u>(1,344)</u>
<b>Closing net book amount.</b> .....	<u><b>16,094</b></u>
<b>At March 31, 2018</b>	
Cost .....	27,952
Accumulated amortization .....	<u>(11,858)</u>
<b>Net book amount.</b> .....	<u><b>16,094</b></u>

Amortization of intangible assets was charged to administrative expenses.

## 21. PROPERTIES UNDER DEVELOPMENT

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Properties under development expected to be completed:				
— Within normal operating cycle included under current assets . . . . .	21,865,910	30,430,316	59,272,059	67,502,053
— Beyond normal operating cycle included under non-current assets . . . . .	274,761	2,087,653	3,500,677	3,243,119
	<u>22,140,671</u>	<u>32,517,969</u>	<u>62,772,736</u>	<u>70,745,172</u>
Properties under development comprise:				
— Construction costs . . . . .	8,032,415	8,037,538	11,198,028	14,324,949
— Land use rights . . . . .	12,831,331	23,066,648	49,359,818	53,854,268
— Capitalized interest expenses . . . . .	1,276,925	1,413,783	2,214,890	2,565,955
	<u>22,140,671</u>	<u>32,517,969</u>	<u>62,772,736</u>	<u>70,745,172</u>

Properties under development were all located in the PRC.

RMB1,900,276,000, RMB3,935,870,000, RMB5,769,867,000 and RMB1,298,536,000 of costs to fulfil contracts carried forward from prior year was recognized in cost of sales for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively.

At December 31, 2015, 2016 and 2017 and March 31, 2018, properties under development included the costs to fulfil contracts amounting to RMB6,199,700,000, RMB8,952,547,000, RMB15,890,418,000 and RMB19,895,973,000 respectively.

The amounts of RMB8,350,207,000, RMB11,983,934,000, RMB40,191,667,000, and RMB48,818,254,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018 under normal operating cycle classified as current assets were expected to be completed for sale beyond one year.

The capitalisation rates of borrowings were 6.18%, 6.27%, 6.09% and 5.47% for the years ended December 31, 2015, 2016 and 2017 and the three months March 31, 2018, respectively.

As at December 31, 2015, 2016 and 2017 and March 31, 2018, properties under development with net book value of RMB3,692,236,000, RMB4,491,133,000, RMB15,520,477,000 and RMB19,839,155,000, respectively, were pledged as collateral for the Group's bank and other borrowings.

## 22. COMPLETED PROPERTIES HELD FOR SALE

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Completed properties held for sale . . . . .	<u>2,474,581</u>	<u>3,015,050</u>	<u>2,618,605</u>	<u>3,536,815</u>

The completed properties held for sale were all located in the PRC.

## 23. OTHER NON-CURRENT ASSETS

Other non-current assets mainly represented prepayments for acquisitions of land use rights for self-use.

## 24. TRADE AND OTHER RECEIVABLES

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
<b>Included in current assets:</b>				<b>RMB'000</b>
Trade receivables — net (note (a)) . . . . .	39,429	84,661	379,322	425,949
Other receivables — net (note (b)) . . . . .	1,754,803	3,519,055	9,462,888	13,234,018
Prepayments for land use rights (note (c)) . . . . .	344,628	3,128,464	5,265,493	2,097,130
Prepayment for listing related expenses . . . . .	—	—	—	2,888
Other prepayments . . . . .	23,787	16,586	384,118	747,067
	<u>2,162,647</u>	<u>6,748,766</u>	<u>15,491,821</u>	<u>16,507,052</u>

As at December 31, 2015, 2016 and 2017 and March 31, 2018, the fair value of trade and other receivables approximated their carrying amounts.

(a) Details of trade receivables are as follows:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Trade receivables — related parties (note 37(b)). . . . .	—	1,122	10,638	5,228
Trade receivables — third parties . . . . .	40,237	86,344	376,722	436,170
Less: allowance for impairment . . . . .	(808)	(2,805)	(8,038)	(15,449)
Trade receivables — net . . . . .	<u>39,429</u>	<u>84,661</u>	<u>379,322</u>	<u>425,949</u>

Aging analysis of trade receivables based on invoice date is as follows:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Within 90 days . . . . .	29,296	46,832	230,962	145,453
Over 90 days and within 180 days . . . . .	536	2,990	67,520	133,817
Over 180 days and within 365 days . . . . .	5,453	21,311	48,386	71,586
Over 365 days . . . . .	4,952	16,333	40,492	90,542
	<u>40,237</u>	<u>87,466</u>	<u>387,360</u>	<u>441,398</u>

The Group's trade receivables were denominated in RMB.

Trade receivables mainly arise from property development and sales. Proceeds from property development and sales are generally received in accordance with the terms stipulated in the sale and purchase agreements. There is generally no credit period granted to the property purchasers.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, reversal of provision of RMB194,000, additional provision of RMB1,997,000, RMB5,233,000 and RMB7,411,000 were made against the gross amounts of trade receivables respectively.



(b) Details of other receivables are as follows:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Amounts due from related parties (note 37(b)) . . . . .	1,113,021	1,863,211	5,916,991	5,456,598
Amounts due from non-controlling interests (note (i)) . . . . .	7,030	35,207	670,056	1,347,178
Deposits and others from third parties (note (ii)) . . . . .	653,751	1,653,259	2,932,320	6,488,965
	1,773,802	3,551,677	9,519,367	13,292,741
Less: allowance for impairment . . . . .	(18,999)	(32,622)	(56,479)	(58,723)
Other receivables — net . . . . .	<u>1,754,803</u>	<u>3,519,055</u>	<u>9,462,888</u>	<u>13,234,018</u>

(i) Amounts due from non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.

(ii) Other receivables from third parties mainly represented deposits and various payments on behalf of and advances made to construction and design vendors.

(c) Prepayments for land use rights were mainly related to acquisition of land use rights which will be reclassified to properties under development when land certificates were obtained.

## 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Wealth management products (note (a)) . . . . .	<u>2,303,650</u>	<u>6,142,365</u>	<u>398,439</u>	<u>2,093,579</u>

(a) Wealth management products were mainly investments in financial instruments issued by banks which had no guaranteed returns. They had initial terms ranging from 1 to 365 days. The fair values of these investments were determined based on the statements provided by the counter parties, which approximated their carrying values as at December 31, 2015, 2016 and 2017 and March 31, 2018 due to their short maturities.

(b) The ranges of return rates of these products as at December 31, 2015, 2016 and 2017 and March 31, 2018 were 0.80%–5.80%, 1.65%–4.50%, 0.35%–4.70% and 0.3%–4.51%, respectively.

## 26. RESTRICTED CASH

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB placed in designated accounts.

In accordance with relevant government requirements, certain property development companies of the Group were required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

## 27. CASH AND CASH EQUIVALENTS

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Cash at bank and in hand . . . . .	2,506,345	4,723,959	23,170,099	19,136,816
Bank deposits . . . . .	176,720	303,770	620,922	89,290
	2,683,065	5,027,729	23,791,021	19,226,106
Less: restricted cash . . . . .	(522,656)	(1,486,874)	(3,752,716)	(3,429,625)
term deposits with initial terms of over three months				
(note(a)) . . . . .	(176,720)	(256,520)	(120,922)	(89,290)
	<u>1,983,689</u>	<u>3,284,335</u>	<u>19,917,383</u>	<u>15,707,191</u>

(a) These bank deposits were denominated in RMB and with original maturity of over three months. The effective interest rate of these deposits as at December 31, 2015, 2016 and 2017 and March 31, 2018 were 3.11%, 2.54%, 2.07% and 2.08% per annum, respectively.

