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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DIFFER GROUP HOLDING COMPANY LIMITED

Introduction

We report on the historical financial information of Prime Thrive Investments Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-45, which comprises the combined statements of financial position as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018 and the statements of the financial position of the Target Company as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined 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 II-4 to II-45 forms an integral part of this report, which has been prepared for inclusion in the circular of Differ Group Holding Company Limited (the "**Company**") dated 31 December 2018 in connection with the proposed acquisition of the entire interest in the Target Company by the Company.

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 accountants' 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 accountants' judgement, 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 accountants consider 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 accountants' report, a true and fair view of the financial position of the Target Company and the Target Group as at 31 December 2015, 2016 and 2017 and 30 September 2018 and of the Target Group's financial performance and 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 historical financial information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2017 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical 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 Historical 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 Historical Financial Information, for the purposes of the accountants' 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

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

BDO Limited

BDO Limited
Certified Public Accountants

Wong Kwok Wai
Practising Certificate no. P06047
Hong Kong, 31 December 2018

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

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

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

Combined Statements of Comprehensive Income

		Year ended 31 December			Nine months ended 30 September	
		2015	**2016**	**2017**	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	6	–	–	–	–	–
Other income	6	10	80	42	12	26
Selling expenses		(365)	(71)	(79)	(70)	(27)
Administrative and other expenses		(3,002)	(1,350)	(1,471)	(1,258)	(730)
Finance costs	7	(3,250)	–	–	–	–
Loss on disposal of a subsidiary	27	(5,836)	–	–	–	–
Gain on bargain purchase arising from acquisition of subsidiaries	26	18,082	–	–	–	–
Profit/(loss) before income tax	8	5,639	(1,341)	(1,508)	(1,316)	(731)
Income tax expense	10	–	–	–	–	–
Profit/(loss) for the year/period		5,639	(1,341)	(1,508)	(1,316)	(731)
Other comprehensive income for the year/period						
Item that may be reclassified subsequently to profit or loss:						
– Exchange differences on translation of financial statements of foreign operation		(1)	(1)	1	1	(1)
Total comprehensive income for the year/period		5,638	(1,342)	(1,507)	(1,315)	(732)

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit/(loss) for the year/period attributable to:					
Owners of the Target Company	11,734	(686)	(774)	(675)	(377)
Non-controlling interest	(6,095)	(655)	(734)	(641)	(354)
	5,639	(1,341)	(1,508)	(1,316)	(731)
Total comprehensive income for the year/period attributable to:					
Owners of the Target Company	11,733	(687)	(773)	(674)	(378)
Non-controlling interest	(6,095)	(655)	(734)	(641)	(354)
	5,638	(1,342)	(1,507)	(1,315)	(732)

Combined Statements of Financial Position

	Notes	As at 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	As at 30 September 2018 RMB'000
ASSETS AND LIABILITIES					
Non-current asset					
Property, plant and equipment	12	30	16	6	–
Current assets					
Properties under development	14	909,748	1,238,037	1,346,004	1,386,698
Deposits, prepayments and other receivables	15	7,376	2,276	576	2,530
Amount due from non-controlling equity holder of subsidiaries	19	985	–	–	–
Amounts due from related companies	19	123,731	85,461	–	–
Tax prepaid		–	–	1,760	1,760
Cash and bank balances	16	577	37,615	323	428
		1,042,417	1,363,389	1,348,663	1,391,416
Current liabilities					
Trade payables	17	48,412	53,221	56,394	55,912
Accruals and other payables	18	335,430	395,660	319,781	4,929
Contract liabilities		84,600	89,900	137,837	195,305
Amounts due to related companies	19	–	–	4,238	334,872
Amounts due to non-controlling equity holder of subsidiaries	19	–	1,000	1,000	–
Amount due to a director	19	22	28	36	44
Bank borrowings	20	–	12,706	72,702	92,861
		468,464	552,515	591,988	683,923
Net current assets		573,953	810,874	756,675	707,493
Total assets less current liabilities		573,983	810,890	756,681	707,493
Non-current liabilities					
Bank borrowings	20	450,000	688,249	635,547	587,091
Deferred tax liabilities	21	988	988	988	988
		450,988	689,237	636,535	588,079
Net assets		122,995	121,653	120,146	119,414
EQUITY					
Equity attributable to owners of the Target Company					
Share capital	22	–*	–*	–*	–*
Reserves	23	62,717	62,030	61,257	119,414
		62,717	62,030	61,257	119,414
Non-controlling interest		60,278	59,623	58,889	–
Total equity		122,995	121,653	120,146	119,414

* The balance stated is less than RMB1,000

Statements of Financial Position

	Notes	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 30 September 2018 RMB'000
ASSET AND LIABILITY					
Non-current asset					
Investment in a subsidiary	13	–	–	–	–
Current liability					
Amount due to a director	19	(22)	(28)	(36)	(44)
Net current liability		(22)	(28)	(36)	(44)
Net liabilities		(22)	(28)	(36)	(44)
EQUITY					
Share capital	22	–*	–*	–*	–*
Accumulated losses	23	(22)	(28)	(36)	(44)
Capital deficiency		(22)	(28)	(36)	(44)

* The balance stated is less than RMB1,000

Combined Statements of Changes in Equity

	Attributable to owners of the Target Company							
	Share capital *RMB'000* *(note 22)*	(Accumulated losses)/ Retained earnings *RMB'000*	Merger reserve *RMB'000* *(note 23)*	Other reserve *RMB'000* *(note 23)*	Translation reserve *RMB'000*	Total *RMB'000*	Non-controlling interest *RMB'000*	Total *RMB'000*
At 1 January 2015	-*	(17)	-	-	-	(17)	-	(17)
Profit/(loss) for the year	-	11,734	-	-	-	11,734	(6,095)	5,639
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	(1)	(1)	-	(1)
Total comprehensive income for the year	-	11,734	-	-	(1)	11,733	(6,095)	5,638
Capital contribution	-	-	51,001	-	-	51,001	-	51,001
Arising from acquisition of subsidiaries *(note 26)*	-	-	-	-	-	-	66,873	66,873
Acquisition of additional interests in a subsidiary *(note 28)*	-	-	-	-	-	-	(500)	(500)
At 31 December 2015 and 1 January 2016	-*	11,717	51,001	-	(1)	62,717	60,278	122,995
Loss for the year	-	(686)	-	-	-	(686)	(655)	(1,341)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	(1)	(1)	-	(1)
Total comprehensive income for the year	-	(686)	-	-	(1)	(687)	(655)	(1,342)
At 31 December 2016 and 1 January 2017	-	11,031	51,001	-	(2)	62,030	59,623	121,653
Loss for the year	-	(774)	-	-	-	(774)	(734)	(1,508)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	1	1	-	1
Total comprehensive income for the year	-	(774)	-	-	1	(773)	(734)	(1,507)
At 31 December 2017	-*	10,257	51,001	-	(1)	61,257	58,889	120,146

