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*This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act (“Regulation S”)) absent registration, except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the Company and will contain detailed information about the Company and management, as well as financial statements. The Company does not intend to register any part of the securities in the United States.*



## **Leading Holdings Group Limited**

### **領地控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6999)**

## **ISSUANCE OF US\$119,430,000 12.0% SENIOR NOTES DUE 2023**

### **OVERSEAS REGULATORY ANNOUNCEMENT**

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Please refer to the attached exchange offer memorandum dated 13 June 2022 and supplement to the exchange offer memorandum dated 20 June 2022 (the “**Exchange Offer Memorandum**”) in relation to the issuance of US\$119,430,000 12.0% senior notes due 2023 by Leading Holdings Group Limited (the “**Company**”), which is available on the website of the Singapore Exchange Securities Trading Limited.

The posting of the Exchange Offer Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

The Exchange Offer Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Exchange Offer Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Exchange Offer Memorandum.

By Order of the Board  
**Leading Holdings Group Limited**  
**Liu Yuhui**  
*Chairman*

Hong Kong, 30 June 2022

*As at the date of this announcement, the Board comprises Mr. Liu Yuhui, Mr. Luo Changlin, Ms. Zeng Xurong and Ms. Hou Xiaoping as executive Directors and Ms. Jin Xu, Ms. Liang Yunxing and Mr. Fang Min as independent non-executive Directors.*

## STRICTLY CONFIDENTIAL—DO NOT FORWARD

**THIS EXCHANGE OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE OR ARE ACTING FOR THE ACCOUNT OR BENEFIT OF NON-U.S. PERSONS THAT ARE ADDRESSEES OUTSIDE THE UNITED STATES.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the attached exchange offer memorandum following this page. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached exchange offer memorandum. In accessing the attached exchange offer memorandum, you agree to be bound by the following terms and conditions including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**Confirmation of Your Representation:** You have accessed the attached document on the basis that you have confirmed your representation to Guotai Junan Securities (Hong Kong) Limited (the “**Dealer Manager**”) that (1) that you are a holder of or are a custodian or intermediary acting on behalf of the beneficial owner of the Existing Notes (as defined in the attached exchange offer memorandum) issued by Leading Holdings Group Limited (領地控股集團有限公司), (2) you are or are acting for the account or benefit of a non-U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) outside the United States and to the extent you participate in the Exchange Offer as described in the attached exchange offer memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (3) that you consent to delivery of the attached exchange offer memorandum and any amendments or supplements thereto by electronic transmission.

**YOU SHOULD READ THE ATTACHED EXCHANGE OFFER MEMORANDUM CAREFULLY BEFORE MAKING A DECISION WHETHER TO PARTICIPATE IN THE EXCHANGE OFFER, AND ANY SUCH DECISION SHOULD BE MADE SOLELY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS EXCHANGE OFFER MEMORANDUM. UPON YOUR PARTICIPATION IN THE EXCHANGE OFFER, YOU WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED TO THE COMPANY AND THE DEALER MANAGER THE REPRESENTATIONS AS SET FORTH IN “DESCRIPTION OF THE EXCHANGE OFFER—CONDITIONS TO THE EXCHANGE OFFER—REPRESENTATIONS, WARRANTIES AND COVENANTS OF ELIGIBLE HOLDERS OF THE EXISTING NOTES” OF THIS EXCHANGE OFFER MEMORANDUM.**

The communication of the attached document and any other document or materials relating to the issue of the securities offered thereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “**FSMA**”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), or within Article 43(2) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, the securities offered thereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

**Notice to Prospective Investors in the European Economic Area**—The attached document is not a prospectus for the purposes of the Prospectus Regulation (as defined below). The attached document has been prepared on the basis that any offer of the New Notes in any Member State of the European Economic Area (the “**EEA**”) will only be made to a legal entity which is a qualified investor under the Prospectus Regulation (“**Qualified Investors**”). Accordingly any person making or intending to make an offer in that Member State of New Notes which are the subject of the exchange contemplated in the attached document may only do so with respect to Qualified Investors. Neither the Company nor the Dealer Manager has authorized, nor do they authorize, the making of any offer of New Notes other than to Qualified Investors. The expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS**—The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “**PRIIPs Regulation**”) for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS**—The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The communication of the attached exchange offer memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the UK. The communication of such documents and/or materials as a financial promotion is exempt from the restriction on financial promotions under section 21 of the FSMA on the basis that it is only directed at and may be communicated to (1) persons who have professional experience in matters relating to investments, being investment professionals as defined in Article 19 of the Financial Promotion Order, (2) persons who fall within Article 49 of the Financial Promotion Order (“high net worth companies, unincorporated associations etc.”), or (3) any other persons to whom these documents and/or materials may lawfully be communicated. In the UK, the New Notes offered hereby are only available to, and any investment or investment activity to which the attached exchange offer memorandum relates will be engaged in only with, relevant persons. Any person in the UK that is not a relevant person should not act or rely on the attached exchange offer memorandum or any of its contents.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Dealer Manager or any person who controls it or any of its directors, employees representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

**THE EXISTING NOTES AND THE NEW NOTES (AS DEFINED IN THE ATTACHED EXCHANGE OFFER MEMORANDUM) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.**

Except with respect to eligible investors in jurisdictions where such exchange offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or to the Dealer Manager to subscribe for or purchase any of the securities described therein and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealer Manager or any of its affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be described to be made by the Dealer Manager or its affiliates on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached exchange offer memorandum on the basis that you are a person into whose possession such exchange offer memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver such exchange offer memorandum, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions That You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

**YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED EXCHANGE OFFER MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH EXCHANGE OFFER MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED EXCHANGE OFFER MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

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**THIS DOCUMENT IS IMPORTANT AND REQUIRES IMMEDIATE ATTENTION.  
NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO ANY PERSON LOCATED  
OR RESIDENT IN THE UNITED STATES.  
THIS EXCHANGE OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS AND  
ARE OUTSIDE THE UNITED STATES.**



## Leading Holdings Group Limited 領地控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

### Offer to Exchange at least a Minimum Acceptance Amount (as defined below) of the Outstanding 12.0% Senior Notes Due 2022

Description of Debt Securities	Outstanding Amount <sup>(1)</sup>	ISIN/Common Code	Minimum Acceptance Amount	Exchange Consideration per US\$1,000 of applicable Existing Notes (as defined herein) tendered for exchange
12.0% Senior Notes Due 2022 (the "Existing Notes")	US\$122,730,000	XS2341204688/ 234120468	US\$110,457,000	US\$1,000 in aggregate principal amount of the New Notes (as defined below) and the Accrued Interest (as defined below). See the section entitled "Description of the Exchange Offer—Exchange Consideration."

(1) The outstanding amount does not include US\$15,200,000 in principal amount of the Existing Notes held by a controlling shareholder of the Company as of the date of this exchange offer memorandum (as defined below). This controlling shareholder of the Company plans to cancel such principal amount of the Existing Notes held by it.

**THIS EXCHANGE OFFER (AS DEFINED HEREIN) WILL EXPIRE AT 4:00 P.M., LONDON TIME ON JUNE 20, 2022, UNLESS EXTENDED OR EARLIER TERMINATED AT OUR SOLE DISCRETION (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "EXPIRATION DEADLINE"). ELIGIBLE HOLDERS (AS DEFINED HEREIN) WHO GIVE INSTRUCTIONS TO EXCHANGE EXISTING NOTES WILL RECEIVE EXCHANGE CONSIDERATION AS DESCRIBED BELOW. INSTRUCTIONS (AS DEFINED HEREIN) MAY NOT BE WITHDRAWN ONCE SUBMITTED.**

Upon the terms and subject to the conditions set forth in this exchange offer memorandum (this "exchange offer memorandum"), we, Leading Holdings Group Limited (領地控股集團有限公司) (the "Company"), are offering to exchange (the "Exchange Offer") at least US\$110,457,000, or 90%, of the outstanding principal amount of the Existing Notes (the "Minimum Acceptance Amount") held by Eligible Holders (as defined herein) for the exchange consideration for each US\$1,000 principal amount of the outstanding Existing Notes that is validly tendered prior to the Expiration Deadline and accepted for exchange (the "Exchange Consideration") consisting of the following:

- (a) US\$1,000 in aggregate principal amount of the US\$ denominated 12.0% Senior Notes due 2023 (the "New Notes"); and
- (b) any Accrued Interest (as defined below).

Terms used in this exchange offer memorandum that are not otherwise defined herein have the meanings set forth in the indenture dated June 28, 2021, governing the Existing Notes (the "Existing Notes Indenture"). We plan to use our own internal funds to pay all such cash components of the various fees and considerations described above.

The Existing Notes are unconditionally and irrevocably guaranteed by certain of our subsidiaries (together, the "Subsidiary Guarantors"). We refer to the guarantees by the Subsidiary Guarantors as the "Subsidiary Guarantees". Under certain circumstances and subject to certain conditions, a limited-recourse guarantee (the "JV Subsidiary Guarantee") may be provided by certain subsidiaries of the Company or may replace a Subsidiary Guarantee. We refer to the subsidiaries providing JV Subsidiary Guarantees as JV Subsidiary Guarantors. The New Notes will also be guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any).

The New Notes will have a tenor of 364 days and bear an interest rate of 12.0% per annum, payable in arrears.

Accrued and unpaid interest on any Existing Notes validly tendered by Eligible Holders and accepted for exchange, up to but not including the Settlement Date, will be payable in cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards) (such accrued and unpaid interest in cash, the "Accrued Interest"). For further details, see the section entitled "Summary of the Exchange Offer—Accrued Interest."

Instructions to exchange any of the Existing Notes may only be submitted in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Any New Notes to be issued to any Eligible Holder in the Exchange Offer will be in a minimum principal amount of US\$150,000 and integral multiples of US\$1 in excess thereof. Any fractional amounts of the New Notes will be forfeited. Any tendering Eligible holder must tender its entire holding of Existing Notes for exchange. We reserve our right not to accept any partial tender of Existing Notes by any Eligible Holders. Eligible Holders are responsible for ensuring that their instructions will result in the New Notes they are entitled to receive being at least equal to the minimum principal amount of US\$150,000. Instructions that would result in a principal amount of New Notes below US\$150,000 will be rejected.

**Instructions in connection with the Exchange Offer are irrevocable. Eligible Holders may not withdraw instructions at any time once delivered in accordance with the terms herein. You must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold the Existing Notes to submit an instruction on your behalf to the relevant clearing system prior to the deadlines specified by the relevant clearing system, which may be earlier than the deadline specified in this exchange offer memorandum.**

Our obligation to accept for exchange the Existing Notes validly tendered is subject to, and conditioned upon, among other things, the valid tender of the Existing Notes for at least the Minimum Acceptance Amount, and we reserve the right, in our sole discretion, to amend any term of, or waive any condition to, the Exchange Offer, including the Minimum Acceptance Amount, prior to the Expiration Deadline, subject to applicable law.

The Exchange Offer is subject to the conditions discussed under "Description of the Exchange Offer—Conditions to the Exchange Offer." Notwithstanding anything to the contrary contained in this exchange offer memorandum or in any other document related to the Exchange Offer, we expressly reserve the right, at our sole discretion and regardless of whether any of the conditions described under "Description of the Exchange Offer—Conditions to the Exchange Offer" have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Expiration Deadline or Settlement Date, (iv) amend the terms of the Exchange Offer, including the Minimum Acceptance Amount or (v) modify the form or amount of the consideration to be paid pursuant to this Exchange Offer. Our obligation to accept for exchange the Existing Notes validly tendered is subject to, and conditioned upon, among other things, the valid tender of the Existing Notes for at least the Minimum Acceptance Amount. **Unless waived by us, if we receive valid tenders of the Existing Notes for less than the Minimum Acceptance Amount, we will not proceed with the Exchange Offer and the Exchange Offer shall lapse automatically.**

Only direct participants in Euroclear Bank SA/NV ("Euroclear") or Clearstream Banking S.A. ("Clearstream") may submit instructions through Euroclear and Clearstream. If you are not a direct participant in Euroclear or Clearstream, you must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold the Existing Notes to submit an instruction on your behalf to the relevant clearing system prior to the deadline specified by the relevant clearing system. Any Eligible Holder that gives instructions on behalf of a beneficial holder must give separate instructions with respect to each of its beneficial holders. Eligible Holders who intend to make different elections with respect to portions of their holding of Existing Notes must deliver separate instructions with respect to each such portion. Upon giving instructions with respect to any Existing Notes, those Existing Notes will be blocked and may not be transferred until the earlier of (i) the Settlement Date and (ii) the Exchange Offer is modified or terminated so as to result in a cancellation of such instructions.

You should carefully consider all the information in this exchange offer memorandum including, in particular, the "Risk Factors" section in this exchange offer memorandum before you make any decision regarding the Exchange Offer. For more information regarding the New Notes, see the section entitled "Description of the New Notes."

**YOU MUST MAKE YOUR OWN DECISION WHETHER TO EXCHANGE YOUR EXISTING NOTES IN THE EXCHANGE OFFER. NONE OF THE COMPANY, THE EXISTING NOTES TRUSTEE, THE NEW NOTES TRUSTEE, THE SUBSIDIARY GUARANTORS, THE JV SUBSIDIARY GUARANTORS (IF ANY), THE DEALER MANAGER, THE INFORMATION AND EXCHANGE AGENT (EACH AS DEFINED HEREIN) OR ANY OTHER PERSON IS MAKING ANY RECOMMENDATION AS TO WHETHER OR NOT YOU SHOULD EXCHANGE YOUR EXISTING NOTES IN THE EXCHANGE OFFER.**

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval-in-principle from, admission to the Official List of, and the listing and quotation of the New Notes on the SGX-ST are not to be taken as an indication of the merits of the Exchange Offer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any of their respective subsidiaries or associated companies, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any). For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$150,000.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions."