Cash and deposits were denominated in the following currencies:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Denominated in RMB . . . . .	2,539,510	4,598,561	18,160,442	14,125,119
Denominated in USD . . . . .	83,896	411,351	143,600	124,582
Denominated in HKD . . . . .	59,659	17,817	5,486,979	4,976,405
	<u>2,683,065</u>	<u>5,027,729</u>	<u>23,791,021</u>	<u>19,226,106</u>

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

## 28. SHARE CAPITAL AND PREMIUM

	Note	Number of	Nominal value	Equivalent	Share	Total
		ordinary	of ordinary	nominal value		
		shares	shares	of ordinary		
			HKD'000	RMB'000	premium	RMB'000
<b>Authorized</b>						
Ordinary share of HKD1.00 each upon						
incorporation . . . . .	note 1.2	<u>1,000,000,000</u>	<u>1,000,000</u>	—	—	—
<b>Issued and fully paid</b>						
At November 29, 2017 (date of						
incorporation) . . . . .		—	—	—	—	—
Issue of shares of HKD1.00 each . . . . .	note 1.2	<u>1,000,000,000</u>	<u>1,000,000</u>	<u>837,342</u>	<u>5,162,867</u>	<u>6,000,209</u>
At December 31, 2017/March 31, 2018 . .		<u>1,000,000,000</u>	<u>1,000,000</u>	<u>837,342</u>	<u>5,162,867</u>	<u>6,000,209</u>

## 29. OTHER RESERVES AND RETAINED EARNINGS

	Merger reserve	Statutory reserves	Others	Total	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2015</b> . . . . .	197,198	186,531	31,432	415,161	733,789	1,148,950
Business combination under common control . . . . .	(316)	—	—	(316)	—	(316)
Profit for the year . . . . .	—	—	—	—	391,076	391,076
Transfers to statutory reserve . . . . .	—	149,852	—	149,852	(149,852)	—
Dividends paid to the then shareholders . . . . .	—	—	—	—	(262,450)	(262,450)
<b>Balance at December 31, 2015</b> . . . . .	<u>196,882</u>	<u>336,383</u>	<u>31,432</u>	<u>564,697</u>	<u>712,563</u>	<u>1,277,260</u>
<b>Balance at January 1, 2016</b> . . . . .	196,882	336,383	31,432	564,697	712,563	1,277,260
Profit for the year . . . . .	—	—	—	—	1,007,387	1,007,387
Transfers to statutory reserve . . . . .	—	161,519	—	161,519	(161,519)	—
Disposal of ownership interests in subsidiaries without change of control (note 36) . . . . .	—	—	(607)	(607)	—	(607)
Capitalisation of retained earnings of a subsidiary upon its conversion into a joint stock company (note (a)) . . . . .	—	—	11,639	11,639	(11,639)	—
Additional investment in a subsidiary (note 36) . . . . .	—	—	(12,817)	(12,817)	—	(12,817)
<b>Balance at December 31, 2016</b> . . . . .	<u>196,882</u>	<u>497,902</u>	<u>29,647</u>	<u>724,431</u>	<u>1,546,792</u>	<u>2,271,223</u>
<b>Balance at January 1, 2017</b> . . . . .	196,882	497,902	29,647	724,431	1,546,792	2,271,223
Profit for the year . . . . .	—	—	—	—	1,912,442	1,912,442
Transfers to statutory reserve . . . . .	—	144,634	—	144,634	(144,634)	—
Business combination under common control . . . . .	(195)	—	—	(195)	—	(195)
<b>Balance at December 31, 2017</b> . . . . .	<u>196,687</u>	<u>642,536</u>	<u>29,647</u>	<u>868,870</u>	<u>3,314,600</u>	<u>4,183,470</u>
<b>Balance at January 1, 2017</b> . . . . .	196,882	497,902	29,647	724,431	1,546,792	2,271,223
Profit for the period (unaudited) . . . . .	—	—	—	—	379,177	379,177
<b>Balance at March 31, 2017 (unaudited)</b> . . . . .	<u>196,882</u>	<u>497,902</u>	<u>29,647</u>	<u>724,431</u>	<u>1,925,969</u>	<u>2,650,400</u>
<b>Balance at January 1, 2018</b> . . . . .	196,687	642,536	29,647	868,870	3,314,600	4,183,470
Profit for the period . . . . .	—	—	—	—	668,369	668,369
<b>Balance at March 31, 2018</b> . . . . .	<u>196,687</u>	<u>642,536</u>	<u>29,647</u>	<u>868,870</u>	<u>3,982,969</u>	<u>4,851,839</u>

- (a) On June 28, 2016, Guangdong Midea Property Management Co., Ltd (“Midea Property Management”) a subsidiary of the Group, was converted from a limited liability company into a joint stock limited liability company. The balance of retained earnings of RMB11,639,000 of Midea Property Management as at June 30, 2016 was capitalized as capital and transferred to other reserves in the consolidated balance sheets.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

## 30. CORPORATE BONDS

Corporate bonds as at December 31, 2015, 2016 and 2017 and March 31, 2018 were as follows:

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Beginning balance . . . . .	—	—	3,491,819	3,495,481
Additions . . . . .	—	3,489,000	—	—
Interests charges . . . . .	—	116,171	169,062	42,309
Interests paid . . . . .	—	(113,352)	(165,400)	(41,350)
Ending balance . . . . .	—	3,491,819	3,495,481	3,496,440
Analysed as				
— Current portion . . . . .	—	—	—	1,498,031
— Non-current portion . . . . .	—	3,491,819	3,495,481	1,998,409
	—	3,491,819	3,495,481	3,496,440

The Group's corporate bonds were repayable as follows:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Within 1 year . . . . .	—	—	—	1,498,031
Between 1 and 2 years . . . . .	—	—	3,495,481	1,998,409
Between 2 and 5 years . . . . .	—	3,491,819	—	—
	—	3,491,819	3,495,481	3,496,440

The Group's corporate bonds comprised the following:

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

The above corporate bonds are guaranteed by related parties (note 37(a)).

## 31. BANK AND OTHER BORROWINGS

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Bank borrowings . . . . .	5,691,335	6,216,940	17,255,467	22,007,062
Loans from related parties (note 37(c)) . . . . .	2,012,260	1,650,294	2,855,600	3,018,860
Other loans . . . . .	3,750,000	13,000,000	14,648,400	15,056,350
	<u>11,453,595</u>	<u>20,867,234</u>	<u>34,759,467</u>	<u>40,082,272</u>
Included in non-current liabilities:				
— Secured/guaranteed . . . . .	8,000,042	16,422,237	21,421,014	23,868,113
— Unsecured . . . . .	1,467,360	2,196,005	9,807,419	11,330,058
Less: current portion of non-current liabilities . . . . .	<u>(3,419,019)</u>	<u>(4,171,310)</u>	<u>(5,539,613)</u>	<u>(5,814,953)</u>
	<u>6,048,383</u>	<u>14,446,932</u>	<u>25,688,820</u>	<u>29,383,218</u>
Included in current liabilities:				
— Secured/guaranteed . . . . .	836,193	2,209,992	2,523,833	3,832,901
— Unsecured . . . . .	1,150,000	39,000	1,007,201	1,051,200
— Current portion of non-current liabilities . . . . .	<u>3,419,019</u>	<u>4,171,310</u>	<u>5,539,613</u>	<u>5,814,953</u>
	<u>5,405,212</u>	<u>6,420,302</u>	<u>9,070,647</u>	<u>10,699,054</u>
Total . . . . .	<u>11,453,595</u>	<u>20,867,234</u>	<u>34,759,467</u>	<u>40,082,272</u>

As at December 31, 2015, 2016 and 2017 and March 31, 2018, all of the Group's borrowings were denominated in following currencies:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
RMB . . . . .	8,094,291	17,213,301	31,811,115	37,041,352
HKD . . . . .	1,946,621	1,760,826	1,343,583	1,495,934
USD . . . . .	<u>1,412,683</u>	<u>1,893,107</u>	<u>1,604,769</u>	<u>1,544,986</u>
	<u>11,453,595</u>	<u>20,867,234</u>	<u>34,759,467</u>	<u>40,082,272</u>

The Group's bank and other borrowings as at December 31, 2015, 2016 and 2017 and March 31, 2018 of RMB2,664,823,000, RMB5,871,197,000, RMB11,280,181,000 and RMB14,631,997,000 were secured by certain buildings, land use rights, properties under development and completed properties held for sale of the Group with total carrying values of RMB4,311,043,000, RMB5,116,947,000, RMB15,520,477,000 and RMB20,269,477,000 respectively.

