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**QD US REAL ESTATE COMPANY**  
**DIRECTORS' REPORT AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**REGISTERED NUMBER FC 031878**  
**31 DECEMBER 2017**

SATURDAY



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## QD US Real Estate Company

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## QD US Real Estate Company

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### Strategic report

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

#### Principal Activities

QD US Real Estate Company's ('The Group') principal activity is real estate investment.

#### Business Review

The Statement of Comprehensive Income is set out on page 7 and shows the result for the period. The Group made a profit of US\$ 81,582,381 for the period ended 31 December 2017 (2016: US\$ 14,861,375).

As at 31 December 2017, the Group holds the following investments in joint ventures

- A city centre mixed use development based in downtown Washington DC. The development is known as CitycenterDC ("CCDC") and consists of two 11 storey apartment buildings for private rented sector, two eleven storey office towers which are fully let with high quality long lease tenants, and 185,000 square feet of high quality retail space located on the ground level of each of the towers.
- A hotel and retail development known as Conrad Washington, based in downtown Washington DC, adjacent to the mixed use CCDC development which will be completed in Q4 2018. The Conrad Washington development will consist of a 360 room luxury hotel for which an operator has already been appointed. The retail element will be located on the ground floor of the hotel; it will comprise 30,000 square feet of net rentable area and has already attracted interest from a number of high end prospective tenants due to the success of the mixed use development.
- An office and retail development located in Long Island, New York. This development branded as "The JACX" will consist of two 15-storey office towers above 43,000 square feet of ground floor retail space which will be tailored towards the tech and media industries. The development is expected to complete in mid-2019 and is already 72% pre-leased.

#### Key Performance Indicators

A range of performance indicators is used to monitor and manage the business. Those that are particularly important in monitoring the Group's progress in generating value for shareholders are considered to be key performance indicators (KPIs). These KPIs measure past performance and also provide management with information to allow them to manage the business into the future. Yield on investment and profitability per square foot are among the indicators of the performance of the investments.

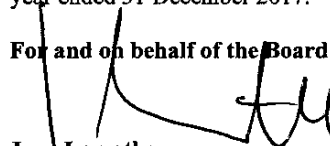
Income was generated from the Company's share of results from Joint Venture entities:

	2017	2016
	US\$	US\$
Share of profit from joint ventures	59,885,912	32,345,048
Profit for the year	81,582,381	14,861,375

#### Post Balance Sheet Events

At the date of this report, the directors are not aware of any events that would affect the financial statements for the year ended 31 December 2017.

For and on behalf of the Board

  
Jean Lamothe  
Director  
31 October 2018

## QD US Real Estate Company

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### **Directors' report**

The directors of QD US Real Estate Company (the "Company") present their directors' report and consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2017.

#### ***Principal activities and review of the business***

QD US Real Estate Company is a parent company incorporated in the Cayman Islands. The registered office of the Company is located at Maples Corporate Services Ltd PO Box 309 Ugland House, KY1-1104 Cayman Islands. The Company's principal activity is real estate investment.

The shareholder and the shareholding interest in the Company is as follows

<i>Name of shareholder</i>	<i>Interests</i>
Qatari Diar Real Estate Investment Company P.Q.S.C.	100%

#### ***Results and dividends***

The profit of the Group for the year ended 31 December 2017 dealt with in the consolidated financial statements is US\$ 81,582,381 (2016: US\$ 14,861,375 ).

The directors are satisfied with the financial position of the Company as at 31 December 2017 and the financial performance for the year then ended.

The directors do not recommend the payment of a dividend in respect of the year to 31 December 2017 (2016: Nil).

#### ***Directors***

The following directors have held office during the financial year and subsequently:

Khaled Al Sayed (appointed 31 March 2014, resigned 8 April 2017)  
Thierry Boud'hors (appointed 23 August 2016, resigned 6 February 2017)  
Jean Lamothe (appointed 14 July 2016)  
Nabeel Al-Buenain (appointed 2 May 2017, resigned 8 July 2018)  
Abdulla Al Ajail (appointed 1 June 18)  
Jeremy Holmes (appointed 1 June 18)  
Abdulla Hamad A A Al-Attiyah (appointed 1 June 18)

#### ***Directors' remuneration***

There was no directors' remuneration during the year ended 31 December 2017 (2016: US\$ Nil).

#### ***Staff numbers and costs***

There were no employees and no indemnity provisions during the year ended 31 December 2017 (2016: US\$ Nil).

#### ***Political contribution***

The Group incurred no political expenditure during the year (2016: US\$ Nil).

#### ***Financial risk management***

The Group's operations expose it to a variety of financial risks that include the effects of interest rate risk, currency risk, credit risk, and liquidity risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group (Note 13).

#### ***Strategic report***

The Directors have taken exemption from preparing the strategic report as the Financial Statements are prepared in accordance with the small companies regime.

#### ***Disclosure of information to auditor***

The directors who held office at the date of approval of this directors report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### ***Auditors***

Following an ordinary resolution of the Board, the Directors have resolved to change auditor. Deloitte and Touche – Qatar will resign as the Company's auditor and Ernst and Young will be appointed as the Company's external auditor commencing with the 2018 financial year end audit.