*Dealer Manager*

**Guotai Junan International**

The date of this exchange offer memorandum is June 13, 2022



## TABLE OF CONTENTS

	<i>Page</i>		<i>Page</i>
SUMMARY .....	1	CORPORATE STRUCTURE .....	120
SUMMARY OF THE EXCHANGE OFFER .....	3	BUSINESS .....	121
SUMMARY OF THE NEW NOTES .....	12	REGULATIONS .....	146
SUMMARY TIMETABLE .....	18	MANAGEMENT .....	165
SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA ...	20	PRINCIPAL SHAREHOLDERS .....	171
RISK FACTORS .....	25	RELATED PARTY TRANSACTIONS ..	173
QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER .....	69	DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS .....	177
USE OF PROCEEDS .....	73	DESCRIPTION OF THE NEW NOTES .	181
DESCRIPTION OF THE EXCHANGE OFFER .....	74	TAXATION .....	247
EXCHANGE RATE INFORMATION ...	89	TRANSFER RESTRICTIONS .....	251
SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA ...	92	LEGAL MATTERS .....	253
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....	97	GENERAL INFORMATION .....	254
		INDEX TO FINANCIAL INFORMATION .....	F-1

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**YOU SHOULD READ THIS EXCHANGE OFFER MEMORANDUM CAREFULLY BEFORE MAKING A DECISION WHETHER TO PARTICIPATE IN THE EXCHANGE OFFER, AND ANY SUCH DECISION SHOULD BE MADE SOLELY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS EXCHANGE OFFER MEMORANDUM. UPON YOUR PARTICIPATION IN THE EXCHANGE OFFER, YOU WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED TO THE COMPANY AND THE DEALER MANAGERS THE REPRESENTATIONS AS SET FORTH IN “DESCRIPTION OF THE EXCHANGE OFFER—CONDITIONS TO THE EXCHANGE OFFER—REPRESENTATIONS, WARRANTIES AND COVENANTS OF ELIGIBLE HOLDERS OF THE EXISTING NOTES” OF THIS EXCHANGE OFFER MEMORANDUM.**

**This exchange offer memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this exchange offer memorandum nor any sale made**

hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this exchange offer memorandum or that the information contained in this exchange offer memorandum is correct as of any time after that date.

This exchange offer memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

The communication of this exchange offer memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”), or within Article 43(2) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the New Notes offered hereby are only available to, and any investment or investment activity to which this exchange offer memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this exchange offer memorandum or any of its contents.

The attached document is not a prospectus for the purposes of the Prospectus Regulation (as defined below). The attached document has been prepared on the basis that any offer of the New Notes in any Member State of the European Economic Area (the “EEA”) will only be made to a legal entity which is a qualified investor under the Prospectus Regulation (“**Qualified Investors**”). Accordingly any person making or intending to make an offer in that Member State of New Notes which are the subject of the exchange contemplated in the attached document may only do so with respect to Qualified Investors. Neither the Company nor the Dealer Manager has authorized, nor do they authorize, the making of any offer of New Notes other than to Qualified Investors. The expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

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**PROHIBITION OF SALES TO UK RETAIL INVESTORS**—The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the

United Kingdom by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B of the Securities and Futures Act 2001 of Singapore (the “**SFA**”)—Solely in connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”) the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the New Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

We, having made all reasonable inquiries, confirm that: (i) this exchange offer memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this exchange offer memorandum, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, that is material in the context of the Exchange Offer and the issue of the New Notes; (ii) the statements contained in this exchange offer memorandum relating to us and our subsidiaries are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this exchange offer memorandum with regard to us and our subsidiaries are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other material facts in relation to us, our subsidiaries, the New Notes and the Subsidiary Guarantees, the omission of which would, in the context of the Exchange Offer and the issue of the New Notes, make this exchange offer memorandum, as a whole, misleading; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

No representation or warranty, express or implied, is made by Guotai Junan Securities (Hong Kong) Limited (the “**Dealer Manager**”), The Bank of New York Mellon, London Branch (the “**Existing Notes Trustee**” and the “**New Notes Trustee**”), The Bank of New York Mellon, London Branch (the “**Paying Agent**”), The Bank of New York Mellon, SA/NV, Dublin Branch (the “**Registrar and Transfer Agent**” and, together with the Paying Agent, the “**Existing Notes Agents**” and the “**New Notes Agents**”) or D.F. King Ltd., being the information and exchange agent (the “**Information and Exchange Agent**”) or any of their respective affiliates, directors or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this exchange offer memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Dealer Manager, the Existing Notes Trustee, the Existing Notes Agents, the New Notes Trustee, the New Notes Agents, the Information and Exchange Agent and any of their respective affiliates, directors or advisors has independently verified any of the information contained in this exchange offer memorandum. They can give no assurance that this information is accurate, truthful or complete, and, to the fullest extent permitted by law, none of them accepts any responsibility for the contents of this exchange offer memorandum. This exchange offer memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Subsidiary Guarantors, the Dealer Manager, the Existing Notes Trustee, the Existing Notes Agents, the New Notes Trustee, the New Notes Agents, or the Information and Exchange Agent or any of their respective affiliates, directors or advisors as to whether Eligible Holders of the Existing Notes should tender the Existing Notes pursuant to the Exchange Offer.

Each person receiving this exchange offer memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Dealer Manager or any person affiliated with the Dealer Manager in connection with any investigation of the accuracy of such information or its decision; and (iii) no person has

been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the Exchange Offer) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Dealer Manager.

**The New Notes and the Subsidiary Guarantees have not been approved or disapproved of by the United States Securities and Exchange Commission ("SEC"), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Exchange Offer or the accuracy or adequacy of this exchange offer memorandum. Any representation to the contrary is a criminal offense in the United States.**

We are not, and the Dealer Manager is not, making an offer to sell the New Notes, including the Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The Dealer Manager is not making any recommendation regarding the Exchange Offer to any Eligible Holders, or to any advisor or other representative of any such Eligible Holders. The distribution of this exchange offer memorandum and the Exchange Offer may in certain jurisdictions be restricted by law. Persons into whose possession this exchange offer memorandum comes are required by us and the Dealer Manager to inform itself about and to observe any such restrictions. For a description of the restrictions on the offer and distribution of the New Notes, including the Subsidiary Guarantees, and distribution of this exchange offer memorandum, see the section entitled "Offer and Distribution Restrictions" below.

This exchange offer memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this exchange offer memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the Exchange Offer, including the merits and risks involved. We are not making any representation to you regarding the legality of tendering the Existing Notes pursuant to the Exchange Offer by you under any legal, investment, taxation or similar laws or regulations. You should not consider any information in this exchange offer memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding tendering the Existing Notes pursuant to the Exchange Offer.

Whether or not the Exchange Offer is consummated, we expressly reserve the absolute right, at our sole discretion, from time to time to redeem or purchase any Existing Notes that remain outstanding after the consummation or termination of the Exchange Offer through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from those of this exchange offer memorandum and could be for cash or other consideration, or to exercise any of our rights (including rights of redemption) under the Existing Notes Indenture.

## OFFER AND DISTRIBUTION RESTRICTIONS

*This exchange offer memorandum does not constitute an offer of securities for sale in any jurisdiction where it is unlawful to do so. The distribution of this exchange offer memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this exchange offer memorandum comes are required by each of us, the Existing Notes Trustee, the New Notes Trustee, the Dealer Manager and the Information and Exchange Agent to inform themselves about and to observe any such restrictions. None of the Existing Notes Trustee, the New Notes Trustee, the Dealer Manager and the Information and Exchange Agent will incur any liability for their own failure or the failure of any other person or persons to comply with the provisions of any such restrictions.*

### UNITED STATES

The Exchange Offer will only be made to Eligible Holders who are not U.S. persons (as defined in Regulation S of the Securities Act) located outside the United States and hold the Existing Notes through the Clearing Systems (as defined herein) or certain fiduciaries holding accounts for the benefit of non-U.S. persons outside the United States and holding the Existing Notes through the relevant Clearing System. The Exchange Offer are not being made, and will not be made, directly or indirectly in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of, or of any facilities of a national securities exchange of, the United States. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone, the internet and other forms of electronic communication. The Existing Notes may not be tendered in the Exchange Offer by any such use, means, instrumentality or facility from or within the United States or by persons located or resident in the United States as defined in Regulation S of the Securities Act, or by a U.S. person (as defined in Regulation S of the Securities Act).

Accordingly, copies of this exchange offer memorandum and any other documents or materials relating to the Exchange Offer are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to U.S. persons. Any purported offer of the Existing Notes for purchase or exchange resulting directly or indirectly from a violation of these restrictions will be invalid, and any purported offer of the Existing Notes for purchase or exchange made by a person located in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States will be invalid and will not be accepted.

The New Notes have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or other jurisdictions, and the New Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons outside the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable laws of any other jurisdiction.

The purpose of this exchange offer memorandum is limited to the Exchange Offer and this exchange offer memorandum may not be sent or given to a person in the United States or otherwise to any person other than in an offshore transaction in accordance with Regulation S under the Securities Act.

Each holder of the Existing Notes participating in the Exchange Offer will represent that it is not a U.S. Person and it is not located in the United States and is not participating in the Exchange Offer from the United States or it is acting on a non-discretionary basis for a principal located outside the United States that is not giving an order to participate in the Exchange Offer from the United States.



## **PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

The New Notes may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently no key information document required by the PRIIPs Regulation for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## **PROHIBITION OF SALES TO UK RETAIL INVESTORS**

The New Notes may not be offered, sold or otherwise made available to any retail investor in the UK. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the UK PRIIPs Regulation for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The communication of this exchange offer memorandum and any other document or materials relating to the issue of the New Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the UK. The communication of such documents and/or materials as a financial promotion is exempt from the restriction on financial promotions under section 21 of the FSMA on the basis that it is only directed at and may be communicated to (1) persons who have professional experience in matters relating to investments, being investment professionals as defined in Article 19 of the Financial Promotion Order, (2) persons who fall within Article 49 of the Financial Promotion Order (“high net worth companies, unincorporated associations etc.”), or (3) any other persons to whom these documents and/or materials may lawfully be communicated. In the UK, the New Notes offered hereby are only available to, and any investment or investment activity to which this exchange offer memorandum relates will be engaged in only with, relevant persons. Any person in the UK that is not a relevant person should not act or rely on this exchange offer memorandum or any of its contents.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the New Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the New Notes in, from or otherwise involving the United Kingdom.

## **HONG KONG**

This exchange offer memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this exchange offer memorandum may not be issued, circulated or distributed in Hong Kong. A copy of this exchange offer memorandum may, however, be issued to a limited number of prospective applicants for the Exchange Offer or the New Notes in Hong Kong (i) in a manner which does not constitute an offer to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

No advertisement, invitation or document relating to the Exchange Offer or the New Notes may be issued or may be in the possession of any person whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong), other than with respect to the New Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

## **JAPAN**

The Exchange Offer and the New Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the “FIEA”) and may not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **SINGAPORE**

The Dealer Manager has acknowledged that this exchange offer memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, the Dealer Manager has represented, warranted and agreed that it has not offered or sold any New Notes or caused the New Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any New Notes or cause the New Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this exchange offer memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## **THE PRC**

No New Notes shall be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC, except in compliance with applicable laws and regulations. According to the laws and regulatory requirements in the PRC, with the exception to the extent consistent with applicable laws and regulations in the PRC, the New Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

## **CAYMAN ISLANDS**

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the New Notes and no such invitation is made hereby.

## **BRITISH VIRGIN ISLANDS**

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the New Notes.

This Exchange Offer does not constitute, and will not be, an offering of the New Notes to any person in the British Virgin Islands.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this exchange offer memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Group” and words of similar import, we are referring to Leading Holdings Group Limited (領地控股集團有限公司) itself and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and the PRC and property industry statistics in this exchange offer memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Dealer Manager or our or its respective directors and advisers, and neither we, the Dealer Manager nor our or its respective directors and advisers make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and the PRC and property industry statistics.

In this exchange offer memorandum, all references to “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”); all references to “HK\$” and “H.K. dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong” or “HK”); and all references to “CNY,” “RMB” or “Renminbi” are to the Renminbi, the official currency of the People’s Republic of China (“China” or the “PRC”).

We record and publish our financial statements in Renminbi. Unless otherwise stated in this exchange offer memorandum, all translations from Renminbi amounts to U.S. dollar amounts were made at the rate of RMB6.3726 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2021, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK\$7.7996 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2021. All such translations in this exchange offer memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

Our financial statements are prepared in accordance with International Financial Reporting Standards (the “IFRS”) which differ in certain respects from generally accepted accounting principles in the United States (“U.S. GAAP”) and certain other jurisdictions. Unless the context otherwise requires, references to “2019”, “2020” and “2021” in this exchange offer memorandum are to our financial years ended December 31, 2019, 2020 and 2021, respectively.

References to “Existing Notes” or “June 2022 Notes” are to the 12.0% senior notes due 2022 issued by the Company on June 28, 2021.

References to “PRC” and “China,” in the context of statistical information and description of laws and regulations in this exchange offer memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC (“Macau”), or Taiwan. “PRC government” or “State” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.10, in our share capital.

In this exchange offer memorandum, unless the context otherwise requires, all references to “Affiliate” are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to “subsidiary” are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”), as amended (the “Listing Rules”), which includes: (i) a “subsidiary undertaking” as defined in Schedule 1 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable; all references to “associate” are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a Director, the chief executive or substantial shareholder of a listed issuer; and all references to “controlling shareholder” are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and “controlling interest” will be construed accordingly.

In this exchange offer memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.