The Group's bank and other borrowings of RMB6,850,935,000, RMB13,531,733,000, RMB13,242,811,000, and RMB13,799,642,000, respectively, as at December 31, 2015, 2016 and 2017 and March 31, 2018 were guaranteed by its related parties (note 37(a)).

- (a) The exposure of bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
3 months or less . . . . .	5,167,944	5,074,750	6,572,716	6,719,780
6–12 months . . . . .	396,000	494,710	2,527,150	2,767,792
1–2 years . . . . .	2,139,650	12,297,750	22,153,277	26,561,200
	<u>7,703,594</u>	<u>17,867,210</u>	<u>31,253,143</u>	<u>36,048,772</u>

- (b) The repayment terms of the bank and other borrowings are as follows:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Within 1 year . . . . .	5,405,212	6,420,302	9,070,647	10,699,054
1 to 2 years . . . . .	4,459,333	8,703,886	9,042,408	10,557,961
2 to 5 years . . . . .	1,589,050	5,743,046	16,646,412	18,050,257
Over 5 years . . . . .	—	—	—	775,000
	<u>11,453,595</u>	<u>20,867,234</u>	<u>34,759,467</u>	<u>40,082,272</u>

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Borrowings wholly repayable within five years . . . . .	11,453,595	20,867,234	34,759,467	39,307,272
Borrowings wholly repayable after five years . . . . .	—	—	—	775,000
	<u>11,453,595</u>	<u>20,867,234</u>	<u>34,759,467</u>	<u>40,082,272</u>

- (c) The annual weighted average effective interest rates were as follows:

	Year ended December 31,			Three
	2015	2016	2017	months ended
				March 31,
Bank and other borrowings . . . . .	<u>5.81%</u>	<u>5.42%</u>	<u>5.28%</u>	<u>2018</u>
				<u>5.66%</u>

The carrying amounts of the borrowings approximated their fair values as at December 31, 2015, 2016 and 2017 and March 31, 2018 as the impact of discounting of borrowings with fixed interest rates was not significant or the borrowings carried floating interest rate.

## 32. TRADE AND OTHER PAYABLES

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Trade payables (note (a)) . . . . .	3,827,975	5,832,606	8,085,929	6,620,889
Amounts due to related parties (note 37(b)) . . . . .	5,152,124	2,965,392	5,811,306	5,015,764
Amounts due to non-controlling interests (note (b)) . . . . .	276,901	494,647	4,600,708	4,639,988
Outstanding acquisition considerations payable. . . . .	20	20,673	872,532	472,964
Deposit payables. . . . .	176,318	213,083	1,176,935	1,799,013
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 taxes payable. . . . .	141,221	757,732	1,830,978	1,169,288
Other payables (note (c)) . . . . .	298,387	513,847	419,949	848,459
	<u>10,149,915</u>	<u>11,391,136</u>	<u>23,686,875</u>	<u>21,492,757</u>

(a) The aging analysis of the trade payables based on invoice dates is as follows:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Within 90 days . . . . .	3,134,492	5,514,280	7,521,301	5,617,504
Over 90 days and within 365 days . . . . .	451,326	141,591	217,617	669,927
Over 365 days . . . . .	242,157	176,735	347,011	333,458
	<u>3,827,975</u>	<u>5,832,606</u>	<u>8,085,929</u>	<u>6,620,889</u>

The Group's trade and other payables as at December 31, 2015, 2016 and 2017 and March 31, 2018 were denominated in RMB.

- (b) Amounts due to non-controlling interests mainly represented current accounts with the non-controlling interests of certain subsidiaries of the Group in the ordinary course of business, which are interest-free, unsecured and repayable on demand.
- (c) Other payables mainly represent miscellaneous payments received from property purchasers for various purposes such as obtaining approvals/certificates from government authorities.

## 33. CASH FLOW INFORMATION

(a) Cash generated from/(used in) operations

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year/period . . . . .	383,504	993,311	1,893,569	379,940	679,275
Adjustments for:					
Income tax expenses (note 12) . . . . .	440,679	731,719	1,714,554	186,713	546,852
Interest income (note 11) . . . . .	(26,818)	(29,610)	(75,862)	(18,999)	(45,294)
Interest expenses (note 11) . . . . .	96,039	—	262,540	—	—
Net foreign exchange losses/(gains) . . . . .	195,416	251,113	(155,349)	(24,448)	59,782
Depreciation (note 17) . . . . .	42,790	51,474	43,868	10,309	6,555
Amortization of land use rights (note 19) . . . . .	3,922	3,941	3,983	864	910
Amortization of intangible assets (note 20)	1,860	2,832	3,486	872	1,344
Losses/(gains) on disposal of property, plant and equipment, investment properties and intangible assets (note 9)	20	(233)	—	2	149
Provision for impairment of trade and other receivables (note 8) . . . . .	3,514	15,620	29,090	971	9,655
Share of results of joint ventures and associates . . . . .	321	4,492	(2,118)	2,477	8,613
Gains arising from changes in fair value of and transfer to investment properties (note 18) . . . . .	(10,424)	(33,039)	(18,801)	(4,092)	(455)
Gains on disposal of subsidiaries (note 39)	(3,438)	(22,011)	(26,640)	—	(3,657)
Gain on disposal of an associate (note 9) . . . . .	(724)	—	—	—	—
Realized and unrealized gains on financial assets at fair value through profit or loss (note 9) . . . . .	(76,907)	(157,653)	(217,926)	(19,527)	(46,616)
	<u>1,049,754</u>	<u>1,811,956</u>	<u>3,454,394</u>	<u>515,082</u>	<u>1,217,113</u>
Changes in working capital:					
Properties under development and completed properties held for sale . . . . .	(1,803,641)	(10,004,745)	(24,858,936)	(7,178,090)	(8,042,322)
Inventories . . . . .	13,982	(1,472)	(2,021)	(12,481)	(10,069)
Restricted cash . . . . .	(275,558)	(964,218)	(2,265,842)	(222,075)	323,091
Trade and other receivables . . . . .	1,037,640	(3,847,477)	(4,140,391)	(6,490,436)	(1,700,265)
Prepaid taxes (excluding prepaid income taxes) . . . . .	(260,545)	(361,140)	(1,974,669)	(352,324)	(871,897)
Contract assets . . . . .	(426,438)	(241,457)	(362,913)	702,921	(529,404)
Contract liabilities . . . . .	3,117,874	7,137,748	18,414,717	5,266,238	4,784,218
Trade and other payables . . . . .	89,880	2,450,532	7,767,362	3,046,802	(1,297,911)
	<u>1,493,194</u>	<u>(5,832,229)</u>	<u>(7,422,693)</u>	<u>(5,239,445)</u>	<u>(7,344,559)</u>
Cash generated from/(used in) operations . . . . .	<u>2,542,948</u>	<u>(4,020,273)</u>	<u>(3,968,299)</u>	<u>(4,724,363)</u>	<u>(6,127,446)</u>

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment, investment properties and intangible assets comprise:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Property, plant and equipment, investment properties and intangible assets					
Net book amount (notes 17, 18 and 20) . . . . .	125,835	501,556	25,691	1,121	6,712
(Losses)/gains on disposal (note 9) . . . . .	(20)	233	—	(2)	(149)
Proceeds . . . . .	<u>125,815</u>	<u>501,789</u>	<u>25,691</u>	<u>1,119</u>	<u>6,563</u>