* The balance stated is less than RMB1,000

	Attributable to owners of the Target Company							
	Share capital *RMB'000* *(note 22)*	(Accumulated losses)/ Retained earnings *RMB'000*	Merger reserve *RMB'000* *(note 23)*	Other reserve *RMB'000* *(note 23)*	Translation reserve *RMB'000*	Total *RMB'000*	Non-controlling interest *RMB'000*	Total *RMB'000*
At 31 December 2017 and 1 January 2018	-*	10,257	51,001	-	(1)	61,257	58,889	120,146
Loss for the year	-	(377)	-	-	-	(377)	(354)	(731)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	(1)	(1)	-	(1)
Total comprehensive income for the period	-	(377)	-	-	(1)	(378)	(354)	(732)
Capital contribution	-	-	49,000	-	-	49,000	-	49,000
Acquisition of additional interests in subsidiaries *(note 28)*	-	-	-	9,535	-	9,535	(58,535)	(49,000)
At 30 September 2018	-*	9,880	100,001	9,535	(2)	119,414	-	119,414
At 1 January 2017	-*	11,031	51,001	-	(2)	62,030	59,623	121,653
Loss for the period	-	(675)	-	-	-	(675)	(641)	(1,316)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operation	-	-	-	-	1	1	-	1
Total comprehensive income for the period	-	(675)	-	-	1	(674)	(641)	(1,315)
At 30 September 2017 (Unaudited)	-*	10,356	51,001	-	(1)	61,356	58,982	120,338

* The balance stated is less than RMB1,000

Combined Statements of Cash Flows

	Notes	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (Unaudited)	2018 RMB'000
		Year ended 31 December			Nine months ended 30 September	
Cash flows from operating activities						
Profit/(loss) before income tax		5,639	(1,341)	(1,508)	(1,316)	(731)
Adjustments for:						
Depreciation of property, plant and equipment	8	9	15	10	8	6
Interest income	6	(10)	(80)	(12)	(12)	(2)
Interest expense	7	3,250	–	–	–	–
Loss on disposal of a subsidiary	27	5,836	–	–	–	–
Gain on bargain purchase arising from acquisition of subsidiaries	26	(18,082)	–	–	–	–
Operating loss before working capital changes		(3,358)	(1,406)	(1,510)	(1,320)	(727)
Increase in properties under development		(421,125)	(304,532)	(64,047)	(60,333)	(8,519)
Decrease/(increase) in deposits, prepayments and other receivables		7,731	5,100	1,700	(18,131)	(1,954)
(Increase)/decrease in restricted bank balance		–	(36,716)	36,693	36,693	1
Increase/(decrease) in trade payables		21,481	4,536	2,614	2,410	(1,043)
Increase/(decrease) in accruals, other payables and contract liabilities		77,823	61,527	(27,947)	(10,318)	2,094
Cash used in operations		(317,448)	(271,491)	(52,497)	(50,999)	(10,148)
Income tax paid		–	–	(1,760)	(1,760)	–
Net cash used in operating activities		(317,448)	(271,491)	(54,257)	(52,759)	(10,148)
Cash flows from investing activities						
Bank interest received		10	80	12	12	2
Purchases of property, plant and equipment		(1,023)	(1)	–	–	–
Acquisition of subsidiaries, net of cash acquired	26	287	–	–	–	–
Acquisition of additional interests in subsidiaries		(500)	–	–	–	–
(Advance to)/repayment from a non-controlling equity holder of subsidiaries		(985)	985	–	–	–
Advance to a related party		(1,962)	–	–	–	–
Repayment from related companies		7,634	38,270	85,461	62,977	–
Proceed from disposal of a subsidiary, net of cash disposed	27	689	–	–	–	–
Net cash generated from investing activities		4,150	39,334	85,473	62,989	2

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from financing activities					
Proceeds from bank borrowings	450,000	260,000	20,000	20,000	–
Repayment of bank borrowings	(130,000)	–	(15,000)	–	(30,000)
Interest paid	(13,114)	(28,526)	(41,062)	(30,732)	(30.003)
Advance from related companies	–	–	4,238	–	71,248
(Repayment to)/advance from a non-controlling equity holder of subsidiaries	(15)	1,000	–	–	(1,000)
Advance from a director	7,004	5	9	8	7
Net cash generated from/(used in) financing activities	313,875	232,479	(31,815)	(10,724)	10,252
Net increase/(decrease) in cash and cash equivalents	577	322	(599)	(494)	106
Cash and cash equivalents at beginning of the year/period	–	577	899	899	300
Cash and cash equivalents at end of the year/period	577	899	300	405	406

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1.1 General Information

The Target Company was incorporated as an exempted company with limited liability in the British Virgin Islands ("BVI") on 22 July 2011. The Target Company's registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The Target Company is an investment holding company and its subsidiaries are principally engaged in the properties development in the People's Republic of China (the "PRC") (the "**Business**").

1.2 Reorganisation

In the preparation for the acquisition by the Company, the Target Company and other companies comprising the Target Group have undergone a reorganisation (the "Reorganisation") pursuant to which group companies engaged in the Business have been transferred to the Target Company. The Target Company's principal subsidiaries comprising the Target Group after the completion of the Reorganisation are set out in note 13 below.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business is controlled and managed by Mr. Hong Mingxian ("Mr. Hong"), the substantial shareholder and director of the Company. The vendor of the Target Company, Ms. Shi Hongjiao ("Ms. Shi"), is the spouse of Mr. Hong. The Reorganisation is merely a reorganisation of the Business with no change in the ultimate shareholder and management of the Business; and was regarded as transactions without economic substance. Accordingly, the Historical Financial Information of the Business is presented on a combined basis, using the carrying values of the Business for all years presented or since their respective dates of incorporation/establishment, or since the date when the combining companies first came under the control of Mr. Hong, whichever is the shorter period.