## FORWARD-LOOKING STATEMENTS

This exchange offer memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the regions where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance and some of which may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled “Risk Factors” in this exchange offer memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this exchange offer memorandum, whether as a result of new information, future events or otherwise after the date of this exchange offer memorandum. All forward-looking statements contained in this exchange offer memorandum are qualified by reference to the cautionary statements set forth in this section.

## ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor and JV Subsidiary Guarantor (if any) is also incorporated or may be incorporated, as the case may be, outside the United States, such as the British Virgin Islands (the “BVI”) and Hong Kong. The Cayman Islands, BVI, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

All of our assets and all of the assets of the initial Subsidiary Guarantors are, and all of the assets of any future Subsidiary Guarantors or JV Subsidiary Guarantors may be, located outside the United States. In addition, all of our directors and officers and the directors and officers of the initial Subsidiary Guarantors are, and the directors and officers of any future Subsidiary Guarantors or JV Subsidiary Guarantors may be, nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons’ assets are or may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the initial Subsidiary Guarantors or future Subsidiary Guarantors or JV Subsidiary Guarantors or such directors and officers or to enforce against us or any of the initial Subsidiary Guarantors or future Subsidiary Guarantors or JV Subsidiary Guarantors or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) expect to appoint Cogency Global Inc. as our and their respective agent to receive service of process with respect to any action brought against us or any such Subsidiary Guarantor or JV Subsidiary Guarantor in the United States federal courts located in the Borough of Manhattan, The City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or any such Subsidiary Guarantor or JV Subsidiary Guarantor in the courts of the State of New York in the Borough of Manhattan, The City of New York under the securities laws of the State of New York.

Conyers Dill & Pearman, our Cayman Islands legal advisor, has advised that there is uncertainty as to (i) whether the courts in the Cayman Islands would enforce judgments obtained in the United States courts against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States and (ii) whether the Cayman Islands courts would entertain actions brought in the Cayman Islands against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States. We have been further advised by Conyers Dill & Pearman that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the United States courts against us based on the transaction documents relating to the New Notes under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an in personam judgment for non-monetary relief, and would give a judgment based thereon *provided* that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Conyers Dill & Pearman, our British Virgin Islands legal advisor, has advised that it is doubtful whether the courts in the British Virgin Islands will enforce judgments obtained in the United States, against us or our directors or officers under the securities laws of the United States or entertain actions in the British Virgin Islands against us or our directors or officers under the securities laws of the United States. We have been further advised by Conyers Dill & Pearman that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the United States courts against us based on the transaction documents relating to the New Notes under which a sum of money is payable (other

than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon *provided* that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court and seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for debt or a definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

We have also been advised by Commerce & Finance Law Offices, our PRC legal adviser that there is uncertainty as to whether the courts of China would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, any Subsidiary Guarantor, any JV Subsidiary Guarantor or their respective directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, any Subsidiary Guarantor, any JV Subsidiary Guarantor or their respective directors or officers predicated upon the U.S. federal or state securities laws.

## GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms appearing in this exchange offer memorandum that are commonly used in connection with our business. The terms and their meanings may not correspond to standard industry meanings or usages of those terms.

CAGR . . . . .	compound annual growth rate
certificate of completion . . . . .	a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection
commodity properties . . . . .	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion
construction land planning permit . . . . .	a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
contracted sales . . . . .	the aggregate purchase price of formal sale/pre-sale contracts of the properties that we entered into with purchasers in a certain period; we compile contracted sales information (including contracted average selling price and GFA) through our internal records, and such information has not been audited or reviewed by our auditors; as these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales; in no event should such contracted sales information be treated as an indication of our revenue or profitability; our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales; accordingly, undue reliance should not be placed on this information
GFA . . . . .	gross floor area
land grant confirmation letter . . . . .	a letter issued by the relevant PRC land and resources bureau confirming that a property developer has been selected as the winner of the tender, auction or listing-for-sale process for the grant of the state-owned land use rights of a parcel of land



land grant contract . . . . .	an agreement between a property developer and a PRC land authority, typically the local state owned land resources bureaus, in respect of the grant of the state-owned land use rights of a parcel of land to such property developer
land use rights certificate . . . . .	a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights
LAT . . . . .	land appreciation tax
low-density . . . . .	the low-density property that we develop includes stand-alone houses, semi-detached houses and townhouses
pre-sale . . . . .	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations
pre-sale permit . . . . .	a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties
properties for sale . . . . .	our completed properties held for sale and properties under development for sale, collectively
property ownership certificate . . . . .	a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land
sq.m. . . . .	square meter(s)

## SUMMARY

*This summary does not contain all the information that may be important to you in deciding to invest in the New Notes. You should read the entire exchange offer memorandum, including the section entitled “Risk Factors” and our consolidated financial statements and related notes thereto, before making an investment decision.*

### OVERVIEW

We are a property developer with a leading market position among the Sichuan-based property developers and a nationwide presence. We were recognized as one of the “Top 50 Chinese Real Estate Brand Value in 2021 (2021中國房地產品牌價值Top 50)” by China Index Academy (中國指數研究院) and “Real Estate Enterprises of Growth in 2021 (2021年度成長力地產企業)” by Guandian Index Academy (觀點指數研究院). In addition, we were also among “China (Sichuan) Top 10 Real Estate Brands in 2021 (2021年度中國(四川)房地產品牌十強)” and “China (Sichuan) Influential Commercial Real Estate Operators in 2021 (2021年度中國(四川)影響力商業地產運營商)” by thecover.cn (封面新聞). Over the past 20 years, we have established our nationwide presence focusing on Chengdu-Chongqing Economic Zone (成渝經濟帶) and Sichuan province, Central China (華中), Beijing-Tianjin-Hebei Region (京津冀地區) and Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區), with projects located in 37 cities in China.

We primarily focus on providing quality residential properties to home upgraders. In addition to residential properties, we also develop commercial properties, including office buildings, shopping blocks, commercial complexes and apartments, and operate hotels. We have developed a diversified product portfolio of 11 series as of December 31, 2021, namely: Landmark series (中心系), which offers premium commercial properties typically located in the central business area of provincial capitals or sub-provincial cities, Guan series (觀字系) typically located on scenic sites, Lan series (蘭字系) and Tian series (天字系), both of which offer premium residential properties, Kaixuan series (凱旋系), typically located in locations which are expected to become city centers in the near future, Cultural series (文旅系), which offers vacation homes located on scenic sites, Yue series (悅字系), which offers modern designs to cater to young property purchasers who wish to upgrade their living environment, Commerce series (商業系), which features thematic commercial streets, pedestrian zones and catering places, Condo series (公寓系), which features smart home systems and housekeeping services, Industry series (產城系), which features a community developed by us typically involving office buildings, shopping malls, healthcare facilities, urban parks and K12 international school(s), and Harmony series (特色小鎮) which offer historical and cultural resort(s) located in ancient towns. Our product design capabilities have brought us various awards. Our Leading • Tianfu Lantai (領地•天府蘭台) was awarded the Gold Winner for residential properties in Muse Design Awards in 2022. Our Leading • Yuefu (領地•悅府) was awarded Excellence Award in Landscape Design (景觀設計優秀獎) by China Real Estate & Design Award (CREDAWARD 地產設計大獎•中國) in 2021.

We adopt flexible acquisition methods to maintain a sustainable land reserve. Our land parcels are typically located in city centers, or areas which are expected to become city centers in the near future. As of December 31, 2021, the total land bank attributable to us was approximately 15.8 million sq.m., including saleable GFA unsold and GFA sold but not yet delivered attributable to us of approximately 0.9 million sq.m., properties under development with an aggregate planned GFA attributable to us of approximately 9.7 million sq.m., and properties held for future development with an aggregate estimated GFA attributable to us of approximately 5.3 million sq.m. The contracted sales attributable us increased by 44.8% from approximately RMB15,285.6 million in 2019 to approximately RMB22,134.3 million in 2020 and further increased by 4.0% to RMB23,014.9 million (US\$3,611.5 million) in 2021, with total GFA for contracted sales attributable to us increasing from approximately 2.0 million sq.m. in 2019 to 2.7 million sq.m. in 2020 and remaining stable at 2.7 million sq.m. in 2021.

For the years ended December 31, 2019, 2020 and 2021, our revenue amounted to RMB7,568.2 million, RMB13,158.1 million and RMB15,054.7 million (US\$2,362.4 million), respectively. Our net profit amounted to RMB672.3 million, RMB1,060.6 million and RMB636.7 million (US\$99.9 million) for the years ended December 31, 2019, 2020 and 2021, respectively.

## **RECENT DEVELOPMENTS**

### **COVID-19 Pandemic**

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The outbreak is however far from over, and in different countries, is showing signs of resurgence and further waves of infections are recorded everyday. Since late 2021, cities including Xi'an, Changchun, Shenzhen, Shanghai and others have been placed under lockdown due to COVID-19 cases of different variants. Some of such lockdown measures and travel restrictions may not have been lifted on the date of this exchange offer memorandum. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See "Risk Factors—Risks Relating to Doing Business in China—Our business operations may be affected by the outbreak of COVID-19."

## **GENERAL INFORMATION**

We were incorporated in the Cayman Islands on July 15, 2019, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since December 10, 2020. Our corporate headquarters is at 46/F, Tower A, Leading International Finance Center, No. 151, 2nd Tianfu Street, Gaoxin District, Chengdu, Sichuan Province, PRC. Our place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands. Our website is [www.leading-group.com](http://www.leading-group.com). Information contained on our website does not constitute part of this exchange offer memorandum.

## SUMMARY OF THE EXCHANGE OFFER

*This summary contains basic information about the Exchange Offer. It may not contain all of the information that is important to you in deciding to accept the Exchange Offer and it is qualified in its entirety by the more detailed information included in this exchange offer memorandum. You should carefully consider the information contained in this exchange offer memorandum, including the “Risk Factors.” In addition, certain statements include forward-looking statements that involve risks and uncertainties. See “Forward-Looking Statements.”*

*The material terms of the Exchange Offer are summarized below. In addition, we urge you to read the detailed descriptions in the section of this exchange offer memorandum titled “Description of the Exchange Offer.”*

Background . . . . . During the second half of 2021, Chinese property developers and the capital markets that have funded growth and development of the sector have experienced a turning point. Reduced bank lending for real estate development has resulted in reduced access by property developers to onshore capital. In addition, reduced bank lending for mortgage finance for buyers, as well as concerns of buyers about the ability of property developers to complete projects, has resulted in reduced property sales. Adverse reaction to these onshore events by offshore capital markets has made access to offshore capital difficult for property developers and has limited the Group’s funding sources to address upcoming maturities.

Despite the adverse market environment, we are working on generating sufficient cash flow to meet our financial commitments, including, among others, through extension of our existing debt obligations, opportunistic financing and expenditure conservation. As part of these efforts, we are conducting the Exchange Offer to improve our financial condition, extend our debt maturity profile, improve cash flow management and enhance our ability to satisfy our debt obligations. We are offering Eligible Holders of the Existing Notes an opportunity to exchange their Existing Notes for the New Notes with an extended maturity and terms designed to allow us to improve our financial condition and stability.

Company . . . . . Leading Holdings Group Limited (領地控股集團有限公司)

Legal Entity Identifier . . . . . 549300S33XN2YGV2XG74

The Exchange Offer . . . . . Upon the terms and subject to the conditions set forth in this exchange offer memorandum, we are offering to exchange at least a Minimum Acceptance Amount of our outstanding Existing Notes held by Eligible Holders for the Exchange Consideration. As of the date of this exchange offer memorandum, US\$122,730,000<sup>(1)</sup> in aggregate principal amount of our Existing Notes is outstanding.

Eligible Holders of the Existing Notes validly accepted and exchanged in the Exchange Offer will, from and including the Settlement Date, waive any and all rights with respect to the Existing Notes (other than the right to receive the Exchange Consideration) and will release and discharge us from any and all claims such holders may have, now or in the future, arising out of or related to such Existing Notes, including any and all accrued and unpaid interest thereon.

Purpose of the Exchange Offer . . . . . The purpose of the Exchange Offer is to refinance the Existing Notes and improve our liquidity position.

Whether or not the Exchange Offer is consummated, we expressly reserve our absolute right, at our sole discretion, from time to time redeem or purchase any Existing Notes that remain outstanding after the consummation or termination of the Exchange Offer through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from the Exchange Offer and could be for cash or other consideration.

Minimum Acceptance Amount . . . . . The minimum aggregate principal amount of the Existing Notes, being US\$110,457,000, or 90%, of the outstanding principal amount of the Existing Notes, for which valid tenders are received and that the Company will determine, in its sole discretion, whether it will accept for exchange pursuant to the Exchange Offer.

**Unless waived by us, if we receive valid tenders of the Existing Notes for less than the Minimum Acceptance Amount, we will not proceed with the Exchange Offer and the Exchange Offer shall lapse automatically.**

**We reserve the right, in our sole discretion, to amend or waive the conditions to the Exchange Offer, including the Minimum Acceptance Amount, in accordance with the terms of this Exchange Offer, subject to applicable law.**

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*Note:*

(1) The outstanding amount does not include US\$15,200,000 in principal amount of the Existing Notes held by a controlling shareholder of the Company as of the date of this exchange offer memorandum. This controlling shareholder of the Company plans to cancel such principal amount of the Existing Notes held by it.



Exchange Consideration . . . . . For each US\$1,000 principal amount of the outstanding Existing Notes that is validly tendered prior to the Expiration Deadline and accepted for exchange, an Eligible Holder of the Existing Notes will receive the following:

- (a) US\$1,000 in aggregate principal amount of the US\$ denominated 12.0% Senior Notes due 2023 (the “**New Notes**”); and
- (b) any Accrued Interest (as defined below).

Any fractional amounts of the New Notes will be forfeited.

We plan to use our own internal funds to pay all such cash components of the various fees and considerations described above.

