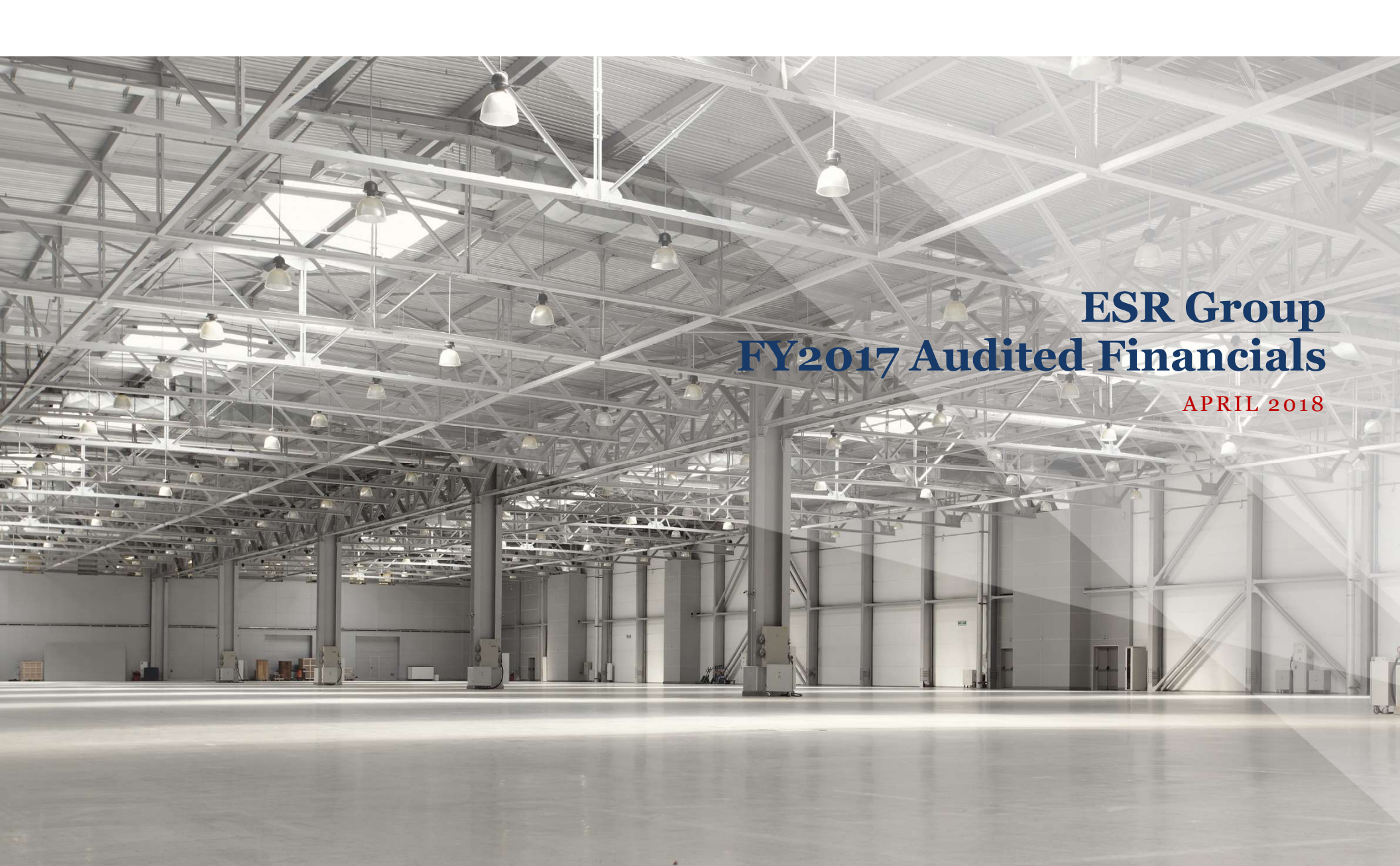




ESR Group FY2017 Audited Financials

APRIL 2018

FY2017 Audited Financial Statements

- The consolidated financial statements of ESR Cayman Limited and its subsidiaries (“ESR Group”) for the year ended 31 December 2017 as set out in this presentation are consistent with the audited consolidated financial statements of ESR Group.
- ESR Group’s auditors, Ernst & Young Hua Ming LLP (“EY”) had issued an unqualified audit opinion. In their opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the ESR Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards. EY conducted their audit in accordance with International Standards on Auditing.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (AUDITED)