2.1 Basis of preparation

(a) Statement of compliance

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. The Financial Information and Stub Period Comparative Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Track Record Period except any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2018.

(b) Basis of measurement

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared under the historical cost basis.

(c) Functional and presentation currency

The Historical Financial Information and Stub Period Comparative Historical Financial Information are presented in RMB, which is also the functional currency of the Target Company.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective for its financial year beginning 1 January 2018 and have not been early adopted by the Target Group.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HKFRS 16	Leases[1]
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Annual Improvement to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 13, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019

All new standards, amendments to standards and interpretation issued but not effective are not likely to have significant impact on the Historical Financial Information of the Target Group.

3. Significant accounting policies

The significant accounting policies adopted in the preparation of the Historical Financial Information of the Target Group are set out below, which have been consistently applied to the Track Record Period, unless otherwise stated.

(a) Business combination and basis of combination

The combined financial statements comprise the financial statements of the Target Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the combined financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(i) Business combinations not involving entities under common control

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Target Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Target Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from 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 this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined income statement.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Target Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Target Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(ii) Business combinations under common control

Business combinations under common control are accounted for using pooling-of-interests method. In applying pooling-of-interests method, financial statement items of the combining entities or business are included in the combined financial statements as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The Target Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the combined financial statements when they first came under common control.

(b) Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statements of financial position, investment in a subsidiary are stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Target Company on the basis of dividends received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to write off the cost of each item of property, plant and equipment to its estimated residual value over its estimated useful life, as follows:

Office equipment	3 years
Motor vehicles	3 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

(d) Properties under development

Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of properties under development consist of land held under operating lease (see note 3(e)), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

Properties under development are classified as current assets unless the construction period of the relevant properties development project is expected to complete beyond normal operating cycle.

(e) Lease

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes a legal form of a lease.

Leases where substantially all the risks and rewards of ownership of assets remain within the lessor are accounted for as operating lease. Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentive received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the period in which they are incurred.

Leasehold interests in land are up-front payments to acquire the land use right. The payments are stated at cost less accumulated amortisation and any impairment losses. The leasehold interests in land are included in properties under development.

(f) Financial assets

The Target Group classifies its financial assets as measured at amortised cost.

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

At initial recognition, the Target 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.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Target Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment loss on financial assets

The Target Group assesses on a forward looking basis the expected credit loss (**"ECL"**) associated with its debt instrument assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk by considering reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's experience and informed credit assessment and including forward-looking information.

Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Credit-impaired financial assets

At each reporting date, the Target Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Target Group on terms that the Target Group would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follow:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Target Group expects to receive): and

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(g) **Financial liabilities and equity instruments**

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Recognition and measurement

Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade payables, accruals and other payables, amounts due to related companies, non-controlling equity holder of subsidiaries and a director, and bank borrowings, are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Target Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Income taxes

Income taxes comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) **Foreign currency**

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Target Group (i.e. RMB) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Target Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

(l) **Revenue Recognition**

Revenues from sales of properties are recognised 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 Target Group's performance

- provides benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Target Group performs; or
- does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised 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 Target Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Target Group's performance in satisfying the performance obligation.

In determining the transaction price, the Target 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 recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Target Group has present right to payment and the collection of the consideration is probable.

The Target Group assessed that its property sales contracts entered into during the Track Record Period do not meet the criteria for recognising revenue over time and therefore revenue from property sales is to be recognised at a point in time.

Deposits and instalments received from purchasers prior to the date of revenue recognition are included in current liabilities as contract liabilities.

Other income is recognised when it is probable that the economic benefits will flow to the Target Group and when the income can be measured reliably.

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

(m) **Employee benefits**

(i) **Short term employee benefits**

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

(ii) **Defined contribution retirement plan**

The employees of the Target Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the period.

(n) **Impairment of non-financial assets**

At the end of each reporting periods, the Target Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(o) **Capitalisation of borrowing costs**

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) **Provisions and contingent liabilities**

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future uncertain events not wholly within the control of the Target Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

(q) **Share capital**

Shares issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(r) **Related parties**

(i) A person or a close member of that person's family is related to the Target Group if that person:

(a) has control or joint control over the Target Group;

(b) has significant influence over the Target Group; or

(c) is a member of key management personnel of the Target Group or the Target Company's parent.

(ii) An entity is related to the Target Group if any of the following conditions apply:

(a) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) both entities are joint ventures of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) the entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.

(f) the entity is controlled or jointly controlled by a person identified in (i).

(g) a person identified in (i) (a) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the combined financial statements, are identified from the financial information provided regularly to the Target Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. Significant accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target Group makes estimates and assumptions concerning the future.

(i) Impairment of receivables

The Target Group makes allowances for receivables based on assumptions about risk of default and expected loss rates. The Target Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as forward-looking estimates at each reporting date. The Target Group's management reassesses the impairment of receivables at each reporting date. Where the expectation is different from the original estimate, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed.

(ii) Estimates of current tax and deferred tax

The Target Group is subject to enterprise income tax ("**EIT**"). Significant judgement is required in determining the amount of the provision for taxation, particularly for PRC land appreciation tax ("**LAT**"), and implementation of these taxes varies amongst various PRC cities. The Target Group has not finalised its LAT calculation and payments with certain local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of the land appreciation and its related LAT. The Target Group recognised EIT and LAT based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

(iii) **Net realisable value of properties under development**

Include in the combined statements of financial position at 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018 are properties under development with an aggregate carrying amount of approximately RMB909,748,000, RMB1,238,037,000, RMB1,346,004,000 and RMB1,386,698,000, which are stated at lower of cost and net realisable value. Management determines the net realisable value of the underlying properties which involves, inter-alia, considerable estimation based on analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales taking into account economic factors and government measures and policies. If the actual net realisable values of the underlying properties are less than the previous estimations as a result of change in market condition, government measures and policies and/or significant variation in the budgeted development cost, allowance for inventories of properties may result.