Interest Rates of the New Notes . . . . . The New Notes will have a tenor of 364 days and bear an interest rate of 12.0% per annum, payable in arrears.

See “Summary of the New Notes.”

Certain Differences between the Existing Notes and the New Notes. . . . . Other than the date of maturity, there are certain differences between the Existing Notes and the New Notes, including, among others:

- the Existing Notes were issued in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The New Notes will be issued in denominations of US\$150,000 and integral multiples of US\$1 in excess thereof.
- unlike the Existing Notes, the events of default provision under the New Notes will carve out any cross-default events arising directly or indirectly from any defaults or events of default under the Existing Notes.
- while certain major terms of the Existing Notes Indenture may only be modified, amended or waived with the consent of all holders of the outstanding notes, the indenture governing the New Notes allows modification, amendments or waivers of certain major terms to be made with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes at the time of the consent, including the waiver of payment defaults, the reduction of the principal amount of, or premium, if any, or interest on, any New Note, the release of any Subsidiary Guarantor or JV Subsidiary Guarantor from their guarantees, as the case may be, except as provided in the indenture governing the New Notes.

- the Company's options to redeem the Existing Notes and New Notes are different. At any time and from time to time prior to June 27, 2022, the Company may at its option redeem the Existing Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Existing Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to June 27, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Existing Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 112.0% of the principal amount of the Existing Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Existing Notes originally issued on the Original Issue Date of the Existing Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering. At any time and from time to time prior to the maturity of the New Notes, the Company may at its option redeem the New Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.
- certain financial ratios in certain covenants are different between the Existing Notes and the New Notes. For example, under the terms of the Existing Notes, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.25 to 1.0. Under the terms of the New Notes, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0.

Unless otherwise defined herein, capitalized terms used above have the same meaning ascribed to them in the Existing Notes Indenture or the indenture governing the New Notes, as the case may be. For details on the terms of the New Notes, see “Description of the New Notes.”

Accrued Interest . . . . .	The Existing Notes bear interest at the rate of 12.0% per annum. Accrued and unpaid interest on the Existing Notes validly tendered and accepted for exchange, up to but not including the Settlement Date, will be payable in cash (rounded to the nearest US\$0.01, with US\$0.005 rounded upwards).
Minimum Denominations of New Notes . . . . .	Each of the New Notes will be issued in minimum denominations of US\$150,000 and integral multiples of US\$1 in excess thereof.
Expiration Deadline . . . . .	4:00 p.m., London Time on June 20, 2022, unless extended or earlier terminated at our sole discretion.
Settlement Date . . . . .	We anticipate that the Settlement Date will occur on or about June 22, 2022, unless the Exchange Offer are extended or earlier terminated.
Exchange Website . . . . .	<a href="https://sites.dfkingltd.com/leading">https://sites.dfkingltd.com/leading</a> , the website set up by the Information and Exchange Agent for the purposes of hosting the documents relating to the Exchange Offer.
Eligible Holders . . . . .	The Exchange Offer will only be made to, and the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) are being offered and will be issued only to, eligible holders who are non-U.S. persons located outside the United States (as those terms are defined in Regulation S under the Securities Act) in exchange for their Existing Notes through Euroclear and Clearstream or certain fiduciaries holding accounts for the benefit of non-U.S. persons outside the United States (as those terms are defined in Regulation S under the Securities Act) with the Existing Notes held through Euroclear and Clearstream (the “ <b>Eligible Holders</b> ”).

By giving Instructions, Eligible Holders of the Existing Notes will be deemed to make a series of representations, warranties and undertakings, which are set out in “Description of the Exchange Offer—Representations, Warranties and Covenants of Eligible Holders of Existing Notes.”

**Only Eligible Holders who have, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees have, completed the procedures described in, and required by, this exchange offer memorandum are eligible to participate in the Exchange Offer.**

For a description of restrictions on resale or transfer of the New Notes, see “Transfer Restrictions.”

Conditions to the Exchange Offer . . . . Our obligation to consummate the Exchange Offer is conditional upon the following:

- not less than the Minimum Acceptance Amount of the Existing Notes shall have been validly tendered prior to the Expiration Deadline;
- there being no material adverse change in the market from the date of this exchange offer memorandum to the Settlement Date;
- an affirmative determination by us that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated hereby are in our best interests; and
- the satisfaction or waiver of the other conditions described in “Description of the Exchange Offer—Conditions to the Exchange Offer.”

Subject to applicable law, we may terminate or withdraw the Exchange Offer if any of the conditions are not satisfied or waived by us by the Settlement Date. We may also extend the Exchange Offer from time to time until the conditions are satisfied or waived. Although we have no present plans or arrangements to do so, we reserve the right to amend, modify or waive, at any time, the terms and conditions of the Exchange Offer, subject to applicable law. We will give you notice of any amendments, modifications or waivers as and if required by applicable law.

Procedures for Tendering

Existing Notes . . . . .

To participate in the Exchange Offer, an Eligible Holder must validly tender its Existing Notes for exchange pursuant to the Exchange Offer prior to the Expiration Deadline pursuant to the procedures described herein.

If you are an Eligible Holder holding the Existing Notes through Euroclear and Clearstream or through a fiduciary holding accounts and you wish to participate in the Exchange Offer, you must tender your Existing Notes pursuant to the procedures described herein by way of an electronic instruction, which must be submitted or delivered through the relevant Clearing System by each Eligible Holder of the Existing Notes who is shown in the records of such Clearing System as a holder of an interest in the Existing Notes, authorizing delivery of your tender to exchange the Existing Notes that are the subject of such electronic instruction (the “**Instruction**”).

A separate Instruction needs to be submitted per each beneficial owner of the Existing Notes held through Euroclear and Clearstream.

No guaranteed delivery procedures are being offered in connection with the Exchange Offer. You must tender your Existing Notes for exchange prior to the Expiration Deadline in order to participate and receive the Exchange Consideration.

Only direct participants in Euroclear or Clearstream may submit Instructions to Euroclear or Clearstream. If you are not a direct participant in Euroclear or Clearstream, you must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold the Existing Notes to submit an Instruction on your behalf to the relevant Clearing System prior to the deadline specified by the relevant Clearing System.

Any Instructions must be given with respect to Existing Notes in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Any tendering Eligible Holder must tender its entire holding of Existing Notes for exchange. We reserve our right not to accept any partial tender of Existing Notes by any Eligible Holders.

Upon giving Instructions with respect to any Existing Notes, those Existing Notes will be blocked and may not be transferred until the earlier of (i) the Settlement Date and (ii) the Exchange Offer is modified or terminated so as to result in a cancellation of such Instructions.

**PLEASE NOTE: THE EXCHANGE OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (WITHIN THE MEANING OF REGULATION S) AND ARE OUTSIDE THE UNITED STATES. U.S. PERSONS (AS DEFINED IN REGULATION S) AND PERSONS LOCATED IN THE UNITED STATES ARE NOT PERMITTED TO TENDER EXISTING NOTES IN THE EXCHANGE OFFER.**

Minimum Aggregate Principal  
Amount of the Existing Notes  
to be Tendered . . . . .

The Existing Notes being tendered for exchange may only be submitted in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The aggregate principal amount of the New Notes to be issued to any Eligible Holder will be in a minimum principal amount of US\$150,000 and integral multiples of US\$1 in excess thereof.

Eligible Holders are responsible for ensuring that their Instructions will result in the New Notes they are entitled to receive being at least equal to the minimum principal amount of US\$150,000. Instructions that would result in a principal amount of New Notes below US\$150,000 will be rejected.

Withdrawal and Revocation . . . . .

**Instructions in connection with the Exchange Offer are irrevocable, unless withdrawal thereof is required by applicable law.**

Acceptance of Tenders; Delivery of  
Exchange Consideration . . . . .

Subject to the terms and conditions described herein, we will accept Instructions that are validly tendered prior to the Expiration Deadline. Upon our determination that the conditions to the Exchange Offer have been satisfied, participants in the Exchange Offer who validly gave Instructions, and which Instructions are accepted by us, will receive the Exchange Consideration on the Settlement Date.

Extensions, Amendments and  
Terminations . . . . .

To the extent that it is legally permitted to do so, we expressly reserve our absolute right to (i) waive any condition to the Exchange Offer; (ii) amend any of the terms of the Exchange Offer, including the Minimum Acceptance Amount; and (iii) modify the consideration offered. Any amendment to the Exchange Offer will apply to all Existing Notes tendered, regardless of when and in what order such Existing Notes were tendered. If we make a material change in the terms of the Exchange Offer, we will disseminate additional offer materials or, if appropriate, issue a press release setting forth such changes, and will extend the Exchange Offer as we consider appropriate or if required by law. We have the right, at our sole discretion, to extend the Expiration Deadline or Settlement Date.

Additionally, we expressly reserve the right, at our absolute discretion, to terminate the Exchange Offer at any time if the conditions to the Exchange Offer are not met prior to the Settlement Date.

In the event that the Exchange Offer are terminated, withdrawn or otherwise not consummated prior to the Settlement Date, no consideration will be paid or become payable and no New Notes will be issued or become issuable to Eligible Holders who have validly tendered their Existing Notes pursuant to the Exchange Offer. In any such event, the Existing Notes previously tendered pursuant to the Exchange Offer will be promptly returned to the tendering Eligible Holders.

Future actions in relation to the  
Existing Notes . . . . .

We expressly reserve the absolute right, in our sole discretion, from time to time to redeem or purchase any Existing Notes that remain outstanding after the consummation or termination of the Exchange Offer through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from those of this exchange offer memorandum and could be for cash or other consideration, or to exercise any of our rights (including rights of redemption) under the Existing Notes Indenture. Holders should note that pursuant to the Existing Notes Indenture, the Issuer may, at its option at any time prior to June 27, 2022, redeem the Existing Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Existing Notes plus the Applicable Premium (as defined in the Existing Notes Indenture) as of, and accrued and unpaid interest, if any, to (but excluding) the relevant redemption date.



Consequences of Failure to Exchange Existing Notes . . . . .	For a description of the consequences of failing to exchange your Existing Notes, see “Risk Factors.”
Brokerage Commissions . . . . .	No brokerage commissions are payable by the holders of the Existing Notes to us, the Dealer Manager or the Information and Exchange Agent.
Dealer Manager . . . . .	Guotai Junan Securities (Hong Kong) Limited
Information and Exchange Agent . . . . .	D.F. King Ltd. has been appointed as the Information and Exchange Agent. You can find the address and telephone number for the Information and Exchange Agent on the back cover of this exchange offer memorandum.
Existing Notes Trustee . . . . .	The Bank of New York Mellon, London Branch.
Existing Notes Paying Agent . . . . .	The Bank of New York Mellon, London Branch.
Existing Notes Registrar and Transfer Agent . . . . .	The Bank of New York Mellon SA/NV, Dublin Branch.
New Notes Trustee . . . . .	The Bank of New York Mellon, London Branch.
New Notes Paying Agent . . . . .	The Bank of New York Mellon, London Branch.
New Notes Registrar and New Notes Transfer Agent . . . . .	The Bank of New York Mellon SA/NV, Dublin Branch.
Clearing Systems . . . . .	Euroclear and/or Clearstream (each a “ <b>Clearing System</b> ”)
Use of Proceeds . . . . .	We will not receive any cash proceeds from the Exchange Offer.
Further Information . . . . .	Questions about the terms of the Exchange Offer should be directed to the Dealer Manager.

If you have questions regarding tender or offer procedures or require additional copies of this exchange offer memorandum, please contact the Information and Exchange Agent.

Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer.

All documents related to the Exchange Offer will be made available, subject to eligibility, on the Exchange Website.

## SUMMARY OF THE NEW NOTES

*The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this exchange offer memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the New Notes.”*

Issuer . . . . .	Leading Holdings Group Limited (領地控股集團有限公司) (the “Company”).
Legal Entity Identifier . . . . .	549300S33XN2YGV2XG74.
New Notes Offered . . . . .	12.0% Senior Notes due 2023 (the “New Notes”).
Original Issue Date . . . . .	, 2022.
Maturity Date . . . . .	The New Notes will have a tenor of 364 days and mature on , 2023.
Interest . . . . .	The New Notes bear interest from (and including) , 2022 at the rate of 12.0% per annum, payable in arrears.
Interest Payment Dates . . . . .	, 2022 and , 2023.
Ranking of the New Notes . . . . .	The New Notes are: <ul style="list-style-type: none"><li>• general obligations of the Company;</li><li>• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes;</li><li>• at least <i>pari passu</i> in right of payment with all other unsecured and unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law), including the Existing Notes;</li><li>• guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “—The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees” of this exchange offer memorandum;</li><li>• effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantor and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and</li></ul>

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below).

Subsidiary Guarantees and  
 JV Subsidiary Guarantees . . . . .

Each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the New Notes; provided that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount.

A Subsidiary Guarantee may be released in certain circumstances. See “Description of the New Notes—The Subsidiary Guarantees and the JV Subsidiary Guarantees—Release of the Subsidiary Guarantees or JV Subsidiary Guarantees.”

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than the Restricted Subsidiaries organized under the laws of the PRC.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the “**New Non-Guarantor Subsidiaries**,” and together with the Initial Other Non-Guarantor Subsidiaries, the “**Other Non-Guarantor Subsidiaries**”) at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15.0% of Total Assets.

Rankings of the Subsidiary Guarantees  
and JV Subsidiary Guarantees . . . . .