## (c) Reconciliation of liabilities arising from financing activities

	<b>Bank and other borrowings</b>	<b>Corporate bonds</b>	<b>Net balance due to related parties controlled by the Ultimate Controlling Parties</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Balance as at January 1, 2015</b> .....	10,142,973	—	3,798,538
Cash flows			
— Increase .....	9,194,491	—	145,182
— Decrease .....	(8,078,970)	—	—
— Exchange differences .....	195,101	—	—
<b>Balance as at December 31, 2015/January 1, 2016</b> .....	<u>11,453,595</u>	<u>—</u>	<u>3,943,720</u>
Cash flows			
— Increase .....	16,978,921	3,489,000	—
— Decrease .....	(7,410,309)	—	(2,916,374)
— Interest paid .....	—	(113,352)	—
— Interest expenses .....	—	116,171	—
— Exchange differences .....	(154,973)	—	—
<b>Balance as at December 31, 2016/January 1, 2017</b> .....	<u>20,867,234</u>	<u>3,491,819</u>	<u>1,027,346</u>
Cash flows			
— Increase .....	5,297,091	—	—
— Decrease .....	(331,643)	—	404,273
— Interest paid .....	—	(38,603)	—
— Interest expenses .....	—	42,265	—
— Exchange differences .....	(161,733)	—	—
<b>Balance as at March 31, 2017</b> .....	<u>25,670,949</u>	<u>3,495,481</u>	<u>1,431,619</u>
<b>Balance as at January 1, 2017</b> .....	20,867,234	3,491,819	1,027,346
Cash flows			
— Increase .....	25,675,313	—	—
— Decrease .....	(11,461,823)	—	2,702,190
— Interest paid .....	—	(165,400)	—
— Interest expenses .....	—	169,062	—
— Exchange differences .....	(321,257)	—	—
<b>Balance as at December 31, 2017/January 1, 2018</b> .....	<u>34,759,467</u>	<u>3,495,481</u>	<u>3,729,536</u>
Cash flows			
— Increase .....	9,410,781	—	—
— Decrease .....	(4,043,028)	—	(1,670,150)
— Interest paid .....	—	(41,350)	—
— Interest expenses .....	—	42,309	—
— Exchange differences .....	(44,948)	—	—
<b>Balance as at March 31, 2018</b> .....	<u>40,082,272</u>	<u>3,496,440</u>	<u>2,059,386</u>

## 34. GUARANTEE

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Guarantee in respect of mortgage facilities for certain purchasers (note (a)) . . . . .	7,211,162	13,901,910	22,956,879	26,043,975
Guarantees to joint ventures and associates in respect of borrowings (note (b)) . . . . .	—	—	1,713,536	2,210,760
	<u>7,211,162</u>	<u>13,901,910</u>	<u>24,670,415</u>	<u>28,254,735</u>

- (a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal titles and take possession of the related properties. The above guarantees are to be discharged 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.
- (b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.
- (c) The directors of the Company have assessed that the fair values of guarantees provide to purchasers and joint ventures and associates as at initial recognition and each period end of the Track Record Period were insignificant.

## 35. COMMITMENTS

## (a) Commitments of capital and property development expenditure

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

**(b) Operating leases commitments**

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,			As at 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

**(c) Operating lease rental receivable**

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of the buildings are as follows:

	As at December 31,			As at 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

**36. TRANSACTIONS WITH NON-CONTROLLING INTERESTS****(a) Acquisition of additional interest in a subsidiary**

During the year ended December 31, 2016, Midea Real Estate Group Company acquired additional 10% equity interest in Zhuzhou Midea Gaoke Property Development Co., Ltd. at a cash consideration of RMB12,390,000 from non-controlling interests. The differences between the carrying amounts of non-controlling interest acquired and consideration paid are set out below:

	Year ended December 31, 2016
	RMB'000
Total carrying amount of non-controlling interests acquired . . . . .	(427)
Less: total consideration paid and payable to non-controlling interests . . . . .	(12,390)
Total difference recognized within equity . . . . .	(12,817)

**(b) Disposal of ownership interest in a subsidiary without change of control**

During the year ended December 31, 2016, the Group disposed of certain equity interest in a subsidiary for a total cash consideration of RMB1,800,000. The carrying amount of the equity interest in the subsidiary on the date of disposal was RMB2,407,000. The Group recognized an increase in non-controlling interests of RMB2,407,000 and a decrease in equity attributable to owners of the Company of RMB607,000.

	<b>Year ended December 31, 2016</b>
	<b>RMB'000</b>
Consideration received from non-controlling interests . . . . .	1,800
Less: carrying amount of the equity interest disposed of . . . . .	<u>(2,407)</u>
Total difference recognized within equity . . . . .	<u><u>(607)</u></u>

(c) The aggregate effect of the above transactions with non-controlling interests on the equity attributable to owners of the Company are as follows:

	<b>Year ended December 31, 2016</b>
	<b>RMB'000</b>
Changes in equity attributable to owners of the Company arising from:	
— Acquisition of additional interest in a subsidiary . . . . .	(12,817)
— disposal of ownership interest in a subsidiary without change of control . . . . .	<u>(607)</u>
Net effect of transactions with non-controlling interests on equity attributable to owners of the Company . . . . .	<u><u>(13,424)</u></u>

## 37. RELATED PARTY TRANSACTIONS

The ultimate holding company of the Company is Midea Development (BVI), and the Ultimate Controlling Parties of the Company are Mr. He and Ms. Lu.

## (a) Transactions with related parties

Apart from those related party transactions disclosed elsewhere in this report, the Group had the following significant transactions with related parties during the Track Record Period:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(i) Ultimate Controlling Parties					
Receiving guarantee in respect of borrowings . . . . .	1,533,625	1,869,783	1,592,469	1,844,057	1,998,982
(ii) Entities controlled by the Ultimate Controlling Parties					
Rendering of property management services	—	—	895	224	1,136
Purchase of home appliances and smart home technology products . . . . .	1,071	—	1,576	—	106
Purchase of information technology support services . . . . .	1,311	1,226	1,800	450	450
Interest expense . . . . .	139,115	86,969	121,846	20,442	42,544
Receiving guarantee in respect of borrowings . . . . .	5,317,310	15,153,769	15,145,823	16,601,915	15,297,100
Proceeds from disposal of subsidiaries (note 39) . . . . .	158,773	206,600	589,775	—	—
Licensing fees . . . . .	—	—	6,838	—	2,120
Rental expenses . . . . .	—	257	337	67	158
(iii) Entities controlled by certain directors					
Rental expenses . . . . .	—	821	2,061	274	738
(iv) Joint ventures					
Rendering of brand management services . . . . .	—	902	—	—	—
Providing guarantee in respect of borrowings . . . . .	—	—	1,713,536	441,000	1,957,160
(v) Associates					
Purchase of materials and other services . . . . .	19,464	—	—	—	—
Providing guarantee in respect of borrowings . . . . .	—	—	—	—	253,600
(vi) Directors and/or their close family members					
Sales of properties . . . . .	678	4,668	1,563	210	1,201
(vii) Close family members of the Ultimate Controlling Parties					
Sales of properties . . . . .	50,361	—	—	—	—

The prices for the above transactions were determined in accordance with the terms agreed by the relevant contracting parties.

(b) Balances with related parties

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
(i) Joint ventures				
Amounts due from related parties . . . . .	1,500	74,604	3,725,820	3,820,623
Amounts due to related parties . . . . .	63,471	148,147	753,592	1,341,371
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(ii) Associates				
Amount due from related parties. . . . .	—	—	1,058,117	771,928
Amount due to related parties. . . . .	33,412	170	184,486	745,732
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(iii) Entities controlled by the Ultimate Controlling Parties				
Amounts due from related parties . . . . .	1,111,521	1,789,200	1,143,692	869,275
Amounts due to related parties . . . . .	5,055,241	2,817,075	4,873,228	2,928,661
Loans from related parties . . . . .	2,012,260	1,650,294	2,855,600	3,018,860
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(iv) Entities controlled by certain directors and/or their close family members				
Amounts due from related parties . . . . .	—	529	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(v) Amounts due from related parties				
Trade. . . . .	—	1,122	10,638	5,228
Non-trade. . . . .	1,113,021	1,863,211	5,916,991	5,456,598
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
(vi) Amounts due to related parties				
Trade. . . . .	729	3,848	729	2,252
Non-trade. . . . .	5,151,395	2,961,544	5,810,577	5,013,512
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Amounts due from/to related parties mainly represented the cash advances which are unsecured, interest-free, and repayable on demand.