(iv) **Acquisition-date fair value of the identifiable assets of 景寧外舍古鎮旅遊投資發展有限公司 (Jingning Outdoor Residence Tour Investment Development Company Limited*) ("Residence Tour")**

As disclosed in note 26, the acquisition of the 51% equity interest of Residence Tour was completed on 23 April 2015. The acquisition is accounted for using acquisition method pursuant to which the identifiable assets and liabilities of Residence Tour are measured at fair value at the date of the acquisition. Management estimated the fair value of the properties, which are the major identifiable assets of Residence Tour, with reference to valuation conducted by external valuation specialists. Determining the fair value of the properties of Residence Tour at the date of acquisition requires considerable amount of judgement and estimation including to select appropriate valuation technique and key inputs to the valuation, as well as to make adjustments for properties of different condition or location, and for similar properties on less active markets. The valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results.

* The English name is for identification only.

5. **Segment information**

The Target Group operated only in one business segment, being the engagement in properties development in the PRC during the Track Record Period. Accordingly, no further disclosures by reportable segment based on business segment are made.

No revenue is generated by the Target Group during the Track Record Period and all of the Target Group's assets are located in the PRC. Accordingly, no further disclosures by reportable segment based on geographical segment are made.

6. **Revenue and other income**

The Target Group did not generate any revenue during the Track Record Period. An analysis of the Target Group's other income is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	10	80	12	12	2
Others	–	–	30	–	24
	10	80	42	12	26

7. Finance costs

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest charges on financial liabilities stated at amortised cost:					
Bank borrowings	12,705	29,484	43,361	32,347	31,614
Less: amount capitalised in properties under development	(9,455)	(29,484)	(43,361)	(32,347)	(31,614)
	3,250	–	–	–	–

8. Profit/(loss) before income tax

The Target Group's profit/(loss) before income tax is arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employee costs:					
Salaries and other benefits	814	516	261	227	111
Pension scheme contributions	102	10	10	7	9
Total employee costs	916	526	271	234	120
Depreciation of property, plant and equipment	9	15	10	8	6

9. Director's emoluments

During the Track Record Period, the director of the Target Company did not receive any fee or other emoluments in respect of its services provided to the Target Group. In addition, no emoluments paid or payable by the Target Group were waive and no emoluments were paid by the Target Group to the director as an inducement to join or upon joining the Target Group or as compensation for loss of office during the Track Record Period.

10. Income tax expense

The Target Group is subject to EIT, which is provided on the estimated assessable profits of the subsidiaries operating in the PRC at 25% during the Track Record Period. No provision for EIT has been made as the subsidiaries of the Target Company does not generate any assessable profits during the Track Record Period.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation value, with certain allowable deductions.

No provision for Hong Kong Profits Tax had been made as the Target Group had no estimated assessable profits in Hong Kong during the Track Record Period.

Pursuant to the rules and regulations of the BVI, the Target Group is not subject to any taxation under the jurisdiction during the Track Record Period.

The income tax expense can be reconciled to the profit/(loss) before income tax per the combined statements of comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit/(loss) before income tax	5,639	(1,341)	(1,508)	(1,316)	(731)
Tax calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned	1,410	(335)	(377)	(329)	(183)
Tax effect of non-deductible expenses	2,515	193	198	154	145
Tax effect of non-taxable income	(4,521)	(20)	(3)	(3)	–
Tax effect of tax loss not recognised	596	162	182	178	38
Income tax expense	–	–	–	–	–

11. Dividend

No dividend has been paid or declared by the Target Company during the Track Record Period.

12. Property, plant and equipment

	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2015	–	–	–
Acquired through business combination *(note 26)*	–	15	15
Additions	783	240	1,023
Disposal of a subsidiary *(note 27)*	(783)	(218)	(1,001)
At 31 December 2015 and 1 January 2016	–	37	37
Addition	–	1	1
At 31 December 2016 and 31 December 2017 and 30 September 2018	–	38	38
Accumulated depreciation:			
At 1 January 2015	–	–	–
Charged for the year	–	(9)	(9)
Disposal of a subsidiary *(note 27)*	–	2	2
At 31 December 2015 and 1 January 2016	–	(7)	(7)
Charged for the year	–	(15)	(15)
At 31 December 2016 and 1 January 2017	–	(22)	(22)
Charged for the year	–	(10)	(10)
At 31 December 2017 and 1 January 2018	–	(32)	(32)
Charged for the period	–	(6)	(6)
At 30 September 2018	–	(38)	(38)
Net carrying amount:			
At 31 December 2015	–	30	30
At 31 December 2016	–	16	16
At 31 December 2017	–	6	6
At 30 September 2018	–	–	–

13. **Investment in a subsidiary**

Target Company

	Year ended 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	–	–	–

As at the date of this report, the Target Company has direct or indirect interests in following subsidiaries:

Name	Place and date of Incorporation	Principal activity	Issued and fully paid up/ registered share capital	Percentage of equity attributable to the Target Company	
				Directly	Indirectly
Bai Rong Development Limited^	Hong Kong 15 October 2018	Investment holding	HKD10,000	100%	–
Xiamen Wen Ding Business Consulting Company Limited ("Xiamen Wen Ding")^* 廈門市問鼎商務諮詢有限公司	PRC 16 October 2018	Investment holding	RMB10,000,000	–	100%
Residence Tour^* 景寧外舍古鎮旅遊投資發展有限公司	PRC 21 November 2013	Property development	RMB100,001,300	–	100% (notes 26 and 28)
Jingning Outdoor Kaizhen Property Development Limited ("Outdoor Kaizhen")^* 景寧外舍凱震房地產開發有限公司	PRC 16 January 2015	Dormant	RMB5,000,000	–	100% (notes 26 and 28)

^ These subsidiaries were transferred to the Target Company/incorporated subsequent to the Track Record Period but they were deemed to be within the Target Group since the beginning of the Track Record Period/first came under the control of Mr. Hong.

* The English names are for identification only.