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

See “Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Use of Proceeds . . . . .	We will not receive any cash proceeds from the Exchange Offer. Any Existing Notes exchanged in connection with the Exchange Offer will be cancelled. See “Use of Proceeds.”
Optional Redemption . . . . .	At any time and from time to time prior to _____, 2023, the Company may at its option redeem the New Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the New Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.
Change of Control Triggering Event . . .	Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding New Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest (if any) to (but not including) the Offer to Purchase Payment Date.
Redemption for Taxation Reasons . . . .	Subject to certain exceptions and as more fully described herein, the New Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person for redemption, if the Company or a Surviving Person would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “Description of the New Notes—Redemption for Taxation Reasons.”
Covenants . . . . .	<p>The New Notes and the Indenture governing the New Notes will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> <li>• incur additional indebtedness and issue disqualified or preferred stock;</li> <li>• make investments, dividend payments or other specified restricted payments;</li> <li>• issue or sell capital stock of Restricted Subsidiaries;</li> <li>• guarantee indebtedness of Restricted Subsidiaries;</li> <li>• sell assets;</li> <li>• create liens;</li> <li>• enter into sale and leaseback transactions;</li> <li>• engage in any business other than permitted business;</li> </ul>

- enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants are subject to a number of important qualifications and exceptions described in “Description of the New Notes—Certain Covenants.”

Transfer Restrictions . . . . . The New Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”

Form, Denomination and Registration . . . . . The New Notes will be issued only in fully registered form without coupons, in minimum denominations of US\$150,000 and integral multiples of US\$1 in excess thereof and will be initially represented by one or more Global Notes deposited with a common depository and registered in the name of the nominee of the common depository. Beneficial interests in the Global Note will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their participants.

Book-Entry Only . . . . . The New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the New Notes—Book-Entry; Delivery and Form.”

Trustee and Paying Agent . . . . . The Bank of New York Mellon, London Branch.

Transfer Agent and Registrar . . . . . The Bank of New York Mellon SA/NV, Dublin Branch.

Listing and Trading . . . . . Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$150,000.

Security Codes . . . . .	<b>ISIN</b>	<b>Common Code</b>
	XS2490657223	249065722



Governing Law . . . . .	The New Notes and the Indenture are governed by and construed in accordance with the laws of the State of New York.
Risk Factors . . . . .	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see “Risk Factors.”

## SUMMARY TIMETABLE

*The following summarizes the current schedule for the Exchange Offer. Please note that the expiration of the Exchange Offer and the settlement of the New Notes, as well as the other events listed below, may be earlier or later than indicated below. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this exchange offer memorandum.*

*In relation to the time and dates indicated below, Eligible Holders of the Existing Notes should note the particular practices and policies of the relevant Clearing System regarding their communications deadlines, which will determine the latest time at which tenders of the Existing Notes for exchange may be delivered to the relevant Clearing System (which may be earlier than the deadlines set forth below) so that they are received by the Information and Exchange Agent within the deadlines set forth below.*

*All notices to Eligible Holders of the Existing Notes will be released through delivery to the Clearing Systems for communication to direct participants.*

<b>Date</b>	<b>Event</b>
June 13, 2022 . . . . .	Commencement of the Exchange Offer and announcement via the websites of The Hong Kong Stock Exchange Limited (the “SEHK”) and the Exchange Website and through Euroclear or Clearstream, as applicable.  Exchange offer memorandum will be made available to Eligible Holders of the Existing Notes on the Exchange Website.
June 20, 2022 (4:00 p.m., London time) . . . . .	Expiration Deadline, unless being amended or extended. This being the last date and time on which Eligible Holders of the Existing Notes who validly tender Existing Notes are eligible to receive the relevant Exchange Consideration, as this is the last date and time for Eligible Holders of the Existing Notes to participate in the Exchange Offer.
As soon as practicable after the Expiration Deadline . . . . .	Announcement of the amount of tenders for exchange received prior to the Expiration Deadline, and the final total aggregate principal amount of the New Notes to be issued to Eligible Holders in exchange for the Existing Notes validly tendered, accepted and exchanged.
On or about June 22, 2022 . . . . .	Settlement Date, unless being amended or extended. Subject to satisfaction of the conditions as set forth under “Description of the Exchange Offer—Conditions to the Exchange Offer,” settlement of the New Notes, delivery of the Exchange Consideration to Eligible Holders whose Existing Notes have been validly tendered and accepted for exchange.
On or about June 24, 2022 . . . . .	Listing of the New Notes on the SGX-ST.

All references in this exchange offer memorandum to times are to London time, unless we state otherwise. The above dates are indicative only.

We reserve the right to extend the Expiration Deadline at our sole discretion. In such a case, the date on which the notice of the results of the Exchange Offer will be delivered and the Settlement Date will be adjusted accordingly. Eligible Holders of the Existing Notes should inform themselves of any earlier deadlines that may be imposed by the Clearing Systems and/or any intermediaries, which may affect the timing of the submission of a notice of exchange.

The Company intends to publicly announce the commencement date of the Exchange Offer, any extensions of the Expiration Date, other notifications or amendments relating to the Exchange Offer and the results of the Exchange Offer by the issue of a press release and/or a notice sent via the Euroclear or Clearstream and announcement on the websites of The SEHK and the Exchange Website.

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary financial data as of and for each of the years ended December 31, 2019, 2020 and 2021 (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our audited consolidated financial statements for the years ended December 31, 2020 and 2021 and included elsewhere in this exchange offer memorandum. Our financial information is prepared in accordance with IFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. The summary financial data below should be read in conjunction with our consolidated financial statements for the respective years and the notes to those statements included elsewhere in this exchange offer memorandum. The Company's financial results for any past period are not and should not be taken as an indication of the Company's performance, financial position and results of operations in future years.

**SUMMARY CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA**

	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
<b>Continuing Operations</b>				
Revenue . . . . .	7,568,164	13,158,083	15,054,693	2,362,410
Cost of sales . . . . .	(5,465,778)	(9,601,853)	(12,146,556)	(1,906,060)
<b>Gross profit</b> . . . . .	<b>2,102,386</b>	<b>3,556,230</b>	<b>2,908,137</b>	<b>456,350</b>
Other income and gains . . . . .	44,826	74,585	157,831	24,767
Selling and marketing expenses . . . . .	(400,004)	(649,740)	(933,430)	(146,476)
Administrative expenses . . . . .	(532,747)	(573,296)	(651,426)	(102,223)
Other expenses . . . . .	(13,667)	(22,975)	2,000	314
Fair value gains on investment properties . . .	160,840	(49,276)	(62,315)	(9,779)
Finance costs . . . . .	(230,381)	(306,540)	(295,189)	(46,322)
Share of profits and losses of:				
Joint ventures . . . . .	3,758	(29,824)	104,945	16,468
Associates . . . . .	(7,046)	17,196	5,597	878
<b>Profit before tax from continuing operations</b> . . . . .	<b>1,127,965</b>	<b>2,016,360</b>	<b>1,236,150</b>	<b>193,979</b>
Income tax expense . . . . .	(469,688)	(955,792)	(599,401)	(94,059)
<b>Profit/loss for the year from continuing operations</b> . . . . .	<b>658,277</b>	<b>1,060,568</b>	<b>636,749</b>	<b>99,920</b>
Profit for the year from discontinued operations . . . . .	14,036	–	–	–
<b>Profit for the year</b> . . . . .	<b>672,313</b>	<b>1,060,568</b>	<b>636,749</b>	<b>99,920</b>
Other comprehensive income for the year . . .	–	–	–	–
<b>Total comprehensive income for the year</b> . . .	<b>672,313</b>	<b>1,060,568</b>	<b>636,749</b>	<b>99,920</b>
Attributable to:				
Owners of the parent . . . . .	544,825	860,311	488,449	76,648
Non-controlling interests . . . . .	127,488	200,257	148,300	23,272
Other Financial Data (unaudited)				
EBITDA <sup>(1)</sup> . . . . .	2,712,608	4,249,838	3,489,943	547,648
EBITDA margin <sup>(2)</sup> . . . . .	35.8%	32.3%	23.2%	23.2%

*Notes:*

- (1) EBITDA for any period consists of profit for the year before interests, income tax, depreciation and amortization. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the New Notes. Interest expense excludes amounts capitalized. See "Description of the New Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the New Notes.

The following table reconciles our profit for the year under IFRS to our definition of EBITDA for the periods indicated:

	<b>Year ended December 31,</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(US\$'000)</b>
				<b>(Unaudited)</b>
Profit for the year . . . . .	672,313	1,060,568	636,749	99,920
<b>Adjustment</b>				
Interests . . . . .	1,520,303	2,192,758	2,209,007	346,641
Income tax . . . . .	469,688	955,792	599,401	94,059
Depreciation and amortization . . . . .	50,304	40,720	44,786	7,028
<b>EBITDA . . . . .</b>	<b><u>2,712,608</u></b>	<b><u>4,249,838</u></b>	<b><u>3,489,943</u></b>	<b><u>547,648</u></b>

- (2) EBITDA margin is calculated by dividing EBITDA by revenue.



## SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(Unaudited)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment . . . . .	236,063	221,873	198,947	31,219
Investment properties . . . . .	4,580,800	4,551,600	4,337,400	680,633
Intangible assets . . . . .	12,688	18,268	23,210	3,642
Investments in joint ventures . . . . .	595,871	577,807	718,626	112,768
Investments in associates . . . . .	78,405	561,101	126,962	19,923
Deferred tax assets . . . . .	676,137	983,633	1,191,999	187,051
Right-of-use assets . . . . .	56,656	51,794	45,576	7,152
Other non-current assets . . . . .	129,557	223,382	223,106	35,010
Total non-current assets . . . . .	<u>6,366,177</u>	<u>7,189,458</u>	<u>6,865,826</u>	<u>1,077,398</u>
<b>CURRENT ASSETS</b>				
Properties under development . . . . .	27,983,573	38,657,280	39,768,610	6,240,563
Completed properties held for sale . . . . .	1,296,666	2,900,193	3,792,932	595,194
Trade receivables . . . . .	60,788	72,860	81,089	12,725
Due from related companies . . . . .	730,271	1,149,913	1,650,730	259,036
Prepayments, deposits and other receivables	1,935,102	3,001,028	5,475,248	859,186
Tax recoverable . . . . .	387,441	568,088	719,130	112,847
Financial assets at fair value through profit or loss . . . . .	2,000	11,026	5,864	920
Other current assets . . . . .	110,551	598,232	851,406	133,604
Restricted cash . . . . .	1,637,442	1,602,975	778,618	122,182
Pledged deposits . . . . .	158,473	144,855	147,168	23,094
Cash and cash equivalents . . . . .	1,381,642	4,177,262	4,297,980	674,447
	<u>35,683,949</u>	<u>52,883,712</u>	<u>57,568,775</u>	<u>9,033,797</u>
Assets of a disposal group classified as held for sale . . . . .	—	—	—	—
Total current assets . . . . .	<u>35,683,949</u>	<u>52,883,712</u>	<u>57,568,775</u>	<u>9,033,797</u>
<b>CURRENT LIABILITIES</b>				
Trade and bills payables . . . . .	4,058,372	6,800,412	8,206,233	1,287,737
Other payables, deposits received and accruals . . . . .	2,666,676	5,789,398	4,844,210	760,162
Due to related companies . . . . .	727,263	225,595	525,868	82,520
Interest-bearing bank and other borrowings .	5,763,159	4,090,066	3,232,482	507,247
Tax payable . . . . .	662,390	1,358,474	1,649,122	258,783
Contract liabilities . . . . .	15,398,334	21,592,955	25,557,106	4,010,468
Financial guarantee contracts . . . . .	1,176	—	950,991	149,231
Lease liabilities . . . . .	4,512	6,220	2,703	424
	<u>29,280,706</u>	<u>39,863,120</u>	<u>44,968,715</u>	<u>7,056,573</u>
Liabilities of a disposal group classified as held for sale . . . . .	—	—	—	—
Total current liabilities . . . . .	<u>29,280,706</u>	<u>39,863,120</u>	<u>44,968,715</u>	<u>7,056,573</u>

	As of December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(Unaudited)
<b>NET CURRENT ASSETS</b> .....	6,403,243	13,020,592	12,600,060	1,977,224
<b>TOTAL ASSETS LESS CURRENT</b>				
<b>LIABILITIES</b> .....	12,769,420	20,210,050	19,465,886	3,054,622
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing bank and other borrowings .	5,992,020	10,167,291	7,785,172	1,221,663
Deferred tax liabilities .....	707,876	767,863	845,169	132,625
Financial guarantee contracts .....	—	—	—	—
Lease liabilities .....	9,777	4,824	3,517	552
Total non-current liabilities .....	6,709,673	10,939,978	8,633,858	1,354,841
<b>NET ASSETS</b> .....	<u>6,059,747</u>	<u>9,270,072</u>	<u>10,832,028</u>	<u>1,699,782</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of</b>				
<b>the parent</b>				
Share capital .....	1	8,446	8,670	1,361
Reserves .....	5,227,219	7,241,954	7,872,142	1,235,311
	5,227,220	7,250,400	7,880,812	1,236,671
<b>Non-controlling interests</b> .....	832,527	2,019,672	2,951,216	463,110
<b>TOTAL EQUITY</b> .....	<u>6,059,747</u>	<u>9,270,072</u>	<u>10,832,028</u>	<u>1,699,782</u>

## RISK FACTORS

*You should carefully consider the risks described below and other information contained in this exchange offer memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the New Notes, and you could lose all or part of your investment.*

### **RISKS RELATING TO THE EXCHANGE OFFER GENERALLY**

***Failure to obtain tenders of at least the Minimum Acceptance Amount could increase our default risk under the Existing Notes.***

If at least the Minimum Acceptance Amount is not tendered, or if any of the other conditions as described in “Description of the Exchange Offer—Conditions to the Exchange Offer” are not satisfied or waived, we will not be able to refinance the Existing Notes. We will therefore face liquidity pressure and will be subject to increased default risk under the Existing Notes Indenture and our other outstanding indebtedness.