## (c) Loans from related parties

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Beginning of the year/period . . . . .	5,046,370	2,012,260	1,650,294	2,855,600
Loans advanced . . . . .	1,145,681	1,399,823	1,809,900	363,260
Loans repayments . . . . .	(4,179,791)	(1,761,789)	(604,594)	(200,000)
End of the year/period. . . . .	<u>2,012,260</u>	<u>1,650,294</u>	<u>2,855,600</u>	<u>3,018,860</u>

Loans from related parties carried variable interest rates ranging from 6% to 6.15% per annum, the terms of the loans were between 2 months to 21 months.

## (d) Key management compensation

Compensation for key management for the years ended December 31, 2015, 2016 and 2017 and three months ended March 31, 2017 and 2018 are set out below:

	Year ended December 31,			Three months ended	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Key management compensation					
— Salaries and other employee benefits	3,146	3,687	16,540	432	783
— Pension costs . . . . .	88	100	111	24	28
— Fees . . . . .	—	—	294	54	96
	<u>3,234</u>	<u>3,787</u>	<u>16,945</u>	<u>510</u>	<u>907</u>

## 38. PARTICULARS OF SUBSIDIARIES

(a) Particulars of the principal subsidiaries of the Group as at December 31, 2015, 2016 and 2017 and March 31, 2018 are set out as below:

Name of companies	Date of incorporation/establishment	Type of legal status	Place of operation/establishment	Principal activities	Registered/issued and paid-up capital '000	Proportion of ownership interest				Note	
						As at December 31,		As at March 31,			Upon completion of the Reorganization and as at the date of this report
						2015	2016	2017	2018		
美的建業(英屬維京群島)有限公司 Midea Construction (BVI) Limited	21/10/2009	Limited liability company	BVI	Property Development	Registered/issued USD30 and paid-up capital USD30	100%	100%	100%	100%	i	
美的建業(香港)有限公司 Midea Construction (Hong Kong) Co., Ltd.	03/11/2009	Limited liability company	Hong Kong	Property Development	Registered/issued HKD2,144,100 and paid-up capital HKD2,144,100	100%	100%	100%	100%	v	
徐州美的置業有限公司 Xuzhou Midea Properties Co., Ltd.	02/11/2010	Limited liability company	Mainland China	Property Development	Registered/issued USD20,000 and paid-up capital USD20,000	100%	100%	100%	100%	ii, vii	
徐州美的時代房地產有限公司 Xuzhou Midea Times Real Estate Co., Ltd.	10/01/2014	Limited liability company	Mainland China	Property Development	Registered/issued USD44,500 and paid-up capital USD44,500	100%	100%	100%	100%	ii, vii	
Platinum Years Limited	08/10/2013	Limited liability company	BVI	Property Development	Registered/issued USD50 and paid-up capital USD50	100%	100%	100%	100%	i	
澳門比華利房地產有限公司 Pei Wa Lei Real Estate Limited	07/07/2006	Limited liability company	Macau	Property Development	Registered/issued MOP500 and paid-up capital MOP500	100%	100%	100%	100%	i	
佛山市皇朝房地產發展有限公司 Foshan Huangchao Real Estate Development Co., Ltd.	06/11/2003	Limited liability company	Mainland China	Property Development	Registered/issued RMB50,000 and paid-up capital RMB50,000	90%	90%	90%	90%	ii, viii	
科納投資控股有限公司 Kona Investment Holding Limited	18/05/2012	Limited liability company	BVI	Property Development	Registered/issued USD50 and paid-up capital USD50	100%	100%	100%	100%	i	
科納投資控股(香港)有限公司 Kona Investments Holding (Hongkong) Limited	31/05/2012	Limited liability company	Hong Kong	Property Development	Registered/issued HKD100 and paid-up capital HKD100	100%	100%	100%	100%	v	
徐州麗置業有限公司 Xuzhou Yuehui Properties Co., Ltd.	07/09/2016	Limited liability company	Mainland China	Property Development	Registered/issued RMB135,950 and paid-up capital RMB135,950	—	98%	98%	98%	iv, vii	



Name of companies	Date of incorporation/establishment	Type of legal status	Place of operation/establishment	Principal activities	Registered/issued and paid-up capital '000	Proportion of ownership interest				Note	
						As at December 31,		As at			Upon completion of the Reorganization and as at the date of this report
						2015	2016	2017	March 31, 2018		
廣東美的物業管理股份有限公司 Guangdong Midea Property Management Co., Ltd.	31/01/2000	Limited liability company	Mainland China	Property Management	Registered/issued RMB51,200 and paid-up capital RMB51,200	100%	85%	82%	82%	ii, vi	
美的置業集團有限公司 Midea Real Estate Group Co., Ltd.	13/01/1995	Limited liability company	Mainland China	Property Development	Registered/issued RMB2,895,423 and paid-up capital RMB2,279,424	100%	100%	100%	100%	ii, vi	
佛山市美的房地產發展有限公司 Foshan Midea Real Estate Development Co., Ltd.	10/08/1998	Limited liability company	Mainland China	Property Development	Registered/issued RMB200,000 and paid-up capital RMB200,000	100%	100%	100%	100%	ii, viii	
佛山市順德區捷高房產有限公司 Foshan Shunde Jiegao Real Estate Co., Ltd.	16/09/2004	Limited liability company	Mainland China	Property Development	Registered/issued RMB200,000 and paid-up capital RMB200,000	100%	100%	100%	100%	ii, viii	
佛山市名勝投資有限公司 Foshan Mingsheng Investment Co., Ltd.	16/06/2005	Limited liability company	Mainland China	Property Development	Registered/issued RMB170,000 and paid-up capital RMB170,000	100%	100%	100%	100%	ii, viii	
美的西南房地產發展有限公司 (前稱:「貴陽市美的房地產發展有限公司」) Midea Xinan Property Development Company Limited (formerly known as "Guiyang Midea Real Estate Development Co., Ltd.")	26/03/2010	Limited liability company	Mainland China	Property Development	Registered/issued RMB500,000 and paid-up capital RMB500,000	100%	100%	100%	100%	ii, viii	
株洲市美的高科房地產發展有限公司 Zhuzhou Midea Gaoke Real Estate Development Co., Ltd.	10/06/2010	Limited liability company	Mainland China	Property Development	Registered/issued RMB45,000 and paid-up capital RMB45,000	90%	100%	100%	100%	ii, viii	
株洲市美的房地產發展有限公司 Zhuzhou Midea Real Estate Development Co., Ltd.	10/06/2010	Limited liability company	Mainland China	Property Development	Registered/issued RMB402,820 and paid-up capital RMB402,820	100%	100%	99%	99%	ii, viii	
佛山市高明區美的房地產發展有限公司 Foshan Gaoming Midea Real Estate Development Co., Ltd.	14/01/2011	Limited liability company	Mainland China	Property Development	Registered/issued RMB400,000 and paid-up capital RMB400,000	100%	100%	100%	100%	ii, viii	
佛山市順德區美的房地產發展有限公司 Foshan Shunde Midea Real Estate Co., Ltd.	13/01/2011	Limited liability company	Mainland China	Property Development	Registered/issued RMB75,000 and paid-up capital RMB75,000	100%	100%	100%	100%	ii, viii	
邯鄲市美的房地產開發有限公司 Handan Midea Real Estate Development Co., Ltd.	06/09/2011	Limited liability company	Mainland China	Property Development	Registered/issued RMB353,540 and paid-up capital RMB353,540	100%	99%	99%	99%	ii, viii	