All companies now comprising the Target Group have adopted 31 December as their financial year end date. As at the date of this report, no audited financial statements have been prepared for the above Target Group's companies, as they have not either carried on any business since their respective date of incorporation, or are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

14. **Properties under development**

Properties under development comprise certain construction and development costs and leasehold interest in land located in the PRC with lease terms 40 years.

As at 31 December 2015, 2016 and 2017 and 30 September 2018, properties under development amounted to approximately RMB nil, RMB nil, RMB nil and RMB1,386,698,000 are expected to be recovered within 12 months.

As at 31 December 2015, 2016 and 2017 and 30 September 2018, certain properties under development with aggregate carrying value of approximately RMB588,954,000, RMB992,489,000, RMB1,078,097,000 and RMB1,110,356,000 were pledged against bank borrowings of the Target Group (note 20).

15. Deposits, prepayments and other receivables

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	1,061	520	450	2,404
Deposits and other receivables	6,315	1,756	6	6
Other tax prepaid	–	–	120	120
	7,376	2,276	576	2,530

16. Cash and bank balances

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in hand	492	406	35	11
Cash at banks	85	37,209	288	417
Cash and bank balances	577	37,615	323	428
Less:				
Deposits restricted for construction work	–	(36,716)	(23)	(22)
Cash and cash equivalents for the purpose of the combined statements of cash flows	577	899	300	406

Cash at banks earns interest at floating rates based on daily bank deposit rates.

17. Trade payables

The ageing analysis of trade payables as at the end of the Track Record Period, based on invoice date, is as follows:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	38,613	34,676	918	800
31 to 90 days	1,264	18,378	2,875	1,198
91 to 180 days	675	–	2,276	599
181 to 365 days	2,074	–	50,325	3,714
Over 365 days	5,786	167	–	49,601
	48,412	53,221	56,394	55,912

18. Accruals and other payables

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	45	141	44	22
Other payables	333,875	393,313	316,835	1,483
Other tax payables	1,510	2,206	2,902	3,424
	335,430	395,660	319,781	4,929

19. Amount(s) due from/(to) non-controlling equity holder of subsidiaries/related companies/a director

Target Group

(i) Amount due from non-controlling equity holder of subsidiaries

The amount was unsecured, interest-free and repayable on demand.

(ii) Amounts due from/(to) related companies

The amounts were unsecured and interest-free. Except for the amount due to 龍之族控股有限公司 (Dragon Holdings Company Limited*) ("Dragon Holdings") as at 30 September 2018 which is repayable on 30 September 2019, the amounts were repayable on demand.

Name of related parties	Relationship	As at 31 December			As at 30 September
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dragon Holdings	A company controlled by the spouse of the shareholder of the Target Company	57,264	28,994	(2,816)	(334,872)
Jingning Differ Real Estate Limited* ("Jingning Differ") 景寧鼎豐置業有限公司	A company controlled by the spouse of the shareholder of the Target Company	66,467	56,467	(1,422)	–
		123,731	85,461	(4,238)	(334,872)

* The English names are for identification only.

(iii) Amount(s) due to non-controlling equity holder of subsidiaries/a director

The amounts were unsecured, interest-free and repayable on demand.

Target Company

(i) **Amount due to a director**

The amount was unsecured, interest-free and repayable on demand.

20. Bank borrowings

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Bank borrowings – secured	–	12,706	72,702	92,861
Non-current				
Bank borrowings – secured	450,000	688,249	635,547	587,091
	450,000	700,955	708,249	679,952

	As at 31 December			As at 30 September
	2015	2016	2017	2018
Interests borne at rates per annum in the range of:				
– fixed-rate bank borrowing	–	6.0%	6.0%	6.0%
– floating-rate bank borrowing	5.7%	5.4%	5.4%	5.4%

The Target Group's bank borrowings are repayable as follows:

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	12,706	72,702	92,861
In the second year	15,000	72,702	102,948	123,257
In the third to fifth year	185,000	415,645	417,599	303,834
More than five years	250,000	199,902	115,000	160,000
	450,000	700,955	708,249	679,952

At 31 December 2015, 2016, 2017 and 30 September 2018, the bank borrowings were:

(i) secured by the Target Group's properties under development of RMB588,954,000, RMB992,489,000, RMB1,078,097,000 and RMB1,110,356,000 respectively (note 14); and

(ii) guaranteed by related companies, Mr. Hong, Ms. Shi and independent third parties.

21. Deferred tax liabilities

The movement of deferred tax liabilities recognised by the Target Group during the Track Record Period is as follows:

	Fair value adjustment on properties under development arising from acquisition of a subsidiary
	RMB'000
At 1 January 2015	–
Acquired through business combination *(note 26)*	12,415
Disposal of a subsidiary *(note 27)*	(11,427)
At 31 December 2015, 31 December 2016, 31 December 2017 and 30 September 2018	988

The Target Group has estimated unutilised tax losses of approximately RMB2,384,000, RMB3,032,000, RMB3,760,000, RMB3,912,000 available for offset against future profits at 31 December 2015, 2016 and 2017 and 30 September 2018 (nine months ended 30 September 2017 (unaudited): RMB3,744,000) respectively for which no deferred tax assets has been recognised due to the unpredictability of future profit streams. The estimated unutilised tax losses will expire five years from the year of origination.

22. Share capital

The Target Company was incorporated on 22 July 2011 in the BVI with an authorised share capital of U.S. Dollar ("USD") 50,000 divided into 50,000 share of USD1 each of which 1 share was allotted and issued at par value.

23. Reserves

Target Group

The amounts of the Target Group's reserves and the movements therein for the Track Record Period are presented in the combined statements of changes in equity on pages II-8 to II-9 of this report.

(a) Merger reserve

The merger reserve of the Target Group represents the capital contribution by the ultimate controlling shareholder.

(b) Other reserve

Other reserve represents the gain or loss arising from changes in ownership in interests of subsidiaries that did not result in change in control.