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
REVENUE	1,032,494	649,620
Cost of sales	<u>(23,485)</u>	<u>(17,826)</u>
Gross profit	1,009,009	631,794
Other income and gains	1,913,707	907,538
Administrative expenses	(719,184)	(387,135)
Fair value loss on derivative financial instrument	-	(81,474)
Finance costs	(610,327)	(375,352)
Share of profits and losses of joint ventures, net	<u>249,216</u>	<u>244,112</u>
Profit before tax	1,842,421	939,483
Income tax expense	<u>(487,252)</u>	<u>(234,284)</u>
Profit for the year	<u><u>1,355,169</u></u>	<u><u>705,199</u></u>
Attributable to:		
Owners of the parent	1,257,039	593,881
Non-controlling interests	<u>98,130</u>	<u>111,318</u>
	<u><u>1,355,169</u></u>	<u><u>705,199</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	<u>1,355,169</u>	<u>705,199</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments		
changes in fair value, net of tax	(69,970)	1,678
Exchange differences on translation of foreign operations	62,717	(104,022)
Share of other comprehensive income of joint ventures	<u>23,169</u>	<u>2,675</u>
Other comprehensive income/(loss) for the year, net of tax	<u>15,916</u>	<u>(99,669)</u>
Total comprehensive income for the year	<u><u>1,371,085</u></u>	<u><u>605,530</u></u>
Attributable to:		
Owners of the parent	1,266,466	499,664
Non-controlling interests	<u>104,619</u>	<u>105,866</u>
	<u><u>1,371,085</u></u>	<u><u>605,530</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AUDITED)

As at 31 December 2017

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	113,433	16,971
Investment in joint ventures	2,045,732	1,375,085
Financial assets at fair value through profit or loss	2,365,858	975,182
Available-for-sale investments	1,240,298	10,351
Investment properties	7,770,489	6,541,100
Goodwill	1,488,224	1,380,288
Other intangible assets	323,333	173,760
Other non-current assets	148,387	345,270
Deferred tax assets	67,646	64,574
Total non-current assets	15,563,400	10,882,581
CURRENT ASSETS		
Trade receivables	198,955	64,310
Prepayments, deposits and other receivables	242,675	154,587
Cash and bank balances	3,925,689	3,368,229
Total current assets	4,367,319	3,587,126
CURRENT LIABILITIES		
Bank loans and other borrowings	599,224	526,253
Trade payables, accruals and other payables	383,593	211,055
Income tax payable	62,833	13,438
Total current liabilities	1,045,650	750,746
NET CURRENT ASSETS	3,321,669	2,836,380
TOTAL ASSETS LESS CURRENT LIABILITIES	18,885,069	13,718,961

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AUDITED)

As at 31 December 2017

	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	904,638	762,737
Bank loans and other borrowings	4,846,607	5,267,979
Redeemable convertible preference shares	1,715,146	1,707,587
Financial liabilities at fair value through profit or loss	89,327	87,351
Other non-current liabilities	<u>145,031</u>	<u>73,960</u>
Total non-current liabilities	<u>7,700,749</u>	<u>7,899,614</u>
NET ASSETS	<u>11,184,320</u>	<u>5,819,347</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	14,476	12,170
Perpetual capital securities	645,713	-
Equity component of redeemable convertible instruments	442,489	453,676
Other reserves	<u>9,254,705</u>	<u>4,794,093</u>
	10,357,383	5,259,939
Non-controlling interests	<u>826,937</u>	<u>559,408</u>
Total equity	<u>11,184,320</u>	<u>5,819,347</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (AUDITED)