Name of companies	Date of incorporation/establishment	Type of legal status	Place of operation/establishment	Principal activities	Registered/Issued and paid-up capital '000	Proportion of ownership interest				Note
						As at December 31,				
						2015	2016	2017	2018	
徐州市美的瑞城房地產發展有限公司 Xuzhou Midea Xincheng Real Estate Development Co., Ltd.	24/11/2011	Limited liability company	Mainland China	Property Development	Registered/Issued RMB300,000 and paid-up capital RMB300,000	100%	100%	100%	100%	ii, viii
寧波市梅山美的房地產發展有限公司 Ningbo Meishan Midea Real Estate Development Co., Ltd.	14/12/2011	Limited liability company	Mainland China	Property Development	Registered/Issued RMB300,000 and paid-up capital RMB300,000	100%	100%	100%	100%	ii, viii
佛山市順德區盈茂房地產發展有限公司 Foshan Shunde Yingmao Real Estate Co., Ltd.	14/01/2013	Limited liability company	Mainland China	Property Development	Registered/Issued RMB200,000 and paid-up capital RMB200,000	100%	100%	100%	100%	ii, viii
瀋陽市美的房地產開發有限公司 Shenyang Midea Real Estate Development Co., Ltd.	03/07/2013	Limited liability company	Mainland China	Property Development	Registered/Issued RMB416,540 and paid-up capital RMB416,540	100%	100%	100%	100%	ii, viii
鎮江美的房地產發展有限公司 Zhenjiang Midea Real Estate Development Co., Ltd.	27/09/2013	Limited liability company	Mainland China	Property Development	Registered/Issued RMB100,000 and paid-up capital RMB100,000	100%	100%	100%	100%	ii, viii
遵義市美的房地產發展有限公司 Zunyi Midea Real Estate Development Co., Ltd.	17/02/2014	Limited liability company	Mainland China	Property Development	Registered/Issued RMB150,000 and paid-up capital RMB150,000	100%	100%	100%	100%	ii, viii
佛山市高明區清江房地產發展有限公司 Foshan Gaoming Xinjiang Real Estate Development Co., Ltd.	28/10/2015	Limited liability company	Mainland China	Property Development	Registered/Issued RMB100,000 and paid-up capital RMB100,000	100%	97%	97%	97%	iv, viii
佛山市順德區錦恒美的房地產發展有限公司 Foshan Shunde Ganheng Midea Real Estate Co., Ltd.	29/10/2015	Limited liability company	Mainland China	Property Development	Registered/Issued RMB100,000 and paid-up capital RMB100,000	100%	98%	98%	98%	ii, viii
寧波市瑞奕房地產發展有限公司 Ningbo Ruiyi Real Estate Development Co., Ltd.	25/11/2015	Limited liability company	Mainland China	Property Development	Registered/Issued RMB100,000 and paid-up capital RMB100,000	100%	99%	99%	99%	iv, viii

Name of companies	Date of incorporation/establishment	Type of legal status	Place of operation/establishment	Principal activities	Registered/Issued and paid-up capital '000	Proportion of ownership interest				Note	
						As at December 31,					Upon completion of the Reorganization and as at the date of this report
						2015	2016	2017	2018		
株洲市鼎輝房地產發展有限公司 Zhuzhou Dinghui Real Estate Development Co., Ltd.	04/12/2015	Limited liability company	Mainland China	Property Development	Registered/Issued RMB100,000 and paid-up capital RMB100,000	100%	96%	96%	96%	iv, vii	
貴陽美的新時代房地產發展有限公司 Guiyang Midea New Era Real Estate Development Co., Ltd.	19/02/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB500,000 and paid-up capital RMB500,000	—	100%	96%	96%	iv, vii	
江西省台電能源建設有限公司 Jiangxi Yedian Power Transit Company Limited	30/07/2007	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	64%	64%	64%	iv, vii	
邯鄲市順美房地產開發有限公司 Handan Shunmei Real Estate Development Co., Ltd.	14/06/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB100,000 and paid-up capital RMB100,000	—	100%	97%	97%	iv, vii	
佛山市順德區融地房地產發展有限公司 Foshan Shunde Yuecheng Real Estate Development Co., Ltd.	21/07/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB60,000 and paid-up capital RMB60,000	—	98%	98%	98%	iv, vii	
徐州市鵬輝房地產發展有限公司 Xuzhou Penghui Real Estate Development Co., Ltd.	16/08/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	100%	97%	97%	iv, vii	
瀋陽嘉美房地產開發有限公司 Shenyang Jiamei Real Estate Development Co., Ltd.	25/08/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	99%	99%	99%	iv, vii	
佛山市高明區美高房地產開發有限公司(*) Foshan Gaoming Meigao Real Estate Development Co., Ltd.	12/08/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	48%	48%	48%	iv, vii	
無錫市悅輝房地產發展有限公司 Wuxi Yuehui Real Estate Development Co., Ltd.	22/09/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB500,000 and paid-up capital RMB500,000	—	59%	58%	58%	iv, vii	
邯鄲市冀輝房地產開發有限公司 Handan Jihui Real Estate Development Co., Ltd.	24/06/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB100,000 and paid-up capital RMB100,000	—	100%	95%	95%	iv, vii	

Name of companies	Date of incorporation/establishment	Type of legal status	Place of operation/establishment	Principal activities	Registered/Issued and paid-up capital '000	Proportion of ownership interest				Note
						As at December 31,				
						2015	2016	2017	2018	
邯鄲市華美世紀房地產開發有限公司 Handan Huamei Century Real Estate Development Co., Ltd. ....	13/09/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB30,000 and paid-up capital RMB30,000	—	51%	51%	51%	iii for the year of 2016, viii
南京天輝房地產開發有限公司 Nanjing Tianhui Real Estate Development Co., Ltd. ....	11/10/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	100%	98%	98%	iv, viii
貴陽恒祥房地產開發有限公司 Guiyang Hengxiang Real Estate Development Co., Ltd. ....	29/07/2010	Limited liability company	Mainland China	Property Development	Registered/Issued RMB51,000 and paid-up capital RMB51,000	—	100%	95%	95%	iv, viii
岳陽市鼎輝房地產開發有限公司 Yueyang Dinghui Real Estate Development Co., Ltd. ....	26/12/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB350,000 and paid-up capital RMB350,000	—	80%	76%	76%	iv, viii
揚州市鑫輝房地產開發有限公司 Yangzhou Xinhui Real Estate Development Co., Ltd. ....	16/11/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	100%	97%	97%	iv, viii
寧波市瑞寧房地產開發有限公司 Ningbo Ruining Real Estate Development Co., Ltd. ....	16/11/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	100%	99%	99%	iv, viii
佛山市順德區萬普人才服務有限公司 Foshan Shunde Wanhui Human Resource Services Co., Ltd. ....	18/11/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB170,000 and paid-up capital RMB170,000	—	60%	60%	60%	iv, viii
佛山市順德區遠置業投資有限公司 Foshan Shunde Xunde Properties Investment Co., Ltd. ....	11/11/2014	Limited liability company	Mainland China	Property Development	Registered/Issued RMB46,353 and paid-up capital RMB46,353	—	52%	52%	52%	iv, viii
長沙市鼎輝房地產開發有限公司 Changsha Dinghui Real Estate Development Co., Ltd. ....	12/12/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	100%	95%	95%	iv, viii
寧波梅山保格瑞藍美投資管理有限公司 Ningbo Meishan Bonded Port Area Yingmei Investment Management Co., Ltd. ....	23/09/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB3,000,000 and paid-up capital RMB3,000,000	—	100%	100%	100%	iv, viii
徐州市騰輝房地產開發有限公司 Xuzhou Tenghui Real Estate Development Co., Ltd. ....	23/01/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	—	95%	95%	viii