## QD US Real Estate Company

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### **Directors' responsibilities statement**

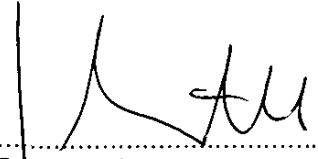
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

  
.....  
**Jean Lamothe**  
*Director*

Company registration number FC 031878

## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
QD US Real Estate Company**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of QD US Real Estate Company (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
QD US Real Estate Company

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

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In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Doha – Qatar**  
**31 October 2018**

**For Deloitte & Touche**  
**Qatar Branch**



**Midhat Salha**  
**Partner**  
**License No. 257**

**QD US Real Estate Company**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2017


	<i>Notes</i>	<b>2017</b> <b>US\$</b>	<b>2016</b> <b>US\$</b>
Promote expenses	5	<b>5,945,519</b>	1,809,757
Finance costs	11	<b>(9,103,962)</b>	(14,777,518)
General and administrative expenses		<b>(3,584,834)</b>	(3,605,221)
<b>OPERATING LOSS</b>		<b>(6,743,277)</b>	(16,572,982)
Share of profit of joint ventures	6	<b>59,885,912</b>	32,345,048
<b>PROFIT BEFORE INCOME TAX</b>		<b>53,142,635</b>	15,772,066
Deferred tax	8	<b>24,561,386</b>	(900,146)
Income tax expense	8	<b>3,878,360</b>	(10,545)
<b>NET PROFIT</b>		<b>81,582,381</b>	14,861,375
Other comprehensive income		--	--
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>81,582,381</b>	14,861,375

The attached notes 1 to 15 are an integral part of these consolidated financial statements.

**QD US Real Estate Company**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2017**

	<i>Notes</i>	<b>2017</b> <b>US\$</b>	<b>2016</b> <b>US\$</b>
<b>ASSETS</b>			
<b>Non-current asset</b>			
Investment in joint ventures	6	<u>593,484,894</u>	<u>498,245,786</u>
<b>Current assets</b>			
Due from related party	11	19,006,490	19,006,490
Income tax recoverable		47,964	47,964
Prepayments		9,600	9,600
Bank balances		<u>15,623,047</u>	<u>76,598,875</u>
<b>Total current assets</b>		<u>34,687,101</u>	<u>95,662,929</u>
<b>TOTAL ASSETS</b>		<u><b>628,171,995</b></u>	<u><b>593,908,715</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	292,273	292,273
Share premium	7	220,552,231	220,552,231
Retained earnings	10	<u>195,561,953</u>	<u>113,979,572</u>
<b>Total equity</b>		<u><b>416,406,457</b></u>	<u><b>334,824,076</b></u>
<b>Non-current liabilities</b>			
Amounts due to related parties	11	147,263,062	142,362,240
Deferred tax liabilities	8	<u>63,678,363</u>	<u>88,239,749</u>
<b>Total non-current liabilities</b>		<u><b>210,941,425</b></u>	<u><b>230,601,989</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accruals and provisions	9	211,479	28,347,650
Amount due to related parties	11	<u>612,634</u>	<u>135,000</u>
<b>Total current liabilities</b>		<u><b>824,113</b></u>	<u><b>28,482,650</b></u>
<b>Total liabilities</b>		<u><b>211,765,538</b></u>	<u><b>259,084,639</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>628,171,995</b></u>	<u><b>593,908,715</b></u>

The financial statements were approved by the Board of Directors on 31 October 2018 and were signed on its behalf by:



**Jean Lamothe**  
**Director**

Company registration number FC 031878

The attached notes 1 to 15 are an integral part of these consolidated financial statements.

**QD US Real Estate Company**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2017

	<i>Share capital US\$</i>	<i>Share premium US\$</i>	<i>Retained earnings US\$</i>	<i>Total US\$</i>
Balance 1 January 2016	292,273	220,552,231	99,118,197	319,962,701
Total comprehensive income for the year	--	--	14,861,375	14,861,375
At 31 December 2017	292,273	220,552,231	113,979,572	334,824,076
Total comprehensive income for the year	--	--	81,582,381	81,582,381
<b>At 31 December 2017</b>	<b>292,273</b>	<b>220,552,231</b>	<b>195,561,953</b>	<b>416,406,457</b>

The attached notes 1 to 15 are an integral part of these consolidated financial statements.

**QD US Real Estate Company**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2017

	<i>Notes</i>	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
<b>OPERATING ACTIVITIES</b>			
Profit before income tax		53,142,635	15,772,066
Adjustments for:			
Finance costs	11	9,103,962	14,777,518
Share of profit of joint ventures	6	(59,885,912)	(32,345,048)
		<u>2,360,685</u>	<u>(1,795,464)</u>
Working capital changes:			
Due from related party		--	(5,225)
Amounts due to related parties		477,634	(2,184,221)
Accruals and provisions		<u>(28,136,171)</u>	<u>(1,163,042)</u>
Cash used in operations		<u>(25,297,852)</u>	<u>(5,147,952)</u>
Income tax paid		3,878,360	--
<b>Net cash used in operating activities</b>		<u><b>(21,419,492)</b></u>	<u><b>(5,147,952)</b></u>
<b>INVESTING ACTIVITIES</b>			
Dividends received from joint ventures		13,850,751	147,805,430
Additions to investments in joint ventures		(70,615,948)	(106,619,021)
Disposals to investments in joint ventures	5	<u>21,412,001</u>	<u>--</u>
<b>Net cash (used in) / from investing activities</b>		<u><b>(35,353,196)</b></u>	<u><b>41,186,409</b></u>
<b>FINANCING ACTIVITY</b>			
Net movements in related party loans		<u>(4,203,140)</u>	<u>(150,000,000)</u>
<b>NET DECREASE IN BANK BALANCE</b>		<u><b>(60,975,828)</b></u>	<u><b>(113,961,543)</b></u>
Bank balance at 1 January		<u>76,598,875</u>	<u>190,560,418</u>
<b>BANK BALANCE AT 31 DECEMBER</b>		<u><b>15,623,047</b></u>	<u><b>76,598,875</b></u>

The attached notes 1 to 15 are an integral part of these consolidated financial statements.