Year Ended 31 December 2017

	2017 RMB'000	2016 RMB'000		2017 RMB'000	2016 RMB'000
Cash flows from operating activities			Cash flows used in investing activities		
Profit before tax	1,842,421	939,483	Purchase of property, plant and equipment	(88,299)	(10,480)
Adjustments for:			Purchase of other intangible assets	(4,063)	(1,075)
— Depreciation of property, plant and equipment	8,365	4,351	Additions to investment properties	(1,596,058)	(564,041)
— Amortization of other intangible assets	28,318	25,508	Prepayments for acquiring land use right	-	(16,459)
— Fair value gains on financial assets at fair value through profit or loss	(220,514)	(179,487)	Purchase for financial assets at fair value through profit or loss	(759,999)	(379,389)
— Fair value gains on completed investment properties	(1,055,785)	(676,897)	Purchase for available-for-sale investment	(1,305,685)	-
— Fair value gains on investment properties under construction	(259,126)	(38,677)	Prepayments for equity investments at fair value through profit or loss	-	(249,695)
— Fair value loss on derivative financial instruments	-	81,474	Acquisition of subsidiaries	(281,589)	-
— Loss on disposal of items of property, plant and equipment	543	495	Disposal of subsidiaries	1,005,740	83,874
— Gain on disposal of subsidiaries	(258,048)	(216)	Capital injection in joint ventures	(398,066)	(537,493)
— Gain on deemed partial disposal of a joint venture	(196)	-	Change in deposit for bidding of land use right	(31,053)	(5,575)
— Finance cost	610,327	375,352	Advance to related parties	(1,963)	(36,000)
— Interest income	(16,685)	(3,369)	Repayment from related parties	(18,359)	22,675
— Share of profits and losses of joint ventures	(249,216)	(244,112)	Advance from related parties	14,335	9,969
— Equity-settled share option expense	80,312	504	Dividend income from financial assets at fair value through profit or loss	40,480	-
— Dividend income from financial assets at fair value through profit or loss	(71,932)	-	Repayment to related parties	(151)	(54,617)
	438,784	284,409	Net cash flows used in investing activities	(3,424,730)	(1,738,306)
Increase in trade receivables	(139,803)	(15,193)	Cash flows from financing activities		
Increase in prepayments, deposits and other receivables	(171,874)	(43,097)	Interest paid	(413,432)	(390,042)
Increase/(decrease) in trade and other payables	198,876	(87,860)	Proceeds from bank loans and other borrowings	2,534,965	4,590,694
Cash flows generated from operations	325,983	138,259	Repayments of bank loans and other borrowings	(1,984,028)	(2,472,637)
Income tax paid	(70,503)	(588)	Release of bank deposits pledged for bank loans	117,000	147,695
Net cash flows generated from operating activities	255,480	137,671	Increase in pledged bank deposits for bank loans	(87,432)	(411,000)
			Proceeds from issue of shares	3,132,738	-
			Proceeds from issue of redeemable convertible preference shares	-	1,977,045
			Repayments of redeemable convertible preferences share	(76,786)	-
			Issue of perpetual capital securities	645,713	-
			Dividend paid for non-controlling interest	(3,164)	-
			Dividend paid for perpetual capital investments	(27,784)	-
			Net cash generated from financing activities	3,837,790	3,441,755

CONSOLIDATED STATEMENT OF CASH FLOWS (AUDITED)

Year Ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Net increase in cash and cash equivalents	<u>668,540</u>	<u>1,841,120</u>
Cash and cash equivalents at beginning of year	2,856,414	937,152
Effect of foreign exchange rate changes, net	<u>(81,512)</u>	<u>78,142</u>
Cash and cash equivalents at end of year	<u><u>3,443,442</u></u>	<u><u>2,856,414</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,443,442	2,856,414
Cash and cash equivalents as stated in the statement of cash flows	<u><u>3,443,442</u></u>	<u><u>2,856,414</u></u>

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