Name of companies	Date of incorporation/establishment	Type of legal status	Place of operation/establishment	Principal activities	Registered/Issued and paid-up capital '000	Proportion of ownership interest					Note
						As at December 31,		As at March 31,		Upon completion of the Reorganization and as at the date of this report	
						2016	2017	2018	2018		
昆明城業房地產有限公司 Kunming Chengye Real Estate Co., Ltd.	20/02/2012	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	80%	80%	80%	viii	
雲南藍門子房地產有限公司 Yunnan Lanmenzi Real Estate Co., Ltd.	17/01/1997	Limited liability company	Mainland China	Property Development	Registered/Issued RMB150,000 and paid-up capital RMB150,000	—	67%	67%	67%	viii	
湘潭市鼎輝房地產發展有限公司 Xiangtan Dinghui Real Estate Development Co., Ltd.	16/05/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	100%	100%	97%	viii	
合肥悅輝房地產發展有限公司 Hefei Yuehui Real Estate Development Co., Ltd.	18/05/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	100%	99%	99%	viii	
常州市翔輝房地產發展有限公司 Changzhou Xianghui Real Estate Development Co., Ltd.	11/08/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB50,000	—	100%	100%	100%	viii	
佛山市順德區美軒房產有限公司(*) Foshan Shunde Meixuan Real Estate Co., Ltd.	05/07/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	—	49%	49%	viii	
貴陽習興房地產開發有限公司 Guiyang Zhixing Real Estate Development Co., Ltd.	13/11/1998	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,100 and paid-up capital RMB20,100	—	100%	100%	100%	viii	
江西嘉麗房地產有限公司 Jiangxi Jiali Real Estate Co., Ltd.	28/09/2014	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	—	63%	63%	viii	
佛山市南海區謙美房地產開發有限公司 Foshan Nanhai Chengmei Real Estate Development Co., Ltd.	13/04/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB383,100 and paid-up capital RMB380,000	—	—	97%	97%	viii	
貴陽國龍置業有限公司 Guizhou Guolong Properties Co., Ltd.	14/09/2010	Limited liability company	Mainland China	Property Development	Registered/Issued RMB300,000 and paid-up capital RMB300,000	—	—	90%	90%	viii	
江西榮旭房地產開發有限公司 Jiangxi Rongxu Real Estate Development Co., Ltd.	16/10/2014	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	—	62%	62%	viii	
佛山市順德區寶致物業管理有限公司 Foshan Shunde Baohong Property Management Co., Ltd.	16/12/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB295,658 and paid-up capital RMB295,658	—	—	100%	100%	viii	

Name of companies	Date of incorporation/establishment	Type of legal status	Place of operation/establishment	Principal activities	Registered/Issued and paid-up capital '000	Proportion of ownership interest				Note
						As at December 31,		As at March 31, 2018	Upon completion of the Reorganization and as at the date of this report	
						2016	2017			
湖南中環置業有限公司 Hunan Zhonghuan Properties Co., Ltd.	01/08/2011	Limited liability company	Mainland China	Property Development	Registered/Issued RMB30,000 and paid-up capital RMB30,000	—	60%	60%	57%	viii
無錫天輝房地產發展有限公司 Wuxi Tianhui Real Estate Development Co., Ltd.	21/11/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	100%	100%	100%	viii
重慶美榮房地產開發有限公司(*) Chongqing Meirong Real Estate Development Co., Ltd.	11/09/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	50%	50%	50%	viii
佛山市三水雲來海花園房地產開發有限公司 Foshan Sanshui Yundonghai Garden Real Estate Development Co., Ltd.	27/09/2004	Limited liability company	Mainland China	Property Development	Registered/Issued RMB250,000 and paid-up capital RMB250,000	—	—	70%	70%	iii
長沙市乾升置業有限公司(*) Changsha Qiansheng Industrial Co., Ltd.	21/07/2016	Limited liability company	Mainland China	Property Development	Registered/Issued RMB100,000 and paid-up capital RMB100,000	—	—	50%	50%	iii
蘇州悅輝房地產發展有限公司 Suzhou Yuehui Real Estate Development Co., Ltd.	26/02/2018	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	—	100%	100%	iii
佛山市順德區美家智能科技管理服務有限公司 Foshan Shunde Meijia Intelligent Technology Management Services Co., Ltd.	20/11/2015	Limited liability company	Mainland China	Property Management	Registered/Issued RMB25,000 and paid-up capital RMB25,000	100%	100%	100%	100%	ii, vi
佛山市美的文化旅遊發展有限公司 Foshan Midea Cultural Tourism Development Co., Ltd.	28/08/2015	Limited liability company	Mainland China	Others	Registered/Issued RMB50,000 and paid-up capital RMB50,000	100%	100%	100%	100%	ii, viii
徐州聚輝房地產有限公司 Xuzhou Juhui Real Estate Co., Ltd.	24/08/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB20,000 and paid-up capital RMB20,000	—	—	100%	100%	viii
合肥美都房地產發展有限公司(*) Hefei Meifu Real Estate Development Co., Ltd.	04/08/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	—	100%	50%	viii
成都市美羅房地產開發有限公司 Chengdu Meiyao Real Estate Development Co., Ltd.	17/11/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	—	100%	70%	viii
邢臺市美智房地產開發有限公司(*) Xingtai Meizhi Real Estate Development Co., Ltd.	29/11/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB200,000 and paid-up capital RMB200,000	—	—	100%	45%	viii

Name of companies	Date of incorporation/establishment	Type of legal status	Place of operation/establishment	Principal activities	Registered/Issued and paid-up capital '000	Proportion of ownership interest				Note
						As at December 31,		As at March 31, 2018	Upon completion of the Reorganization and as at the date of this report	
						2015	2016			
徐州市恩輝房地產發展有限公司 Xuzhou Enhui Real Estate Development Co., Ltd. . . . . .	13/09/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB50,000 and paid-up capital RMB50,000	—	—	100%	100%	viii
鎮江美裕房地產發展有限公司 Zhenjiang Meiyu Real Estate Development Co., Ltd. . . . . .	19/12/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB67,500 and paid-up capital RMB67,500	—	—	100%	100%	viii
邢臺市美盛房地產開發有限公司 Xingtai Meisheng Real Estate Development Co., Ltd. . . . . .	21/12/2017	Limited liability company	Mainland China	Property Development	Registered/Issued RMB200,000 and paid-up capital RMB200,000	—	—	100%	60%	viii

\* As the Group has exposure or rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority voting position and the existing rights to direct the relevant activities including but not limited to budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

i. Not applicable as there are no statutory audit requirements in the BVI and Macau.

ii. The statutory financial statements of these companies for the years ended December 31, 2015 and 2016 were audited by 中匯會計師事務所 (特殊普通合伙) (Zhonghui CPA LLP).

iii. No statutory financial statements have been prepared by these companies.

iv. The statutory financial statements of these companies for the years ended December 31, 2016 were audited by 中匯會計師事務所 (特殊普通合伙) (Zhonghui CPA LLP).

v. The statutory financial statements of this company for the years ended December 31, 2015 and 2016 were audited by 中匯安達會計師事務所有限公司 (Zhonghui Anda CPA Limited); and the statutory financial statements of this company for the year ended December 31, 2017 were audited by PricewaterhouseCoopers.

vi. The statutory financial statements of these companies for the years ended December 31, 2017 were audited by 中匯會計師事務所 (特殊普通合伙) (Zhonghui CPA LLP).

vii. The statutory financial statements of these companies for the years ended December 31, 2017 were audited by 徐州彭城聯合會計師事務所 (Xuzhou Pengcheng United CPA Limited).

viii. The statutory financial statements of these companies for the years ended December 31, 2017 were audited by 深圳天地會計師事務所 (普通合伙) (Shenzhen Tiandi CPA Limited).

There was no individual subsidiary with material non-controlling interests during the Track Record Period.