**QD US Real Estate Company**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2017**

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**1. INCORPORATION AND ACTIVITIES**

QD US Real Estate Company (the "Company") is a Company incorporated in Cayman Islands in 2010. The registered office of the Company is located at the office of Maples Corporate Services Ltd PO Box 309 Ugland House, KY1-1104 Cayman Islands. The Company's principal activity is real estate investment. The Company commenced commercial operations effective 1 October 2010.

The Company is also registered under the provisions of Her Majesty's Revenue and Customs (HMRC) in the United Kingdom since 30 March 2014.

The objective of the Company is to engage in any act or activity that is not prohibited under any law in force for the time being in the Cayman Islands and in compliance with Islamic Sharia principles.

**Controlling party**

The shareholder and the shareholding interests in the Company is as follows:

<i>Name of the shareholder</i>	<i>Interests</i>
Qatari Diar Real Estate Investment Company P.Q.S.C.	100%

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Qatari Diar Real Estate Investment Company, a company incorporated in the State of Qatar.

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue by the management on 31 October 2018.

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**

**2.1 New and revised IFRSs applied with no material effect on the financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements.

**Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses**

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements.

**Amendments to IAS 7 Disclosure Initiative**

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The application of these amendments has had no impact on the Group's consolidated financial statements.

**QD US Real Estate Company**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective**

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
<i>IFRIC 22 Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where:	
<ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul>	
<i>IFRIC 23 Uncertainty over Income Tax Treatments</i>	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	
<ul style="list-style-type: none"> <li>• Whether tax treatments should be considered collectively;</li> <li>• Assumptions for taxation authorities' examinations;</li> <li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and</li> <li>• The effect of changes in facts and circumstances.</li> </ul>	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective (continued)**

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) 1 January 2018  
(a)

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.



**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective (continued)**

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

***IFRS 15 Revenue from Contracts with Customers***

**1 January 2018**

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 15 <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applied IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of January 1, 2021.	

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective (continued)**

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be applied in the Company's financial statements for the annual period beginning January 1, 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, management is in the process of performing a detailed impact analysis of the application of these Standards and hence have not quantified the extent of the impact, yet.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

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

**Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (i) Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated financial statements are presented in United States Dollars ("US\$"), which is the Group's functional and presentation currency.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of QD US Real Estate Company and its subsidiaries (hereinafter referred to as the "Group").

**Subsidiaries**

Subsidiaries are those entities controlled by the Company. Control is achieved when the Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company controls an investee if and only if the Company has all of the following:

- Power over the investee (ie existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amounts of the investors returns

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

The Company's subsidiaries included in these consolidated financial statements are as follows:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Group's effective shareholding %</i>	
			<i>31 December 2017</i>	<i>31 December 2016</i>
QD US Parcel A (Residential) Company	Cayman Islands	Real estate investments	100%	100%
QD US Parcel A (Condo 1) Company	Cayman Islands	Real estate investments	100%	100%
QD US Parcel A (Condo 2) Company	Cayman Islands	Real estate investments	100%	100%
QD US Parcel A (Office) Company	Cayman Islands	Real estate investments	100%	100%
QD US Parcel A (Retail) Company	Cayman Islands	Real estate investments	100%	100%
CCDC Parcel B Hotel Corporation (UK) Ltd	United Kingdom	Real estate investments	100%	100%
CCDC Parcel B Retail Corporation (UK) Ltd	United Kingdom	Real estate investments	100%	100%
LIC Gotham (UK) Ltd	United Kingdom	Real estate investments	100%	100%

**Transactions eliminated on consolidation**

All material inter-group balances and transactions, and any unrealised gains from intra-group transactions are eliminated in preparing the consolidated financial statements.

**Interests in joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The parties in a joint venture are bound by a contractual arrangement which gives those parties joint control of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement.

The Group's investments in joint ventures are accounted for under the equity method in the Group's consolidated financial statements. Under the equity method the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of net assets in the joint venture since the acquisition date.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Interests in joint ventures (continued)**

The statement of comprehensive income reflects the Group's share of the results of the operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary, to bring the accounting policies in line with those of the Group. All of the Group's properties held to earn rental income or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model.

**Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had not impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at re-valued amount, in which case the reversal is treated as a revaluation increase.

**Financial instruments**

*Financial instruments comprise financial assets and financial liabilities.*

Financial assets consist of loan to a related party and bank balances. Financial liabilities consist of amounts due to a related party and accrued expenses.

**Initial recognition**

*Date of recognition*

All financial assets and liabilities are initially recognised on the trade date, i.e., the date at which the Group becomes a party to the contractual provisions of the instrument.

*Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends upon the purpose for which the financial instruments were acquired and the characteristics of the financial instruments. All financial instruments are measured initially at their fair value, plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue. Transaction cost directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of comprehensive income.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as described below:

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the consolidated statement of comprehensive income.

*Bank balances*

Bank balances comprise of bank balances with original maturity of three months or less.