Target Company

	Accumulated losses *RMB'000*
At 1 January 2015	(17)
Loss and total comprehensive income for year ended 31 December 2015	(5)
At 31 December 2015 and 1 January 2016	(22)
Loss and total comprehensive income for year ended 31 December 2016	(6)
At 31 December 2016 and 1 January 2017	(28)
Loss and total comprehensive income for year ended 31 December 2017	(8)
At 31 December 2017 and 1 January 2018	(36)
Loss and total comprehensive income for nine months ended 30 September 2018	(8)
At 30 September 2018	(44)

24. Other Commitments

Significant other commitments are as follows:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Properties under development	432,820	143,746	81,532	79,359

25. Financial risk management

The main risks arising from the Target Group's financial instruments include interest rate risk, credit risk, foreign currency risk and liquidity risk. The Target Group has no significant exposures to other financial risks except as disclosed below. The director of the Target Company reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

The Target Group's interest rate risk arises primarily from its cash at banks and bank borrowings. Exposure to floating interest rate presents when there are unexpected adverse interest rate movements. The Target Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

(a) Exposure

The interest rate profile of the Target Group's significant interest-bearing financial instruments at variable rate, based on carrying amounts as at each of the reporting dates were as follows:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Variable rate instruments				
Financial liabilities				
Bank borrowing	450,000	460,000	465,000	450,000

(b) Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for the variable rate bank borrowing. The analysis is prepared assuming the variable rate bank borrowing outstanding at the each of the reporting dates were outstanding for the whole year. A 0.5% increase or decrease represents the assessment of the director of the Target Company on the reasonably possible change in interest rates.

If interest rates relating to the variable-rate borrowing of the Target Group increase or decrease by 0.5% and all other variables held constant, finance costs would increase or decrease by approximately RMB2,250,000, RMB2,300,000, RMB2,325,000 and RMB2,250,000 for the years ended 31 December 2015, 2016 and 2017 and nine months ended 30 September 2018 respectively. Since the Target Group's finance costs had been capitalised in construction in progress included in properties under development, there would be no effect on the Target Group's post-tax results for the Track Record Period.

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. Target Group's exposure to credit risk mainly arises from amounts due from related companies and non-controlling equity holder of subsidiaries, deposits and other receivables and cash and bank balances.

The Target Group continuously monitors defaults of counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Target Group's policy is to deal only with creditworthy counterparties. The Target Group's cash and bank balances at each reporting date are mainly maintained with authorised banks in the PRC.

The Target Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality. None of the Target Group's financial assets are secured by collateral or other credit enhancements.

(iii) Foreign currency risk

Currency risk to the Target Group is minimal as most of the Target Group's transactions are carried out in RMB.

(iv) Liquidity risk

The Target Group is exposed to liquidity risk in respect of settlement of its financial liabilities and its cash flow management. The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at each reporting date of the Target Group's financial liabilities, based on undiscounted cash flows and the earliest date the Target Group can be required to pay.

Target Group

	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*
At 31 December 2015						
Trade payables	48,412	48,412	48,412	–	–	–
Accruals and other payables	333,920	333,920	333,920	–	–	–
Amount due to a director	22	22	22	–	–	–
Bank borrowings	450,000	586,568	24,698	38,986	245,703	277,181
	832,354	968,922	407,052	38,986	245,703	277,181

	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*
At 31 December 2016						
Trade payables	53,221	53,221	53,221	–	–	–
Accruals and other payables	393,454	393,454	393,454	–	–	–
Amounts due to non-controlling equity holder of subsidiaries	1,000	1,000	1,000	–	–	–
Amount due to a director	28	28	28	–	–	–
Bank borrowings	700,955	883,838	54,727	113,554	498,839	216,718
	1,148,658	1,331,541	502,430	113,554	498,839	216,718

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
At 31 December 2017						
Trade payables	56,394	56,394	56,394	–	–	–
Accruals and other payables	316,879	316,879	316,879	–	–	–
Amounts due to related companies	4,238	4,238	4,238	–	–	–
Amounts due to non-controlling equity holder of subsidiaries	1,000	1,000	1,000	–	–	–
Amount due to a director	36	36	36	–	–	–
Bank borrowings	708,249	856,219	114,646	139,760	477,794	124,019
	1,086,796	1,234,766	493,193	139,760	477,794	124,019

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
At 30 September 2018						
Trade payables	55,912	55,912	55,912	–	–	–
Accruals and other payables	1,505	1,505	1,505	–	–	–
Amounts due to related companies	334,872	334,872	334,872	–	–	–
Amount due to a director	44	44	44	–	–	–
Bank borrowings	679,952	796,216	131,130	154,987	346,819	163,280
	1,072,285	1,188,549	523,463	154,987	346,819	163,280

Target Company

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
At 31 December 2015			
Amount due to a director	22	22	22

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
At 31 December 2016			
Amount due to a director	28	28	28

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2017			
Amount due to a director	36	36	36

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
At 30 September 2018			
Amount due to a director	44	44	44

(v) **Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each reporting periods are as follows:

Target Group

	As at 31 December			As at 30 September
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At amortised costs:				
Deposits and other receivables	6,315	1,756	6	6
Amounts due from related companies	123,731	85,461	–	–
Amounts due from non-controlling equity holder of subsidiaries	985	–	–	–
Cash and bank balances	577	37,615	323	428
	131,608	124,832	329	434

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
At amortised costs:				
Trade payables	48,412	53,221	56,394	55,912
Accruals and other payables	333,920	393,454	316,879	1,505
Amounts due to non-controlling equity holder of subsidiaries	–	1,000	1,000	–
Amount due to a director	22	28	36	44
Amounts due to related companies	–	–	4,238	334,872
Bank borrowings	450,000	700,955	708,249	679,952
	832,354	1,148,658	1,086,796	1,072,285

Target Company

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liability				
At amortised costs:				
Amount due to a director	22	28	36	44

(vi) **Capital management**

The Target Group's capital management objectives include:

(i) to safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Target Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Target Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The capital structure of the Target Group consists of net debts, which include the bank borrowings, net of cash and bank balances. Total equity comprising issued share capital and various reserves.

The director reviews the capital structure regularly. As part of this review, the director considers the cost of capital and the risks associated the share capital. The Target Group will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

The net debts-to-equity ratios were as follows:

	As at 31 December			As at 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	450,000	700,955	708,249	679,952
Less: Cash and bank balances	(577)	(37,615)	(323)	(428)
Net debts	449,423	663,340	707,926	679,524
Total equity	122,995	121,653	120,146	119,414
Net debts to equity ratio	3.7	5.5	5.9	5.7

26. Acquisition of subsidiaries

The acquisition of 51% equity interests in Residence Tour at a cash consideration of RMB51,001,000 was completed on 23 April 2015.