## 39 DISPOSAL OF SUBSIDIARIES

During the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the Group disposed of interests in a number of subsidiaries to certain third parties and related parties controlled by the Ultimate Controlling Parties. Details of the disposals are as follows:

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Disposal consideration				
— Cash received . . . . .	158,773	273,868	589,775	—
— Fair value of investments in joint ventures . . . . .	—	66,045	—	10,000
— Capital injection from the non-controlling interests . . . . .	—	—	—	8,623
	158,773	339,913	589,775	18,623
Property, plant and equipment . . . . .	539	186	546,609	676
Land use rights . . . . .	29,406	106,155	27,391	—
Intangible assets . . . . .	14	—	—	—
Other net assets disposed of . . . . .	125,376	211,561	(10,865)	14,290
Total net assets disposed of . . . . .	155,335	317,902	563,135	14,966
Gains on disposal . . . . .	3,438	22,011	26,640	3,657
Cash proceeds from disposal, net of cash disposed of				
— From related parties . . . . .	158,773	206,600	589,775	—
— From third parties . . . . .	—	67,268	—	—
	158,773	273,868	589,775	—
— Cash and cash equivalents of the subsidiaries disposed of . . . . .	(4,624)	(14,762)	(50,360)	(9,074)
Net cash inflow on disposal . . . . .	154,149	259,106	539,415	(9,074)



## 40 BUSINESS COMBINATIONS

Business combinations during the Track Record Period represented acquisitions of certain property development companies. The directors of the Company consider that none of these subsidiaries acquired was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

The acquired companies' principal activities are property development in the PRC. The financial information of these acquired companies on the acquisition date is listed as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Business combinations</b>					
— Cash paid . . . . .	—	272,306	2,547,569	1,485,905	469,000
— Cash consideration outstanding and included in other payables . . . . .	—	—	60,414	—	—
Purchase consideration . . . . .	—	272,306	2,607,983	1,485,905	469,000
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>					
Cash and cash equivalents . . . . .	—	279	947,261	944,629	302,068
Properties under development and completed properties held for sale . . . . .	—	725,597	3,640,127	2,265,523	654,229
Trade and other receivables . . . . .	—	2,950	394,865	75,715	323,797
Investment in a joint venture . . . . .	—	—	1,600	1,600	—
Land use rights . . . . .	—	—	116,734	41	—
Intangible assets . . . . .	—	—	164	—	—
Property, plant and equipment . . . . .	—	—	170,498	2,180	37,350
Trade and other payables . . . . .	—	(237,855)	(1,509,806)	(1,328,388)	(423,366)
Current income tax liabilities . . . . .	—	(69)	(16,345)	—	—
Deferred income tax liabilities . . . . .	—	(98,507)	(594,885)	—	(88,416)
Total identifiable net assets . . . . .	—	392,395	3,150,213	1,961,300	805,662
Non-controlling interests . . . . .	—	(120,089)	(542,230)	(475,395)	(336,662)
<b>Outflow of cash to acquire business net of cash acquired</b>					
— cash considerations . . . . .	—	272,306	2,547,569	1,485,905	469,000
Less: cash paid as additional capital injection into a subsidiary . . . . .	—	—	—	—	(469,000)
— cash and cash equivalents of the subsidiaries acquired . . . . .	—	(279)	(947,261)	(944,629)	(302,068)
<b>Cash outflow on acquisitions . . . . .</b>	<b>—</b>	<b>272,027</b>	<b>1,600,308</b>	<b>541,276</b>	<b>(302,068)</b>

The acquired businesses contributed total revenues of nil, nil and nil, and net loss of RMB1,470,000, RMB2,422,000 and RMB4,270,000 to the Group for the period from their respective acquisition dates to December 31, 2016 and December 31, 2017, and March 31, 2018, respectively.

Had these companies been consolidated from January 1, 2016, 2017 and 2018, the consolidated statements of comprehensive income would show pro-forma net profit for the year/period of RMB991,841,000, RMB1,891,147,000 and RMB675,005,000 respectively.

## 41. BENEFITS AND INTERESTS OF DIRECTORS

## (a) Directors' emoluments

The directors' emoluments paid/payable by the companies now comprising the Group during the Track Record Period are as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other benefits . . . . .	3,147	3,688	15,899	432	655
Pension costs . . . . .	88	100	108	24	28
Fees . . . . .	—	—	294	54	96
	<u>3,235</u>	<u>3,788</u>	<u>16,301</u>	<u>510</u>	<u>779</u>

(i) For the year ended December 31, 2015

Name of Directors	Fees	Salaries and other benefits	Contribution	Total
			to retirement scheme	
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Hao Hengle . . . . .	—	1,408	22	1,430
Mr. Yao Wei . . . . .	—	747	22	769
Mr. Lin Ge . . . . .	—	440	22	462
Ms. Lin Dongna . . . . .	—	552	22	574
	<u>—</u>	<u>3,147</u>	<u>88</u>	<u>3,235</u>

(ii) For the year ended December 31, 2016

Name of Directors	Fees	Salaries and other benefits	Contribution	Total
			to retirement scheme	
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Hao Hengle . . . . .	—	1,574	25	1,599
Mr. Yao Wei . . . . .	—	860	25	885
Mr. Lin Ge . . . . .	—	686	25	711
Ms. Lin Dongna . . . . .	—	568	25	593
	<u>—</u>	<u>3,688</u>	<u>100</u>	<u>3,788</u>

(iii) For the year ended December 31, 2017

Name of Directors	Fees	Salaries and other benefits	Contribution to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Hao Hengle . . . . .	—	7,192	27	7,219
Mr. Yao Wei . . . . .	224	3,913	27	4,164
Mr. Lin Ge. . . . .	70	2,333	27	2,430
Ms. Lin Dongna . . . . .	—	2,461	27	2,488
	<u>294</u>	<u>15,899</u>	<u>108</u>	<u>16,301</u>

(iv) For the three months ended March 31, 2017 (unaudited)

Name of Directors	Fees	Salaries and other benefits	Contribution to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Hao Hengle . . . . .	—	150	6	156
Mr. Yao Wei . . . . .	54	114	6	174
Mr. Lin Ge. . . . .	—	77	6	83
Ms. Lin Dongna . . . . .	—	91	6	97
	<u>54</u>	<u>432</u>	<u>24</u>	<u>510</u>

(v) For the three months ended March 31, 2018

Name of Directors	Fees	Salaries and other benefits	Contribution to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Hao Hengle . . . . .	36	286	7	329
Mr. Yao Wei . . . . .	30	151	7	188
Mr. Lin Ge. . . . .	30	96	7	133
Ms. Lin Dongna . . . . .	—	122	7	129
	<u>96</u>	<u>655</u>	<u>28</u>	<u>779</u>

**(b) Directors' retirement benefits**

During the Track Record Period, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

**(c) Directors' termination benefits**

During the Track Record Period, no payments to the directors of the Company as compensation for the early termination of the appointment.

**(d) Consideration provided to third parties for making available directors' services**

During the Track Record Period, the Company didn't pay to any third party for making available directors' services.

**(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors**

During the Track Record Period, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.

**(f) Directors' material interests in transactions, arrangements or contracts**

Save as disclosed in note 37, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

**42 EVENTS AFTER THE BALANCE SHEET DATE**

In May and September 2018, Midea Real Estate Group Company issued corporate bonds in an aggregated principal amount of RMB1,440,000,000 and RMB1,000,000,000, respectively. The corporate bonds issued in May and September 2018 carry a coupon interest rate of 7.8% and 7.5% per annum, respectively; and they will mature in May and September 2020, respectively. The Group has rights to change interest rate and the holders have an option to roll over one year after the maturity of these corporate bonds.

In July 2018, Midea Real Estate Group Company issued asset-backed securities in an aggregate principal amount of RMB1,790,000,000, which are collateralized by certain receivables due from property purchasers.

**43. NOTES TO COMPANY BALANCE SHEETS**

- (a) Amount due from a subsidiary was unsecured, interest-free, and repayable on demand.
- (b) Cash and cash equivalents were denominated in HKD.
- (c) Other reserves and accumulated losses

	Other reserves	Accumulated losses
	RMB'000	RMB'000
At November 29, 2017 (date of incorporation) . . . . .	—	—
Deemed contribution ( <i>note</i> ) . . . . .	4,183,465	—
Loss for the period . . . . .	—	(11,249)
At December 31, 2017. . . . .	<u>4,183,465</u>	<u>(11,249)</u>
At January 1, 2018 . . . . .	4,183,465	(11,249)
Loss for the period . . . . .	—	(255,715)
At March 31, 2018 . . . . .	<u>4,183,465</u>	<u>(266,964)</u>

*Note:* Deemed contribution represented the excess of the aggregate net asset values of the subsidiaries acquired by the Company over the nominal consideration paid pursuant to the Reorganization as described in Note 1.2.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2018, and up to the date of this report. Apart from the dividend of RMB17,920,000 which was declared in May 2018 by a subsidiary of the Company, of which RMB14,676,000 was eliminated upon consolidation and the remaining RM3,244,000 was paid to the subsidiary's non-controlling shareholders, no other dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2018.