***The events of default provision under the New Notes will carve out any cross-default events arising directly or indirectly from any defaults or events of default under the Existing Notes.***

As the purpose of the Exchange Offer is to refinance the Existing Notes and improve our liquidity position, the events of default provision under the New Notes carves out any cross-default events arising directly or indirectly from any defaults or events of default under the Existing Notes. However, the terms of our other existing indebtedness may include cross-default or cross-acceleration provisions. Holders of the New Notes may face more uncertainty and potentially higher credit risk in this regard if any default occurs with respect to the Existing Notes, because the Existing Notes and certain of our other indebtedness could become immediately due and payable upon such defaults, and we would have to settle or repay such indebtedness, but payment of the New Notes would not be accelerated and holders of the New Notes would continue to hold the New Notes without recourse to any such cross-default.

***Certain major terms of the indenture governing the New Notes may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes at the time of the consent and there are certain other differences between the Existing Notes and the New Notes, which may adversely affect the interest of the holders of the New Notes and increase the credits risks of the New Notes.***

Typically certain major terms of an indenture may only be modified, amended or waived with the consent of all holders of the outstanding notes. However, as part of the purpose of the Exchange Offer is to improve our overall financial condition, the indenture governing the New Notes allows modification, amendments or waivers of certain major terms to be made with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes at the time of the consent, including the waiver of payment defaults, the reduction of the principal amount of, or premium, if any, or interest on, any New Note, the release of any Subsidiary Guarantor or JV Subsidiary Guarantor from their guarantees, as the case may be, except as provided in the indenture governing the New Notes. There are certain other differences between the Existing Notes and the New Notes. For example, the Company’s options to redeem the Existing Notes and New Notes are different, and certain financial ratios in certain covenants are different between the Existing Notes and the New Notes. See “Summary of the Exchange Offer—Certain Differences between the Existing Notes and the New Notes” for details. In addition, the right of any Holder of the Existing Notes to institute any proceeding, judicial or otherwise, to receive payment of the principal of, premium, if any, or interest on, such Existing Note, or to bring suit for the enforcement of any such payment, on or after the due date

expressed in the Existing Notes, which right shall not be impaired or affected without the consent of the Holder of the Existing Notes, is different from that of the Holder of the New Notes as the right of any Holder of the New Notes may be limited to the extent that the Trustee does not comply with relevant written request by the Holders of the New Notes as provided in the indenture governing the New Notes. Such provisions would reduce the protection afforded to the holders of the New Notes and potentially increase the credits risks of the New Notes. See “Description of the New Notes” for details on the New Notes.

***We are experiencing difficulty in maintaining and raising sufficient cash, including through financing activities, to meet our obligations as they become due and to continue funding our on-going business operations and investments.***

We are experiencing difficulty in maintaining and raising sufficient cash to meet our obligations as they become due and to continue funding our on-going business operations and investments. There has been significant negative news recently on difficulties experienced by the Chinese property sector and companies in that sector, including us. See “Summary of the Exchange Offer—Background” and “Summary of the Exchange Offer—Purpose of the Exchange Offer.”

We continue to examine various options to improve our liquidity and cash position. However, even after consummation of the Exchange Offer, we will continue to face pressure with respect to our coupon and principal payments on our borrowings becoming due given the current significant and negative situation with our liquidity and cash position. There can be no assurance that we will be able to continue generating sufficient cash through operations and financing activities to meet our obligations as they come due (including any Existing Notes not exchanged even if the Exchange Offer is consummated), as well as to continue funding our significant operational cash flow needs and ongoing investments and other commitments. Failure by us to generate such cash could have a material adverse effect on our business, results of operations and financial condition, on the trading price of the New Notes, and ultimately on our ability to repay our obligations under the New Notes on a timely basis, or at all.

***Even after consummation of the Exchange Offer, we may not be able to make payments due on any outstanding Existing Notes or any other outstanding indebtedness.***

It is possible that not all of the Existing Notes will be tendered, in which case some principal amount of Existing Notes will continue to remain outstanding. In addition, we maintain a substantial level of other indebtedness. For details, see “Description of Other Material Indebtedness.” Although we are undertaking the Exchange Offer as part of our broader strategy to improve our overall financial condition, extend our debt maturity profile, strengthen our balance sheet and improve cash flow management, we cannot assure you that we will be successful in our strategy, or that we will have sufficient cash to pay the remaining coupon and principal payments as they come due under any outstanding Existing Notes. If we fail to make timely payment under any outstanding Existing Notes or any other outstanding indebtedness, that may in turn trigger cross-defaults or cross-acceleration under our other borrowings, and could have a material adverse effect on our business, results of operations and financial conditions, on the trading price of the New Notes, and ultimately on our ability to repay our obligations under the New Notes on a timely basis, or at all.

***Upon consummation of the Exchange Offer, liquidity of the market for outstanding Existing Notes may be substantially reduced, and market prices for outstanding Existing Notes may decline as a result.***

The trading market for Existing Notes that are not exchanged for New Notes could become more limited than the existing trading market for the Existing Notes and could cease to exist altogether due to the reduction in the principal amount of the Existing Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Existing Notes. If a market for Existing Notes that are not exchanged exists or develops, the Existing Notes may trade at a discount to the price at which they would trade if the principal amount outstanding were not reduced. There can be no assurance that an active market in the Existing Notes will exist, develop or be maintained, or as to the prices at which the Existing Notes may trade, after the Exchange Offer are consummated.

***We expressly reserve the right to purchase any Existing Notes that remain outstanding after the consummation of the Exchange Offer.***

Whether or not the Exchange Offer is consummated, we expressly reserve our absolute right, at our sole discretion, from time to time to redeem or purchase any Existing Notes that remain outstanding after the consummation or termination of the Exchange Offer through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from the Exchange Offer and could be for cash or other consideration, or to exercise any of our other rights, including redemption rights, under the relevant Existing Notes Indenture.

***The Exchange Offer may be cancelled, delayed or amended.***

We are not obligated to complete the Exchange Offer under certain circumstances and unless and until certain conditions are satisfied or waived, the Exchange Offer may be terminated, as described more fully below in “Description of the Exchange Offer—Conditions to the Exchange Offer.” Even if the Exchange Offer are completed, it may not be completed on the schedule described in this exchange offer memorandum. Accordingly, participating Eligible Holders may have to wait longer than expected to receive their Exchange Consideration (or to have their Existing Notes returned to them in the event that we terminate the Exchange Offer), during which time those Eligible Holders will not be able to effect transfers of their Existing Notes tendered in the Exchange Offer. In addition, subject to applicable laws, we have the right to amend the terms of the Exchange Offer prior to the Expiration Deadline.

We may choose to terminate or amend certain parts of the Exchange Offer, but retain other aspects unchanged. In particular, we amend the terms of the Exchange Offer with respect to the Existing Notes, including the relevant timing of the Exchange Offer. In such event, we will issue announcements of such decisions accordingly.

Although we are undertaking the Exchange Offer as part of our broader strategy to improve our overall financial condition, strengthen our balance sheet and improve cash flow management, we cannot assure you that we will be successful in our strategy, or that we will have sufficient cash to pay the remaining coupon and principal payments as they come due under any outstanding indebtedness, including the Existing Notes, or the New Notes.

***The Exchange Consideration to be received in the Exchange Offer does not reflect any market valuation of the Existing Notes or the New Notes.***

We have made no determination that the consideration to be received in the Exchange Offer represents a fair valuation of the Existing Notes or the New Notes. The Exchange Consideration should not be construed as assurance or an indication of, and may not accurately reflect, the current or future market value of the Existing Notes or the New Notes. We have not obtained a fairness opinion from any financial advisor about the fairness to us or to you of the consideration to be received by holders of the Existing Notes. Accordingly, none of us, our board of directors, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Dealer Manager, the Information and Exchange Agent, the Existing Notes Trustee, the New Notes Trustee, the Existing Notes Agents, the New Notes Agents or any of their respective affiliates, directors and agents and any other person is making any recommendation as to whether you should tender any Existing Notes for exchange in the Exchange Offer.

***Your decision to tender any Existing Notes for the Exchange Consideration may expose you to the risk of nonpayment for a longer period of time.***

The Existing Notes will mature on June 27, 2022. The New Notes will have a tenor of 364 days. We also have a significant amount of indebtedness with a maturity prior to the maturity of the New Notes. If you tender Existing Notes for New Notes and, following the maturity date of your tendered Existing Notes but prior to the maturity date of the New Notes, we were to become subject to bankruptcy or similar proceedings,

holders of such earlier-maturing indebtedness including the holders of the Existing Notes who did not exchange their Existing Notes for New Notes could be paid in full prior to such event and there would exist a risk that holders of the New Notes would not be paid in full, if at all. Your decision to tender your Existing Notes for later-maturing New Notes should be made with the understanding that the lengthened maturity of such New Notes exposes you to the risk of nonpayment for a longer period of time.

***Eligible Holders of the Existing Notes may not withdraw their instructions except as required by applicable law.***

Instructions in connection with the Exchange Offer are irrevocable. Eligible Holders who tender their Existing Notes may not withdraw their instructions to exchange for the Exchange Consideration except in limited circumstances as required by applicable law as described in this exchange offer memorandum. Withdrawal rights will only be provided as, and if, required by applicable law.

***You are responsible for complying with the procedures of the Exchange Offer. The Existing Notes you tendered will not be accepted for exchange and you may not receive Exchange Consideration in the Exchange Offer if the procedures for the Exchange Offer are not followed.***

Eligible Holders are responsible for complying with all of the procedures for offerings to exchange the Existing Notes. We will issue New Notes in exchange for your Existing Notes only if you tender the applicable Existing Notes and deliver a properly submitted Instruction through Euroclear or Clearstream, as applicable. You should allow sufficient time to ensure timely delivery of the Instruction and the necessary documents. None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Existing Notes Trustee, the Dealer Manager and the Information and Exchange Agent assumes any responsibility for informing the holders of the Existing Notes of irregularities in any Instruction to Euroclear or Clearstream, as applicable, or with respect to the acceptance of offers to exchange. Prior to the Settlement Date, no assurance can be given that the Exchange Offer will be completed. This may depend upon the satisfaction or waiver of the conditions of the Exchange Offer. Upon giving a blocking instruction relating to the securities account where Existing Notes are held in a relevant Clearing System, Eligible Holders should be aware that they may not transfer title to such Existing Notes to other persons and may suffer losses if the market price of the Existing Notes changes and the Exchange Offer, in respect of that holder or generally, is not completed for whatever reason.

Eligible Holders holding the Existing Notes in Euroclear or Clearstream should note the particular practices and policies of Euroclear or Clearstream, as applicable, regarding their communications deadlines, which will determine the latest time at which tenders of the Existing Notes for exchange may be delivered to Euroclear or Clearstream (which may be earlier than the deadlines set forth in this exchange offer memorandum), as applicable, so that they are received by the Information and Exchange Agent in respect of the Exchange Offer within the deadlines set forth in this exchange offer memorandum. None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Dealer Manager and the Information and Exchange Agent will be responsible for the communication of acceptances and corresponding instruction notices by

- beneficial owners to the direct participant through which they hold the Existing Notes; or
- the direct participant to the Euroclear or Clearstream, as applicable.

If you are the beneficial owner of the Existing Notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee or custodian, and you wish to tender in the Exchange Offer, you should promptly contact the person in whose name your Existing Notes are registered and instruct that person to tender on your behalf and to properly follow the procedures. Additionally, it is important to note that all references in this exchange offer memorandum to times are to Hong Kong times, unless we state otherwise.



***Your Existing Notes generally will be blocked from the date of instruction until the earlier of (i) consummation and (ii) termination of the Exchange Offer.***

Participating Eligible Holders should be mindful that they are authorizing the relevant Clearing System to block their position in the Existing Notes until the Settlement Date, or termination or withdrawal of the Exchange Offer, as applicable. Participating Eligible Holders will not be able to sell or otherwise transfer their interests in such tendered Existing Notes during such time.

***Eligible Holders are responsible for compliance with the exchange and transfer restrictions.***

Each Eligible Holder of the Existing Notes is referred to the restrictions herein relating to the Exchange Offer and any transfer of the New Notes. Non-compliance with these restrictions could result in, among other things, the rejection to exchange, unwinding of trades and/or heavy penalties.

***We did not perform any tax analysis regarding the tax consequences of the Exchange Offer to investors.***

This exchange offer memorandum does not discuss the tax consequences to Eligible Holders and beneficial owners of the Exchange Offer. Eligible Holders and beneficial owners are urged to consult their own independent financial or other professional advisors regarding possible tax consequences of the Exchange Offer (including the exchange of Existing Notes for New Notes) to them under the laws of any relevant jurisdiction. Such Eligible Holders and beneficial owners are liable for their own taxes and have no recourse to us, the Subsidiary Guarantors, the Dealer Manager, the Information and Exchange Agent and the Existing Notes Trustee, the New Notes Trustee, the Existing Notes Agents, the New Notes Agents or any of their respective affiliates, directors or advisors or agents with respect to taxes arising in connection with the Exchange Offer. For certain tax consequences of the ownership and disposition of the New Notes, see the section entitled “Taxation.”

## **RISKS RELATING TO OUR BUSINESS**

***We are susceptible to adverse movements in the PRC real estate market, particularly in Sichuan province and other regions where we plan to have property development projects.***

Our business and prospects heavily depend on the performance of the PRC property market, in particular property market in Sichuan province. As of December 31, 2021, we had 80 property development projects by our subsidiaries, joint ventures and associates in Sichuan province. We also intend to expand into more regional economic centers in China where opportunities arise, and will also continue to increase our investments into other regions, such as eastern China. Our profitability is correlated to the performance of the PRC real estate market, which is sensitive to economic fluctuations and closely monitored by the PRC Government. Any adverse movements in the prices, supply of or demand for properties in the PRC, particularly in cities where we have operations or intend to expand into, may have a material and adverse effect on our business, financial condition and results of operations.