*Due from related parties*

Due from related parties are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate, less impairment.

*Due to related parties*

Due to related parties are non-derivative financial liabilities and are carried at amortised cost, using the effective interest rate method.

*Payables and accruals*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Classification as debt or equity**

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Impairment and collectability of financial assets**

An assessment is made at the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of comprehensive income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

**Derecognition of financial assets and liabilities**

*Financial assets*

The 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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Derecognition of financial assets and liabilities (continued)***

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

***Foreign currencies***

Transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

***Dividend distributions***

Dividend distributions are at the discretion of the Group. A dividend distribution to the Group's shareholders is accounted for as a deduction from retained earnings. A proposed dividend is recognised as a liability in the period in which it is approved in the meeting of the Board of Directors.

***Taxation***

Income tax expense recognised in the consolidated statement of comprehensive income represents the tax payable on taxable income for the period in accordance with Tax Laws in the United Kingdom. The Group shall pay income tax on the basis of the current rates of taxation as set out in the Laws.

Deferred income tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and same taxation authority.

**4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

**Critical accounting judgments**

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements:

*Classification of investments*

Note 7 of the consolidated financial statements describes that Group's investments in various companies as joint ventures of the Group although the Group owns 90% of the share capital of the investee companies, 80% in the case of LIC. The management of the Group assessed whether or not Group has control over these entities based on whether the Group has practical ability to control the relevant activities of these entities unilaterally. After assessment, management concluded that the Group jointly controls the relevant activities with its co-venturer and accordingly classified the same as investment in joint ventures.

*Accounting policy for measurement of investment properties*

Management of the Group is required to choose as its accounting policy either the fair value model or the cost model and shall apply this policy to all of its investment property, except if it holds an investment property as a lessee under an operating lease, under which it is required to hold these investment properties only at fair value.

The Group has chosen to adopt the fair value model for the purposes of measuring its investment properties (including properties carried in the books of joint ventures) in the consolidated statement of financial position.

*Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and therefore the consolidated financial statements continue to be prepared on a going concern basis.

*Functional currency*

The primary objective of the Group is to generate returns in US\$, which is the capital raising currency. Also, the day-to-day activities of the Group are managed and the performance is evaluated in US\$. Therefore, the management considers US\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

**Estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Fair value measurements*

Investment properties of the joint ventures are measured at fair value for the Group financial reporting purposes. In estimating the fair value of the properties, the Group engages third party qualified valuers to perform the valuation. The management committee if any works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

*Impairment of receivables*

An estimate of the collectible amount of loan to a related party is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

*Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is generally based on the discounted cash flow model. The cash flows are derived from the budget and do not include the restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.



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**5. PROMOTE EXPENSES**

Promote expenses are provisions payable to Hines CCDC Partners LLC, a co-venturer. Based on the joint venture agreement, once the land uses reach 95% stabilization, the Group will reduce its ownership in the joint ventures to circa 83.5% from 90% by transferring the difference to the co-venturer without any consideration.

Effective 1 November 2017, the Investor Member and Developer Member entered into the First Amendment to the Third Amended and Restated Limited Liability Agreement of CityCenterDC Investors, LLC (3rd Amendment). The Third Amendment states that Conversion has occurred and have agreed to modify the Company Agreement to acknowledge that Conversion has occurred as of 1 October 2016. The Post-Conversion Percentage Interests are 83.95% as to the Investor Member and 16.05% as to the Developer Member.

As at 31 December 2017, the carrying value of investment in joint ventures has been reduced based on actual promote expense determined upon reaching 95% stabilization of all the underlying properties.

**6. INVESTMENT IN JOINT VENTURES**

The Group has the following investments in joint ventures:

<i>Name of joint venture</i>	<i>Group effective shareholding as at 31 December</i>		<i>Group's share of net assets as at 31 December</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
CCDC Residential Rental L.L.C. (i)	83.95%	90%	90,636,876	82,052,527
CCDC For Sale H L.L.C. (ii)	90%	90%	106,529	2,416,784
CCDC For Sale I L.L.C. (iii)	90%	90%	216,559	2,244,044
CCDC Office L.L.C. (iv)	83.95%	90%	260,454,965	245,784,095
CCDC Retail L.L.C. (v)	83.95%	90%	57,279,500	50,960,000
CCDC Hotel L.L.C. (vi)	90%	90%	90,621,584	40,981,373
CCDC Retail Parcel B L.L.C. (vii)	90%	90%	15,846,852	7,354,220
LIC Site B-1 JV Holdings LP. (viii)	80%	80%	78,322,029	66,452,743
			<u>593,484,894</u>	<u>498,245,786</u>

The Group's investment in the joint venture entities are as follows:

(i) *CCDC Residential Rental L.L.C.*

Effective 1 November 2017, the Group holds 83.95% of the ownership interest in CCDC Residential Rental L.L.C., which was registered and incorporated on 28 February 2011. The entity is primarily engaged in the development and construction of two apartment buildings within the CityCenterDC mixed-use development project.

The following table summarises the financial information of the Group's investment in the joint venture entity.