The fair value of identifiable assets and liabilities of Residence Tour and its subsidiary, as at the acquisition date were:

	RMB'000
Property, plant and equipment	15
Properties under development	632,000
Prepayments, deposits and other receivables	15,826
Cash and bank balances	287
Trade payables	(26,931)
Accruals and other payables	(262,826)
Contract liabilities	(80,000)
Bank borrowings	(130,000)
Deferred tax liabilities	(12,415)
	135,956
Non-controlling interest	(66,873)
Net assets attributed to the Target Group acquired	69,083

Cash consideration of RMB51,001,000 was contributed by Mr. Hong. Net cash inflow arising from the acquisition was calculated as follows:

	RMB'000
Cash and bank balances acquired	287

Upon the completion of acquisition, Residence Tour became a subsidiary of the Target Group. The excess of fair value of the net assets attributed to the Target Group acquired over the fair value of consideration is accounted for as gain on bargain purchase and is calculated as below:

	RMB'000
Fair value of total consideration transferred	51,001
Net assets attributed to the Target Group acquired	(69,083)
Gain on bargain purchase arising from acquisition of subsidiaries	(18,082)

None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since its acquisition, Residence Tour contributed no revenue and net loss of approximately RMB6,603,000 to the Target Group for the period from 24 April 2015 to 31 December 2015.

Had the combination been taken place on 1 January 2015, the Target Group would have no revenue and net loss of RMB7,360,000 for the year ended 31 December 2015 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor are they intended to be a projection of future results.

27. Disposal of a subsidiary

On 7 December 2015, the Target Group entered into a sale and purchase agreement with an independent third party and a related party to dispose of 49% and 51% equity share of Jingning Differ at cash considerations of RMB490,000 and RMB510,000 respectively. Jingning Differ is principally engaged in property development business in the PRC. The disposal was completed on 7 December 2015 and the Target Group recognised a loss on disposal of a subsidiary of approximately RMB5,836,000.

The net assets of the Jingning Differ at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	999
Properties under development	152,832
Prepayments, deposits and other receivables	719
Amounts due from related companies	1,962
Cash and bank balances	311
Accruals and other payables	(195)
Amount due to a related company	(131,365)
Amount due to a director	(7,000)
Deferred tax liabilities	(11,427)
	6,836
Cash consideration	(1,000)
Loss on disposal of a subsidiary	5,836
Net cash inflow from disposal of a subsidiary:	
– Cash consideration	1,000
– Cash and bank balances disposed of	(311)
	689

28. **Additional interests in subsidiaries**

(a) On 9 October 2015, the Target Group entered into a sale and purchase agreement with a non-controlling equity holder to further acquire of 10% equity share of Outdoor Kaizhen at a consideration of RMB500,000. The Target Group's effective interest in the Outdoor Kaizhen was changed from 46% to 51% and no gain or loss was arisen from changes in ownership interests.

(b) On 26 September 2018, the Target Group entered into a sale and purchase agreement with a non-controlling equity holder to further acquire of 48% equity share of Residence Tour at a consideration of RMB48,000,000. On the same date, the Target Group further acquired 1% equity share of Residence Tour via Mr. Hong Weihua, an independent third party, through a trust arrangement at a consideration of RMB1,000,000. The Target Group's effective interest in the Residence Tour was changed from 51% to 100% and a gain arising from changes in ownership interests of approximately RMB9,535,000 was credited to other reserve.

29. **Subsidiaries with material non-controlling interest**

Details of the Target Company's subsidiaries that have material non-controlling interest and their summarised financial information are set out as below. The amounts disclosed are before any inter-company eliminations.

	Residence Tour			
	As at 31 December			**As at 30 September**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (note 28(b))
Percentage of equity interest held by non-controlling interest	**49%**	**49%**	**49%**	**0%**
Current assets	1,042,417	1,363,389	1,348,663	–
Non-current assets	30	16	6	–
Current liabilities	(468,442)	(552,487)	(591,952)	–
Non-current liabilities	(450,988)	(689,237)	(636,535)	–
Net assets	123,017	121,681	120,182	–
Carrying amount of non-controlling interest	60,278	59,623	58,889	–

	Year ended 31 December			Nine months ended 30 September
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	49%	49%	49%	0% *(note 28(b))*
Revenue	–	–	–	–
Loss for the year/period	(12,439)	(1,336)	(1,498)	(724)
Total comprehensive income for the year/period	(12,439)	(1,336)	(1,498)	(724)
Loss allocated to non-controlling interest	(6,095)	(655)	(734)	(354)
Cash flow used in operating activities	(318,006)	(271,486)	(54,248)	(10,141)
Cash flow generated from investing activities	4,425	39,334	85,473	2
Cash flow generated from/(used in) financing activities	313,871	232,474	(31,824)	10,245
Net cash inflow/(outflow)	290	322	(599)	106

30. Related party transactions

Same as disclosed elsewhere in this report, the Target Group had the following material related party transactions during the Track Record Period:

(i) Related party transactions

	Year ended 31 December			Nine months ended 30 September	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Guarantee service fee *(note)*	–	–	–	–	5,414

Note: On 19 January 2018, the Target Group entered into a guarantee service agreement with Jingning Differ, a related company which is controlled by the spouse of the shareholder of the Target Company. Pursuant to the guarantee service agreement, Jingning Differ would provide guarantee service to the Target Group with maximum guarantee amount of RMB250,000,000 with service fee rate at 3.1% per annum of the guarantee amount for the period from 19 January 2018 to 30 September 2022.

(ii) Compensation of key management personnel

The emoluments of the director who is also identified as the sole member of key management of the Target Company during the Track Record Periods are set out in note 9.

31. **Notes supporting combined statements of cash flows**

(a) **Significant non-cash transaction are as follows:**

Financing activity

During the nine months ended 30 September 2018, other payables of approximately RMB259,386,000 was assigned to the amount due to a related company, Dragon Holdings.