The real estate market may be affected by local, regional, national and global factors beyond our control, such as speculative activities, financial conditions, government policies, natural disasters, epidemics and hostilities, among others. Given the fluctuations in demands for residential and commercial properties in China during the past few years, we cannot guarantee that the real estate market in provinces and cities where we have undertaken, or will undertake, property development projects will continue to grow or that market downturns will not occur. The rising demand for residential and commercial properties in China was also accompanied by fluctuations in property prices, raising concerns over the affordability of housing and the sustainability of the growth of the real estate market. The PRC Government has sought to stabilize the real estate market by promulgating various control measures. Such measures may materially and adversely affect our business and financial condition.

Since September 2021, there has been negative news relating to certain Chinese property companies including defaults on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in China. Such recent defaults make it difficult for Chinese property developers, management companies and potential property purchasers to obtain onshore and offshore financing, and result in very low market confidence in and very low demand for China real estate and increased market volatility. There is no guarantee that such situation will improve, and the property market may not continue to grow and may even experience significant contraction. In addition, there may be more developers who are unable to pay their debt when due and default on their indebtedness and we cannot assure you that we will be able to refinance our existing indebtedness and/or pay our debts when due.

***We may fail to identify desirable locations and acquire land use rights for future property development projects on commercially reasonable terms, or at all.***

We believe that our ability to identify desirable locations and acquire necessary land use rights is key to the sustainable growth of our business. We primarily acquire land use rights for our project through the public listings-for-sale, tender and auction process organized by relevant government authorities. We have set certain criteria for site selection, but there is no assurance that we will be able to consistently use on our knowledge of and experience in the PRC real estate market to identify desirable locations. We may also incur significant costs in identifying and acquiring suitable new land for development following our criteria.

Moreover, our success in carrying out these business operations may be subject to factors beyond our control, such as economic conditions and changes in the regulatory landscape in the PRC. The PRC Government may promulgate laws and regulations that effectively reduce the availability of new land suitable for development and hinder our ability to obtain land use rights, thereby intensifying competition between us adversely affect our business and financial condition.”

To the extent that we are unable to obtain land use rights on commercially reasonable terms or at all, we may fail to achieve higher returns on the sale and lease of our properties, and thereby experience material and adverse effects on our business, financial condition and results of operations.

***Our property projects concentrate in Sichuan province as we historically focused on this area, rendering us susceptible to adverse changes in real estate market of this area, and we may fail to successfully expand geographically by undertaking property development projects in provinces and cities in which we have no existing business operations.***

Our historical focus was primarily on the development of resident property projects in Sichuan province. As of December 31, 2021, we had 118 projects at various stages of development by our subsidiaries, joint ventures and associates with a total estimated GFA attributable to us of approximately 15.8 million sq.m., and 80 out of all 118 projects are located in Sichuan province. Our business and prospects therefore are highly dependent upon the performance of the property market in Sichuan province. As a result, we are exposed to a greater geographical concentration risk than some of our competitors in the PRC whose operations are more geographically diversified. For as long as our operations remain substantially concentrated in Sichuan province, if Sichuan province experiences any significant economic downturn due to imbalances in the local economy, disturbances in local financial markets, natural disasters, epidemic, hostilities or any other reason, or if more restrictive government policies on the property market are imposed in Sichuan province, or if the conditions of Sichuan province’s property market otherwise declines, our business, results of operations and financial condition may be materially and adversely affected.

In order to achieve sustainable growth, we also intend to expand into more regional economic centers in China where opportunities arise, and will also continue to increase our investments into other regions, such as eastern China. However, our experience as a property developer in our existing markets may not be applicable in new ones. We may expend time and resources in accumulating the experience and knowledge required to succeed, while facing competitors with greater capital resources, brand recognition and market expertise than we do. Competitive pressures may compel us to reduce prices and increase our costs, thus lowering our profit

margins. There is no guarantee that we will be able to pass any additional costs on to our customers. Moreover, expanding our geographical reach will divert management attention from our existing operations. There is no guarantee that we will be able to hire, train or retain sufficient talent to successfully implement our expansion plans. Any inability to compete effectively in new markets may materially and adversely affect our business, financial condition and results of operations.

***The timing of our property sales and progress of our property development projects may cause our results of operations to fluctuate from period to period, making it difficult to predict our future financial performance.***

We derived a substantial portion of our revenue from sale of our properties. Due to capital requirements for land acquisition and construction, limited land supply and the time required for completing a project, we can undertake only a limited number of property development projects at a time. Our results of operations are also affected by the demand for our properties and the price at which we are able to sell them. The demand for and pricing of the properties are in turn, to a large extent, affected by the general condition of the property market including any changes in connection with any negative news relating to the defaults of certain Chinese property companies. In addition, we generally recognize revenue once construction has been completed and a notice of delivery of the property has been issued to the buyer. The timing of completion and delivery for our properties generally depends on our construction timetables. It typically takes 20 to 24 months from our commencement of pre-sales to the construction completion and delivery of these properties. However, our construction timetable may be delayed or adversely affected by factors beyond our control, such as market or economic conditions, natural disasters, adverse weather conditions and delays in obtaining the requisite permits, licenses and certificates from the relevant government authorities. Thus, periods during which we make a significant number of pre-sales may not be periods during which we generate corresponding levels of revenue. This also had an impact on our operating cash flow and profit.

The combination of the above signifies that our results of operations may vary from period to period depending on the number of properties being delivered. Our results of operations may not be indicative of our future financial performance although they may influence our share prices. If our results of operations do not meet market expectations, we may experience material and adverse effects on our share prices, particularly as it may be difficult for investors to predict our future financial performance.

***We may fail to complete our property development projects on time, or at all.***

Property development projects typically require significant capital resources and a substantial amount of time may pass before they generate revenue. The progress of a property development project may be affected by various factors, which may include, among others:

- changes in market conditions, economic downturns and/or decline in customer interest;
- efficiency of third-party contractors;
- availability and cost of financing;
- delays in or failure to obtain the requisite permits, licenses and certificates from relevant government authorities;
- changes in government policies, rules or regulations;
- increases in the prices of our raw materials;
- shortages of materials, equipment, contractors and skilled labor;
- latent geographical or environmental conditions giving rise to the need to modify initial plans for our property development projects;

- unforeseen problems related to engineering and design;
- construction accidents, labor disputes and strikes;
- natural disasters or adverse weather conditions; and
- epidemics or pandemics, such as COVID-19.

Before we are affected by one or more of the above factors and must modify our plans, we may have already expended significant capital resources with little or no prospect of recovering or mitigating our losses. Substantial capital expenditures are generally incurred for business operations to do with land acquisition and construction. Construction itself may take longer than a year before we generate positive net cash flow through pre-sales, sales and leases. Consequently, any failure to complete property development projects on time or at all may adversely affect our business and results of operations. Our customers may be entitled to claim compensation for late delivery or terminate pre-sale agreements. We are also unable to guarantee that any legal proceedings or renegotiations resulting from delays or failures to deliver will have a favorable outcome. See “—We may be involved in claims, disputes and legal proceedings, which may adversely affect our financial condition, divert management attention and harm our reputation.” We may suffer material and adverse effects on our reputation and access to future business opportunities in the long term.

***We may not have adequate financing to fund our property development projects, and capital resources may not be available on favorable terms, or at all.***

Property development is capital intensive, with substantial capital investments made during stages such as land acquisition and construction. We fund our property development projects primarily through proceeds from pre-sales and sales, capital injection from shareholders and bank and other borrowings, including trust and other financings. We expect to continue funding our projects through these sources and to look for additional financing opportunities, such as corporate bonds or other debt offerings. However, we cannot guarantee that our capital resources will be sufficient, or that we will be always able to obtain additional external financing on favorable terms, or at all.

Our ability to obtain external financing may be subject to factors beyond our control, including, among others, general economic conditions, our financial performance and credit availability. The PRC government has implemented a number of measures to manage money supply growth and credit availability, especially with respect to the property development sector, which, among other things:

- adjusted the RMB deposit reserve ratio several times since 2010 and recently further adjusted it downward in May 2020;
- adjusted the benchmark one-year bank lending rate several times since 2008;
- require a minimum percentage of the total investment in a property project to be funded by the developer’s own capital;
- prohibit PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of villas;
- restrict PRC commercial banks from granting or extending revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;

- prohibit PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- prohibit PRC commercial banks from granting loans to development projects that fail to meet capital ratio requirements or lack the required government permits and certificates; and
- prohibit property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

See “Regulations.”

On March 17, 2018, the First Session of the thirteenth NPC approved the Reform Plan on State Council Agencies. On March 22, 2018, the State Council published the Notice on the Setup of Institutions (No. 6 [2018] of the State Council) announcing the merger of the CIRC and the CBRC into the CBIRC, which may lead to stricter and more unified supervision over financial institutions and may indirectly affect the real property industry and us. See “Regulations—Real Estate Financing.”

Additionally, we may also from time to time enter into trust financing arrangements with trust financing and asset management companies. The Implementing Measures for Administrative Licensing Matters for Trust Companies issued by China Banking and Insurance Regulatory Commission (《中國銀保監會信託公司行政許可事項實施辦法》) became effective on January 1, 2021. Under this Implementing Measures, Trust Companies was defined as financial institutions mainly engaged in trust business established according to the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Banking Regulatory Law of the People’s Republic of China (《中華人民共和國銀行業監督管理法》) and the Measures for the Administration of Trust Companies (《信託公司管理辦法》). From October 2008 to November 2010, the CBRC issued several regulatory notices in relation to real estate activities conducted by Trust Companies, including a Circular on Relevant Matters Regarding Strengthening the Supervision of the Real Estate and Securities Businesses of Trust Companies (《關於加強信託公司房地產、證券業務監管有關問題的通知》), promulgated by the CBRC on October 28, 2008 and became effective on the same date, pursuant to which Trust Companies are restricted from providing trust loans, in form or in nature, to property projects (except for affordable housing) that have not obtained the requisite land use rights certificates/real estate title certificates, construction land planning permits, construction work planning permits and construction work commencement permits and the property projects of which less than 35% of the total investment is funded by the property developers’ own capital. The 35% requirement was changed to 20% for affordable housing and ordinary commodity apartments, and to 30% for other property projects, as provided by the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》) issued by the State Council on May 25, 2009. Since trust financing and asset management companies are under the supervision and monitoring of the CBIRC pursuant to the Implementing Measures for Administrative Licensing Matters for Trust Companies issued by China Banking and Insurance Regulatory Commission (《中國銀保監會信託公司行政許可事項實施辦法》) and various regulations and policies promulgated thereunder, and are required to comply with all notices and regulations promulgated by the CBIRC, we cannot assure you that the PRC Government will not introduce additional measures that may restrict our access to capital resources and external financing. See “Regulations—Real Estate Financing—Trust and asset management financing.” Failure to secure sufficient capital resources or external financing on favorable terms, or at all, may hinder our ability to implement and complete our property development projects. We may thus experience material and adverse effects on our business and results of operations.

We cannot assure you that the PRC Government will not introduce additional measures that may restrict our access to capital resources and external financing. Failure to secure sufficient capital resources or external financing on favorable terms, or at all, may hinder our ability to implement and complete our property development projects. We may thus experience material and adverse effects on our business and results of operations.



Recent negative news relating to certain Chinese property companies has also had a significant effect on the property sector in China. Such recent defaults have an adverse impact on property sales in China and the ability of Chinese property companies to obtain onshore and offshore financing and/or refinance its existing indebtedness, including us. Meanwhile, the government may further restrict PRC commercial banks from extending loans to real estate developers in the future and may also further tighten alternative financing channels such as trust financing, mortgaging financing and borrowing from asset management companies and wealth management companies. The occurrence of any of such events may adversely affect our business, financial condition and results of operations.

***We may not be successful in managing our growth and business expansion.***

For the years ended December 31, 2019, 2020 and 2021, our revenue amounted to RMB7,568.2 million, RMB13,158.1 million and RMB15,054.7 million (US\$2,362.4 million), respectively, representing a CAGR of 41.0%. In order to continue to achieve sustainable growth, we need to continue to seek development opportunities in selected regions and cities in the PRC with the potential for growth. As of December 31, 2021, we had established presence in more than 30 cities in China with an aggregate total land bank attributable to us of approximately 15.8 million sq.m. These historical results should not be taken as indicative of our future performance. We may not be able to sustain our stable growth or may not even be able to grow our business at all.

As our business grows, we may face challenges not previously encountered, we may fail to recognize or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges for new projects or in new markets. In addition, business expansion requires a significant amount of capital and management resources. We may not be able to manage the growth in our workforce to match the expansion of our business, and accordingly, experience issues such as capital constraints, construction delays, and lack of skillful and qualified personnel. Moreover, expanding our business, particularly expanding our geographical reach, will divert management attention from our existing operations. There is no guarantee that we will be able to hire, train or retain sufficient talent to successfully implement our expansion plans. Expanding into new geographical locations also involve uncertainties and challenges as we may be less familiar with local regulatory practices and customs, customer preferences and behavior, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies in relevant sub-markets. See “—Our property projects concentrate in Sichuan province as we historically focused on this area, rendering us susceptible to adverse changes in real estate market of this area, and we may fail to successfully expand geographically by undertaking property development projects in provinces and cities in which we have no existing business operations.” Any of these issues could have a material adverse effect on our business, financial conditions, results of operations and prospects.