	<i>2017</i>	<i>2016</i>
	<i>US\$</i>	<i>US\$</i>
<i>Share of joint venture's statement of financial position:</i>		
Total assets	249,494,999	231,339,547
Total liabilities	<u>(141,529,691)</u>	<u>140,170,073</u>
Equity	<u>107,965,308</u>	<u>91,169,474</u>
Proportion of the Group's ownership	83.95%	90%
Carrying amount of the investment	<u>90,636,876</u>	<u>82,052,527</u>
<i>Share of joint ventures results</i>		
Total income / (loss)	33,943,602	(12,001,037)
Total expenses	<u>(13,947,766)</u>	<u>(16,274,437)</u>
Profit / (loss) for the year	<u>19,995,836</u>	<u>(28,275,474)</u>
Group's share of profit / (loss) for the year	<u>16,786,504</u>	<u>(25,447,927)</u>

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**6. INVESTMENT IN JOINT VENTURES (CONTINUED)**

(ii) *CCDC For Sale H L.L.C.*

The Group holds 90% of the ownership interest in CCDC For Sale H L.L.C., which was registered and incorporated on 28 February 2011. The entity is engaged in the development and construction of the "For Sale" residential building on the parcel of the land adjacent to H Street in the CityCenterDC mixed-use development project. As at 31 December 2017 all units in the condominiums have been sold.

The following table summarises the financial information of the Group's investment in the joint venture entity.

	2017 US\$	2016 US\$
<b><i>Share of joint venture's statement of financial position:</i></b>		
Total assets	181,224	3,508,610
Total liabilities	62,883	823,306
Equity	118,341	2,685,304
Proportion of the Group's ownership	90%	90%
Carrying amount of the investment	106,529	2,416,784
<b><i>Share of joint ventures results</i></b>		
Total income	1,151,500	6,486,215
Total expenses	699,463	(7,052,523)
Profit / (loss) for the year	452,037	(566,308)
Group's share of profit / (loss) for the year	406,833	(509,632)

(iii) *CCDC For Sale I L.L.C.*

The Group holds 90% of the ownership interest in CCDC For Sale I L.L.C., which was registered and incorporated on 28 February 2011. The entity is engaged in the development and construction of the "For Sale" residential building on the parcel of land adjacent to I Street in the CityCenterDC mixed-use development project. As at 31 December 2017 all units in the condominiums have been sold.

The following table summarises the financial information of the Group's investment in the joint venture entity.

	2017 US\$	2016 US\$
<b><i>Share of joint venture's statement of financial position:</i></b>		
Total assets	318,585	3,287,952
Total liabilities	77,964	794,583
Equity	240,621	2,493,369
Proportion of the Group's ownership	90%	90%
Carrying amount of the investment	216,559	2,244,044
<b><i>Share of joint ventures results</i></b>		
Total income	1,198,500	2,429,047
Total expenses	571,248	(4,494,270)
Profit / (loss) for the year	627,252	(2,065,223)
Group's share of profit / (loss) for the year	564,527	(1,858,720)

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**6. INVESTMENT IN JOINT VENTURES (CONTINUED)**

(iv) *CCDC Office L.L.C.*

Effective 1 November 2017, the Group holds 83.95% of the ownership interest in CCDC Office L.L.C., which was registered and incorporated on 28 February 2011. The Company is engaged in the development and construction of two office buildings in the CityCenterDC mixed-use development project.

The following table summarises the financial information of the Group's investment in the joint venture entity.

	2017 US\$	2016 US\$
<i>Share of joint venture's statement of financial position:</i>		
Total assets	658,977,380	615,476,713
Total liabilities	348,727,273	342,383,274
Equity	310,250,107	273,093,439
Proportion of the Group's ownership	83.95%	90%
Carrying amount of the investment	260,454,965	245,784,095
<i>Share of joint ventures results</i>		
Total income	80,829,393	63,460,522
Total expenses	(31,422,725)	(20,773,352)
Profit for the year	49,406,668	42,687,170
Group's share of profit for the year	41,476,898	38,418,453

(v) *CCDC Retail L.L.C.*

Effective 1 November 2017, the Group holds 83.95% of the ownership interest in CCDC Retail L.L.C., which was registered and incorporated on 28 February 2011. The Company is engaged in the development and construction of retail space within the six buildings (two office buildings, two apartment buildings, and two for-sale residential buildings) in the CityCenterDC mixed-use development project.

The following table summarises the financial information of the Group's investment in the joint venture entity.

	2017 US\$	2016 US\$
<i>Share of joint venture's statement of financial position:</i>		
Total assets	177,486,805	165,273,778
Total liabilities	109,256,311	108,651,556
Equity	68,230,494	56,622,222
Proportion of the Group's ownership	83.95%	90%
Carrying amount of the investment	52,279,500	50,960,000
<i>Share of joint ventures results</i>		
Total income	25,568,577	34,143,684
Total expenses	(11,760,305)	(7,919,585)
Profit for the year	13,808,272	26,224,099
Group's share of profit for the year	11,592,044	23,601,689

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**6. INVESTMENT IN JOINT VENTURES (CONTINUED)**

(vi) *CCDC Hotel L.L.C*

The Group holds 90% of the ownership interest in CCDC Hotel L.L.C, which was registered and incorporated on 24 April 2014. The Company is engaged in the development and construction of a 360 room hotel adjacent to CityCenterDC mixed-use development. The project is now in construction phase, with mass excavation completed as at 31 December 2017. The project was funded 49.15% by the Group, which increased to 90% following construction commencement on 31 May 2016.

The following table summarises the financial information of the Group's investment in the joint venture entity.