(b) **Reconciliation of liabilities arising from financing activities**

	Bank borrowings *RMB'000*	Interest payable *RMB'000*	Amount due to related companies *RMB'000*	Amount due to a non-controlling equity holder of subsidiaries *RMB'000*	Amount due to a director *RMB'000*
At 1 January 2015	–	–	–	–	17
Financing cash flows:					
Proceeds from bank borrowings	450,000	–	–	–	–
Repayment of bank borrowings	(130,000)	–	–	–	–
Interest paid	–	(13,114)	–	–	–
Repayment to a non-controlling equity holder of subsidiaries	–	–	–	(15)	–
Advance from a director	–	–	–	–	7,004
	320,000	(13,114)	–	(15)	7,004
Exchange difference	–	–	–	–	1
Other changes:					
Acquisition of subsidiaries	130,000	1,150	–	15	–
Disposal of a subsidiary	–	–	–	–	(7,000)
Interest expenses	–	3,250	–	–	–
Borrowing costs capitalised	–	9,455	–	–	–
At 31 December 2015	**450,000**	**741**	–	–	**22**

	Bank borrowings *RMB'000*	Interest payable *RMB'000*	Amount due to related companies *RMB'000*	Amount due to a non-controlling equity holder of subsidiaries *RMB'000*	Amount due to a director *RMB'000*
At 1 January 2016	**450,000**	**741**	**–**	**–**	**22**
Financing cash flows:					
Proceeds from bank borrowings	260,000	–	–	–	–
Interest paid	–	(28,526)	–	–	–
Advance from a non-controlling equity holder of subsidiaries	–	–	–	1,000	–
Advance from a director	–	–	–	–	5
	260,000	(28,526)	–	1,000	5
Exchange difference	–	–	–	–	1
Other changes:	–	–	–	–	–
Transaction cost	(9,045)	(955)	–	–	–
Borrowing costs capitalised	–	29,484	–	–	–
At 31 December 2016 and 1 January 2017	**700,955**	**744**	**–**	**1,000**	**28**
Financing cash flows:					
Proceeds from bank borrowings	20,000	–	–	–	–
Repayment of bank borrowings	(15,000)	–	–	–	–
Interest paid	–	(41,062)	–	–	–
Advance from related companies	–	–	4,238	–	–
Advance from a director	–	–	–	–	9
	5,000	(41,062)	4,238	–	9
Exchange difference	–	–	–	–	(1)
Other changes:	–	–	–	–	–
Transaction cost	2,294	(2,294)	–	–	–
Borrowing costs capitalised	–	43,361	–	–	–
At 31 December 2017	**708,249**	**749**	**4,238**	**1,000**	**36**

	Bank borrowings *RMB'000*	Interest payable *RMB'000*	Amount due to related companies *RMB'000*	Amount due to a non-controlling equity holder of subsidiaries *RMB'000*	Amount due to a director *RMB'000*
At 1 January 2017	**700,955**	**744**	**–**	**1,000**	**28**
Financing cash flows:					
Proceeds from bank borrowings	20,000	–	–	–	–
Repayment of bank borrowings	–	–	–	–	–
Interest paid	–	(30,732)	–	–	–
Advance from related companies	–	–	–	–	–
Advance from a director	–	–	–	–	8
	20,000	(30,732)	–	–	8
Exchange difference	–	–	–	–	(1)
Other changes:	–	–	–	–	–
Transaction cost	1,655	(1,655)	–	–	–
Borrowing costs capitalised	–	32,347	–	–	–
At 30 September 2017 (unaudited)	**722,610**	**704**	**–**	**1,000**	**35**
At 1 January 2018	**708,249**	**749**	**4,238**	**1,000**	**36**
Repayment of bank borrowings	(30,000)	–	–	–	–
Interest paid	–	(30,003)	–	–	–
Advance from related companies	–	–	71,248	–	–
Repayment to a non-controlling equity holder of subsidiaries	–	–	–	(1,000)	–
Advance from a director	–	–	–	–	7
	(30,000)	(30,003)	71,248	(1,000)	7
Exchange difference	–	–	–	–	1
Other changes:	–	–	–	–	–
Transaction cost	1,703	(1,703)	–	–	–
Borrowing costs capitalised	–	31,614	–	–	–
Non-cash transaction *(note 31(a))*	–	–	259,386	–	–
At 30 September 2018	**679,952**	**657**	**334,872**	**–**	**44**

32. Contingent liabilities

In September 2018, a subsidiary of the Target Company received notice that it is being sued in respect of an accident in the construction site purported to have been suffered during his employment with the subsidiary of the Target Company. If the subsidiary of the Target Company is found to be liable, the total expected monetary compensation may amount to approximately RMB1,592,000. The subsidiary of the Target Company continues to deny any liability in respect of the accident and, based on legal advice, the director of the Target Company does not believe it is probable that the court will fine against the subsidiary of the Target Company. No provision has therefore been made in respect of this claim.

33. Subsequent event

(i) Subsequent to 30 September 2018 and up to the date of this report, the following significant events have taken place:

The companies now comprising the Target Group underwent and completed the reorganisation as follow:

(a) Bai Rong Development Limited, a wholly owned subsidiary of the Target Company, was established on 15 October 2018.

(b) Xiamen Wen Ding was established on 16 October 2018.

(c) On 18 October 2018, Dragon Holdings, a company controlled by the spouse of the shareholder of the Target Company, transferred 100% equity interest of Residence Tour to Xiamen Wen Ding.

(d) On 23 October 2018, Bai Rong Development Limited acquired 100% equity interest of Xiamen Wen Ding from Mr. Hong and Ms. Shi.

(ii) Xiamen Wen Ding, as a purchaser, Dragon Holdings and Mr. Hong Weihua, together as vendors, entered into a share transfer agreement on 18 October 2018 and further entered into a supplemental agreement on 19 October 2018 (together as "**Former Transfer Agreement**"). Pursuant to the Former Transfer Agreement, Xiamen Wen Ding agreed to pay the consideration of RMB100,001,300 (the "**Consideration**") to acquire the entire equity interests of Residence Tour from the vendors. The Consideration shall be paid to the vendors within 1 year from 19 October 2018 (i.e. on or before 18 October 2019) and is treated as deemed distribution.

III. SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 September 2018 and up to the date of this report.