	2017 US\$	2016 US\$
<b><i>Share of joint venture's statement of financial position:</i></b>		
Total assets	114,676,635	52,186,038
Total liabilities	13,985,986	6,651,179
Equity	100,690,649	45,534,859
Proportion of the Group's ownership	90%	90%
Carrying amount of the investment	90,621,584	40,981,373
<b><i>Share of joint ventures results</i></b>		
Total income	88,755	958,411
Total expenses	(474,915)	(77,404)
(Loss) / profit for the year	(386,160)	881,007
Group's share of (loss) / profit for the year	(347,544)	792,906

(vii) *CCDC Retail Parcel B L.L.C*

The Group holds 90% of the ownership interest in CCDC Retail Parcel B L.L.C., which was registered and incorporated on 24 April 2014. The Company is engaged in the development and construction of 30,000SF of retail space within the hotel development and adjacent to the CityCenterDC mixed-use development. The project is now in construction phase, with mass excavation completed as at 31 December 2017. The project was funded 49.15% by the Group, which increased to 90% following construction commencement on 31 May 2016.

The following table summarises the financial information of the Group's investment in the joint venture entity.

	2017 US\$	2016 US\$
<b><i>Share of joint venture's statement of financial position:</i></b>		
Total assets	22,067,219	11,649,760
Total liabilities	4,459,606	3,478,404
Equity	17,607,613	8,171,356
Proportion of the Group's ownership	90%	90%
Carrying amount of the investment	15,846,852	7,354,220
<b><i>Share of joint ventures results</i></b>		
Total expenses	(150,124)	(363,248)
Loss for the year	(150,124)	(363,248)
Group's share of loss for the year	(135,112)	(326,923)

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**6. INVESTMENT IN JOINT VENTURES (CONTINUED)***(viii) LIC Site B-1 JV Holdings LP*

The Group holds 80% of the ownership interest in LIC Site B-1 JV Holdings LP., which was registered and incorporated on 22 June 2016. The Company is engaged in the development and construction of 1.1 million SF of office space and 43,000SF of retail space in Long Island, New York. The project is now in construction phase, with mass excavation 80% completed as at 31 December 2017.

The following table summarises the financial information of the Group's investment in the joint venture entity.

	<i>2017</i>	<i>2016</i>
	<i>US\$</i>	<i>US\$</i>
<i>Share of joint venture's statement of financial position:</i>		
Total assets	227,010,707	110,750,943
Total liabilities	129,108,171	27,685,014
Equity	97,902,536	83,065,929
Proportion of the Group's ownership	80%	80%
Carrying amount of the investment	78,322,029	66,452,743
<i>Share of joint ventures results</i>		
Total expenses	(163,393)	(2,905,997)
Loss for the period	(163,393)	(2,905,997)
Group's share of loss for the period	(130,714)	(2,324,798)

The joint ventures' financial statements are prepared using Generally Accepted Accounting Principles in the United States of America. The following significant adjustments were made to align the joint ventures' financial statements with the accounting policies of the Group (amounts shown are aggregate figures for all joint ventures):

	<i>2017</i>	<i>2016</i>
	<i>US\$</i>	<i>US\$</i>
Reclassification to investment property	1,039,000,000	981,000,000
Recognition of deferred tax liabilities	7,083,006	4,768,961
Recognition of fair value gains / (losses)	59,271,038	(5,681,059)

The fair value adjustment was done based on valuations produced by an independent valuer.

At 31 December, the movements in the investment in joint ventures were as follows:

	<i>2017</i>	<i>2016</i>
	<i>US\$</i>	<i>US\$</i>
At 1 January	498,245,786	507,087,147
Additional investments	70,615,948	106,619,021
Dividends received	(13,850,751)	(147,805,430)
Share of profit for the year	59,885,912	32,345,048
Part disposal of investment	(21,412,001)	--
At 31 December	593,484,894	498,245,786

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**6. INVESTMENT IN JOINT VENTURES (CONTINUED)**

By September 15, 2016, the underlying joint ventures, CCDC Residential Rental L.L.C., CCDC Office L.L.C., and CCDC Retail L.L.C., achieved stabilized occupancy. On 1 October 2016, the Company and Hines CCDC has acknowledge that promote conversion has occurred. The Post-Conversion Percentage Interests are 83.95% as to the Company and 16.05% as to Hines CCDC which was effective on 1 November 2017 (See Note 5).

**7. SHARE CAPITAL**

The authorised share capital of the Group is US\$ 292,273 (2016: US\$ 292,273) divided into 29,227,307 (2016: 29,227,307) participating shares of US\$ 0.01 par value. These shares are divided further into 144,450 (2016: 144,450) voting shares and 29,082,857 (2016: 29,082,857) non-voting shares authorised for issue to Qatari Diar Real Estate Investment Company P.Q.S.C. Both classes of shares are issuable at US\$ 10 per share, with the excess above par values credited to a share premium reserve.

The share premium reserve is available for use only in the circumstances prescribed in the Company's Articles of Association.

Quantitative information about the Company's capital is provided in the table below. These shares are entitled to dividends when declared and to payment of a proportionate share of the Company's net asset value upon winding up of the Company.

At 31 December, the issued share capital is as follows:

			<i>31 December 2017</i>		
	<i>Number of shares</i>	<i>Par value US\$</i>	<i>Share capital US\$</i>	<i>Share premium US\$</i>	<i>Total US\$</i>
Shares:					
Voting shares	144,450	0.01	1,445	1,443,056	1,444,501
Non-voting shares	29,082,857	0.01	290,828	219,109,175	219,400,003
	<u>29,227,307</u>		<u>292,273</u>	<u>220,552,231</u>	<u>220,844,504</u>
			<i>31 December 2016</i>		
	<i>Number of shares</i>	<i>Par value US\$</i>	<i>Share capital US\$</i>	<i>Share premium US\$</i>	<i>Total US\$</i>
Shares:					
Voting shares	144,450	0.01	1,445	1,443,056	1,444,501
Non-voting shares	29,082,857	0.01	290,828	219,109,175	219,400,003
	<u>29,227,307</u>		<u>292,273</u>	<u>220,552,231</u>	<u>220,844,504</u>

The Net Asset Value (NAV) calculated per the Company's equity under IFRS is as follows:

	<i>Voting shares</i>	<i>Non-voting shares</i>
<i>31 December 2017</i>		
Share capital and share premium (US\$)	1,444,501	219,400,003
Retained earnings (US\$)	<u>966,525</u>	<u>194,595,428</u>
Equity at 31 December 2017 (US\$)	<u>2,411,026</u>	<u>413,995,431</u>
No. of shares in issue	<u>144,450</u>	<u>29,082,857</u>
Net Asset Value per share (US\$)	<u>16.69</u>	<u>14.24</u>

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**7. SHARE CAPITAL (CONTINUED)**

<i>31 December 2016</i>	<i>Voting shares</i>	<i>Non-voting shares</i>
Share capital and share premium (US\$)	1,444,501	219,400,003
Retained earnings (US\$)	563,321	113,416,251
Equity at 31 December 2016 (US\$)	2,007,822	332,816,254
No. of shares in issue	144,450	29,082,857
Net Asset Value per share (US\$)	13.90	11.44

**8. TAX**

The Group is subject to corporate income tax in the United Kingdom and the United State of America for the share of taxable profit attributable to the Group's subsidiaries. The reconciliation between the accounting basis results and the tax basis results is as follows:

	<i>2017 US\$</i>	<i>2016 US\$</i>
Corporation tax:		
Current year	--	--
Adjustments in respect of prior years	(3,878,360)	10,545
	(3,878,360)	10,545
Deferred tax	(24,561,386)	900,146
Total tax (expense) / credit	(28,439,746)	910,691

Corporation tax is calculated at 19 percent effective 1 April 2017 (2016: 20 percent) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The credit for the year can be reconciled to the profit in the statement of comprehensive income as follows:

	<i>2017 US\$</i>	<i>2016 US\$</i>
Profit before tax on continuing operations	53,142,635	15,772,063
Adjustment for non-deductible items	(65,831,435)	(34,152,304)
Allowable loss on continuing operations	(12,688,800)	(18,380,241)
Tax at the UK corporation tax rate of 19.25% (2016: 20%)	(2,442,594)	(3,676,049)
Tax effect of expenses that are not deductible in determining taxable profit	(22,779,188)	5,972,036
Change in unrecognised deferred tax assets	811,311	903,848
Effect of different tax rates of operations in other jurisdictions	(150,915)	(2,299,689)
Prior year adjustment	(3,878,360)	10,545
Tax (expense) / credit for the year	(28,439,746)	910,691

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**8. TAX (CONTINUED)**

In addition to the amount charged to the statement of comprehensive income, the following amounts relating to tax have been recognized directly in equity:

	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
<b>Current tax</b>	--	--
<b>Deferred tax:</b>		
Arising on fair value gains	<u>63,678,363</u>	<u>88,239,749</u>
Total income tax recognised directly in equity	<u>63,678,363</u>	<u>88,239,749</u>

Group relief is surrendered in accordance with the provisions of Part 5 of the Corporation Tax Act 2010. Where losses exceed amounts surrendered to other members of the QD US Real Estate Group, these losses will be carried forward.

	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
<b>Deferred tax liabilities:</b>		
Joint ventures	<u>63,678,363</u>	<u>88,239,749</u>

Deferred tax is arising from taxable temporary difference associated with the investment in joint ventures due to fair valuation of underlying property. Tax rate used was 21% (2016: 35%), the US tax rate applicable to the subsidiaries directly holding the investments in joint ventures.

**9. ACCRUALS AND PROVISIONS**

	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
Provision for promote expenses (Note 5)	--	27,357,535
Other accrued expenses	<u>211,479</u>	<u>990,115</u>
	<u>211,479</u>	<u>28,347,650</u>

**10. RETAINED EARNINGS**

	<i>US\$</i>
Balance at 1 January 2016	99,118,197
Net profit for the year	<u>14,861,375</u>
Balance at 31 December 2016	113,979,572
Net profit for the year	<u>81,582,381</u>
Balance at 31 December 2017	<u>195,561,953</u>

Included within retained earnings as at 31 December 2017 is an amount of US\$ 59,271,038 (2016: US\$ 24,529,084) that represents unrealised profits arising on revaluation of the underlying property of the Group's investments in joint ventures.



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**11. RELATED PARTY DISCLOSURES**

Related parties represent associated entities, shareholder, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of comprehensive income is as follows:

	2017 US\$	2016 US\$
Finance costs	9,103,062	14,777,518
General and administrative expenses	3,304,256	2,944,011

Balances with related parties included in the consolidated statement of financial position are as follows:

	2017		2016	
	Receivables US\$	Payables US\$	Receivables US\$	Payables US\$
<i>Shareholder:</i>				
Qatari Diar Real Estate Investment Company P.Q.S.C.(i)	19,001,265	147,263,062	19,001,265	142,362,240
<i>Other related parties:</i>				
Qatari Diar UK Ltd.	--	179	--	80,377
QD Americas Inc.	5,225	388,810	5,225	54,623
QDREIC	--	64,232	--	--
QDLLP	--	159,413	--	--
	<u>19,006,490</u>	<u>147,875,696</u>	<u>19,006,490</u>	<u>142,497,240</u>

*Note:*

- (i) Amounts due to related parties include facilities granted by Qatari Diar Real Estate Investment Company P.Q.S.C. amounting to \$ 592,000,000 of which the Group has drawn down \$277,196,860. Monies owing are due in one installment on 30 November 2021 or such extended date as agreed by the lender at its discretion. The facility has an effective date of 01 December 2016 and carries interest at 3 month US\$ libor plus 5.5% per annum.

	2017 US\$	2016 US\$
Amounts due to related parties presented in the consolidated statement of financial position as:		
Current portion	612,634	135,000
Non-current portion	147,263,062	142,362,240
	<u>147,875,696</u>	<u>142,497,240</u>

**Terms and conditions of transactions with related parties**

Transactions with related parties are made at terms agreed by the Directors. Outstanding balances at the reporting date are unsecured, interest free and the settlement occurs in cash, except for the loans from related party, which carries interest at market rates. There have been no guarantees provided or received for any related party receivables or payables.

**Compensation of key management personnel**

There was no remuneration paid to key management during the year.

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**12. COMMITMENTS AND CONTINGENCIES**

At 31 December 2017, the Group has contingent liabilities as follows:

- a. Capital commitments with Hines CCDC Partners Parcel B LLC amounting to US\$ 30.50 million (2016: US\$ 241.39 million). These commitments relate to the cost of construction of the CCDC Parcel B Hotel and Retail projects.
- b. Capital commitments with Tishman Speyer amounting to US\$ 200.02 million (2016: US\$ 280.80). These commitments relate to the cost of construction of the office and retail development at Long Island City in New York

**13. FINANCIAL RISK MANAGEMENT**

**Objective and policies**

The Group's principal financial liabilities comprise of amounts due to related parties and other accrued expenses. The main purpose of these financial liabilities is to manage the working capital requirements for the Group's operations. The Group has bank balances as financial assets, which arise directly from its operations as well as due from related party.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks, which are summarised below.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group is in the process of setting acceptable parameters, based on value at risk that may be accepted and monitored on a daily basis.

**Interest rate risk**

Interest rate risk arises due to the changes in market interest rates, affecting the floating rate financial instruments of the Group. At the reporting date, detail of the Group's interest-bearing financial instruments which are exposed to interest rate risk is as follows:

	<i>2017</i> <i>US\$</i>	<i>2016</i> <i>US\$</i>
Variable rate financial liabilities:		
Amounts due to related parties	<u>147,875,696</u>	<u>142,497,240</u>

**Sensitivity analysis of variable rate financial instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) the consolidated profit by the amounts shown below:

	<i>100 bp</i> <i>increase</i> <i>US\$</i>	<i>100 bp</i> <i>decrease</i> <i>US\$</i>
<i>Variable rate financial liabilities</i>		
2017	<u>(1,478,757)</u>	<u>1,478,757</u>
2016	<u>(1,424,972)</u>	<u>1,424,972</u>

**Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group does not hedge its exposures to currency risk.

There are no financial instruments exposed to foreign currency fluctuations at the reporting date (2016: Nil).

### 13. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss, and arises from the operations of the Group. The Group's exposure to credit risk is indicated by the carrying amount of its financial assets, which consists primarily of bank balances.

The Group seeks to limit its credit risk with respect to banks by dealing with reputable banks. The Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated statement of financial position.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the its reputation.

The Group limits its liquidity risk by ensuring financing facilities are available from its shareholder, through capital calls or loans.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

<i>2017</i>	<i>Less than 1 year US\$</i>	<i>1 to 5 years US\$</i>	<i>&gt; 5 years US\$</i>	<i>Total US\$</i>
Amounts due to related parties	612,634	147,263,062	--	147,875,696
Other accrued expenses	211,479	--	--	211,479
<b>Total</b>	<b>824,113</b>	<b>147,263,062</b>	<b>--</b>	<b>148,087,175</b>
<i>2016</i>	<i>Less than 1 year US\$</i>	<i>1 to 5 years US\$</i>	<i>&gt; 5 years US\$</i>	<i>Total US\$</i>
Amounts due to related parties	135,000	142,362,240	--	142,497,240
Other accrued expenses	990,115	--	--	990,115
<b>Total</b>	<b>1,125,115</b>	<b>142,362,240</b>	<b>--</b>	<b>143,487,355</b>

#### Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the period ended 31 December 2017 and 2016.

Capital comprises share capital, share premium and retained earnings and is measured at 31 December 2017 US\$ 416,406,457 (2016: US\$ 334,824,076).

### 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of bank balances and due from related party. Financial liabilities consist of amounts due to related parties and other accrued expenses.

Fair values of financial instruments are not materially different from their carrying values.

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**15. AUDITORS' REMUNERATION**

Fees payable to Deloitte & Touche – Qatar and their associates for the audit of the Group's consolidated accounts for the year ended 31 December 2017 were US\$ 45,600 (2016: US\$ 45,600).

Fees payable to Deloitte & Touche – Qatar and their associates for non-audit services to the Group for the year ended 31 December 2017: Nil (2016: Nil).