***We may fail to obtain or experience delays in obtaining the relevant PRC governmental approvals for our property development projects.***

We are required to obtain various permits, licenses and certificates throughout multiple stages of our property development projects, including but not limited to land use rights certificates/real estate title certificates, planning permits for construction land, planning permits for construction works, construction work commencement permits and pre-sale permits for commodity properties. In addition, entities engaged in real estate development are required to obtain a qualification certificate for real estate development enterprises. Those who engage in real estate development without obtaining qualification certificate will be ordered to cease development activities. Generally, these permits and qualification are only issued or renewed after certain conditions have been satisfied. We cannot assure you that we will not encounter obstacles toward fulfilling such conditions that delay us in obtaining, or result in our failure to obtain, the required approvals. Moreover, as the real estate industry is closely monitored by the PRC Government, we anticipate that new policies may be promulgated from time to time in relation to the conditions for issuance or renewal. We cannot guarantee that such new policies will not present unexpected obstacles toward our ability to obtain or renew the required permits, licenses and certificates or that we will be able to overcome these obstacles in a timely manner, or at all.

***We may be subject to sanctions by the PRC government if we fail to comply with relevant PRC laws and regulations or be subject to late payment fees if we breach the terms of the land grant contracts.***

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Moreover, under typical land grant contracts, any violation of payment schedule of land premium as stipulated under the land grant contracts may subject a developer to late payment fees or even result in termination of the land grant contracts.

Historically, for certain property development projects, we failed to make land premium payments as required by the payment schedules of relevant land grant contracts, and accordingly incurred contractual penalties thereof and did not obtain the relevant land use rights certificates/real estate title certificates within the expected time frame. We cannot assure you that we will not encounter similar problems with respect to continuing scheduled land premium payments, including the outstanding ones described above, going forward, for similar or other reasons. Moreover, some of our subsidiaries were not in compliance with certain construction related PRC laws and regulations, such as commencing construction works before obtaining the requisite construction work planning permit and construction work commencement permit. Although we have improved our internal control procedures, we cannot assure you that we will receive the various certificates, permits and qualification within the expected time frame, because the timing of issuance of such certificates, permits and qualification may be subject to factors out of our control, including the relevant government resettlement schedules, change of planning scheme and government policies. If we fail to receive or renewal such certificates, permits and qualification, our development schedule may be disrupted, which, in turn, may have a material and adverse effect on our business, results of operations and financial condition. See “Business—Our Property Development Management—Land Acquisition.”

***The total GFA of some of our developments may exceed the original permitted GFA and the excess GFA is subject to governmental approval and will require us to pay additional land premium.***

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction work planning permit, we may not be able to obtain the construction work completion and inspection acceptance certificate (竣工驗收備案表) for our project and, as a consequence, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional governmental approval, and the payment of additional land premium. If issues related to excess GFA cause delays in the delivery of our products, we may also be subject to liability to purchasers under our sales and purchase agreements. Historically, incidents occurred where the GFA of the properties we developed did not strictly conform to the approved plans as set out in relevant construction work planning permits. Such incidents had not resulted in any material non-compliance, and did not have any material adverse impact on our operations. We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA, or that the authorities will determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to take any remedial action that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, results of operations and financial condition.



***We are exposed to contractual and legal risks related to pre-sales.***

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and the relevant PRC laws and regulations provide remedies for breach of these undertakings. For example, should we fail to complete pre-sold properties on time, we may be liable to our customers for late delivery. If we fail to complete and deliver a pre-sold property on time, our purchasers are entitled to claim compensation for late delivery under either their contracts with us or the relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and bring claims for additional compensation. We recorded contract liabilities of RMB15,398.3 million, RMB21,593.0 million and RMB25,557.1 million (US\$4,010.5 million), respectively, as of December 31, 2019, 2020 and 2021, which mainly represented the sales proceeds received from our property purchasers in connection with our pre-sale of properties. Such contract liabilities will not be recognized as revenue until the control of the pre-sold properties is transferred to the customer. We may experience delay in delivery of properties or obtaining relevant property ownership certificates for the purchasers, and accordingly may be involved in actions brought against us by property purchasers claiming compensation in this regard and incur damages thereof. In addition, purchaser may also terminate his or her contract with us and/or bring claims for compensation if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit as set out in the contract. We cannot guarantee that such instances will not occur going forward, particularly as they may be due to factors beyond our control. In the event that multiple projects are delayed at a time and we are forced to delay the implementation of our plans, we may experience material and adverse effects on our business and results of operations.

Additionally, we make certain warranties as to the quality of our properties in accordance with the “Administration Ordinance on Development and Operation of Urban Real Estate” (城市房地產開發經營管理條例) which became effective on July 20, 1998 and was amended with effect on November 29, 2020, as well as the “Regulations on the Administration of Quality of Construction Works” (建設工程質量管理條例) which became effective on January 30, 2000 and was further amended with effect on April 23, 2019. Customers may allege that we did not fulfill our representations and warranties in the planning and development of our property development projects. See “Regulations.” In dealing with such occurrences, we may suffer damage to our brand value as well as monetary losses.

***We are susceptible to the effects that interest rate hikes may have on our customers’ mortgage rates and our financing costs.***

Changes in interest rates generally affect our customers’ mortgage rates and our financing costs. In the wake of the financial crisis, the PBOC began adjusting benchmark interest rates from June 2012 onwards. For example, on June 6, 2012, China’s benchmark one-year lending rate was lowered to 6.00% from 6.31% on June 8, 2012; it was lowered several more times until it reached 4.35% on October 24, 2015. While the PRC economy grows and the U.S. Federal Reserve benchmark interest rates fluctuated, we anticipate that the PBOC may adjust benchmark interest rates accordingly. Any hike in benchmark interest rates is likely to increase our customer’s mortgage rates and our financing costs. According to the Announcement of the People’s Bank of China [2019] No.30 — Announcement on Matters relating to the Conversion of the Pricing Benchmark of Existing Floating Rate Loans to Loan Prime Rate, as of March 1, 2020, financial institutions shall negotiate with customers of existing floating rate loans in regard to the pricing benchmark conversion terms, converting the pricing method agreed in the original contract to using Loan Prime Rate as the pricing benchmark plus points (including negative-value points). Increases in mortgage rates may slow growth in the real estate market, while increases in our financing costs may materially and adversely affect our results of operations.

***We rely on third-party contractors during the construction stage of our property development projects, who may not perform in accordance with our expectations.***

We engage third-party contractors to provide various services, including the construction of our property development project. We generally select third-party contractors based on factors such as market reputation, qualifications, prices and track record. Our contractors are also generally responsible for procuring construction materials. However, we cannot guarantee that the services rendered or construction materials provided will always meet our expectations. For example, in the event that our contractors fail to deliver properties that are safe for habitation or use on schedule, this may affect our own timelines for delivery to our customers. There can also be no assurance that our contractors will not encounter financial or other difficulties that cause delays, create quality defects or force them to stop working altogether. See “— We may fail to complete our property development projects on time, or at all.” It is possible that we do not discover quality defects until after delivery and there is resulting damage to person or property. In addition, under our typical construction contracts, we require our contractors to strictly comply with the relevant rules and regulations including environmental, labor, social and safety regulations to minimize our risks and liabilities. See “Business—Our Property Development Management—Construction and Procurement—Appointment of construction contractors.” We may incur additional costs while taking remedial measures such as replacing contractors, purchasing new construction materials and paying compensation. Any or all of them may materially and adversely affect our business, results of operations, market reputation and access to future business opportunities.

***Actual development costs for our property development projects may deviate from our initial estimates.***

We prepare a budget prior to commencing our property development projects, taking into account of costs to acquire land, construction cost and borrowing, among others. While we have internal procedures to monitor development costs for our property development projects, factors beyond our control may force us to deviate from our plans. For example, we expect that our construction costs will increase and that interest rates may rise. See “— We may experience fluctuations in our construction costs” and “— We are susceptible to the effects that interest rate hikes may have on our customers’ mortgage rates and our financing costs.” Additionally, the PRC Government closely monitors the PRC real estate industry and modifies the regulatory landscape from time to time. For example, it may impose additional conditions for issuance or renewal of certain permits, licenses and certificates required at various stages of our property development projects. We may experience delays and cost increases while seeking to meet the new conditions in a timely and effective manner. As we cannot anticipate when or what new policies will be promulgated, our ability to make appropriate provision beforehand is limited. Substantial increases in our development costs may lead to lower profit margins and therefore materially and adversely affect our results of operations.

***The actual realizable value of our properties may be substantially lower than their appraisal value and is subject to change.***

The appraisal value of our properties are based on multiple assumptions with subjective and uncertain elements, which include, among others, that:

- we will complete property development projects on time;
- we have obtained or will obtain on a timely basis all licenses and approvals necessary for carrying out our property development projects;
- we have paid all land premium payments and other costs such as resettlement and ancillary utilities services in full and there is no requirement for payment of any further land premium or other onerous payments to the government; and
- our properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

The appraisal value of our properties should not be taken as their actual realizable value or a forecast of their actual realizable value. The value of our properties may be affected by unforeseen occurrences stalling the progress of our property development projects as well as national and local economic conditions. The value of our properties may stagnate or decrease if the market for comparable properties in China was experiencing a downturn as a result of PRC government tightening measures on the property sector, any continued effect of the adverse macroeconomic environment or other reasons. See “—We are susceptible to adverse movements in the PRC real estate market, particularly in Sichuan province and other regions where we plan to have property development projects.” In the event that any of the assumptions are proven false, and therefore lower the actual realizable value of our properties, we may experience material and adverse effects on our business, financial condition and results of operations.

***Impairment losses for properties under development and completed properties held for sale may adversely affect our financial position.***

Impairment loss for a property may arise when its carrying value exceeds its recoverable amount. The real estate market volatility may subject us to risks in connection with possible impairment loss for properties under development before we complete the construction, as well as completed properties held for sale, before we sell the properties at our desired prices. We recorded impairment losses for completed properties held for sale in the amount of RMB24.1 million (US\$3.8 million) in 2021. We cannot assure you that we will not incur any impairment losses for properties under development or completed properties held for sale in the future. If we incur impairment losses or experience increases in impairment losses for properties under development or completed properties held for sale, our results of operation and financial position may be adversely affected.

***Our commercial property operations might subject us to a variety of risks.***

Our commercial property operations constitute integral parts of our business and turnover. We are subject to risks incidental to the ownership and operation of commercial properties, including volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from on-going maintenance and repair and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. In certain circumstances, such as during the COVID-19 pandemic, our tenants may request us to waive rents for a certain period of time. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or increase rental rates to a level of the then prevailing market rate, or at all, upon the expiry of the existing terms. Likewise, we may not be able to enter into new leases at rental rates as expected. All these factors could negatively affect the demand for our investment properties, and as a result, decrease revenue from our commercial property operations, which may have an adverse effect on our business, financial condition and results of operations.

Furthermore, there are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties’ intellectual property or other rights by our tenants) taking place in public places, such as shopping malls. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment properties could adversely affect our reputation among customers and guests, harm our brand, decrease our overall rents and occupancy rates and increase our costs by requiring us to implement additional safeguard measures. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties, we may be held liable for costs, damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

***Certain portions of our property development projects and investment properties are designated as civil air defense properties.***

According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defense purposes in times of war. Under the PRC Civil Air Defense Law (中華人民共和國人民防空法) promulgated by the NPC on October 29, 1996, as amended on August 27, 2009 and Management Measures for Peacetime Development and Usage of Civil Air Defense Properties (人民防空工程平時開發利用管理辦法) promulgated by the State Civil Air Defense Office (國家人民防空辦公室) in November 2001, a developer can manage and use such areas designated as civil air defense properties at other time and generate profits from such use.

Historically, we had entered into contracts to lease civil air defense properties in our property development projects to our customers as car parks and we intend to continue such lease. However, in times of war, such areas may be used by the government at no cost. In the event of war and if the civil air defense area of our projects is used by the public, we may not be able to use such area as car parks, and such area will no longer be a source of our revenue. In addition, while our business operations have complied with the laws and regulations on civil air defense property in all material aspects, we cannot assure you that such laws and regulations will not be amended in the future which may make it more burdensome for us to comply with and increase our compliance cost.

***We may be subject to fines due to the lack of registration of our leases.***

Pursuant to the Measures for Administration of Lease of Commodity Properties (商品房屋租賃管理辦法), which was promulgated by MOHURD on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the date of this exchange offer memorandum, we failed to register certain lease agreements. We may be required by relevant government authorities to file the lease agreements for registration within a time limit, and may be subject to a fine for non-registration exceeding such time limit, which may range from RMB1,000 to RMB10,000 subject to the discretion of the government authorities.

***We may experience fluctuations in our construction costs.***

We believe that our ability to control construction costs is key to our continued success. Our construction costs primarily relate to the costs of employing our contractors and the prices for our construction materials. As living standards in China improve and the PRC Government seeks to increase the wages of migrant workers, we expect that the costs of employing our contractors will continue growing going forward. Furthermore, we rely on our contractors to procure construction materials such as steel and cement, and are generally obliged to increase payments to them in the event that the market prices of construction materials fluctuate beyond a pre-determined range. There can be no assurance that we will be able to obtain construction materials on favorable terms or at all, or that shortages or disruptions in supply will not occur in the future. Prices for steel, cement and commercial concrete were volatile in the past. Significant price increases lead to higher cost of sales, and there is no guarantee that we will be able to obtain alternative supplies of construction materials of similar quantity or quality in a timely manner, or at all. We cannot guarantee that we will be able to limit our exposure to price fluctuations or pass on additional costs to our customers. Our ability to pass on additional costs to our customers is limited as our costs may increase after we have pre-sold properties to customers, but before their completion. Failure to manage our construction costs may materially and adversely affect our business and results of operations.

***We rely on property agents to sell and market our property development projects, who may not perform in accordance with our expectations.***

Historically, we have relied on and will continue to rely on property agents to sell and market our property development projects. We select and employ property agents based on factors such as market reputation, qualifications, professionalization, prices and track record. As the property agents we employ are independent third-parties, we cannot assure you that they have complied in all material respects with PRC laws and regulations relevant to property sales. For instance, the property agents may charge extra fees on top of the sales price in violation of relevant laws and regulations. In the event that our property agents fail to comply with such PRC laws and regulations, particularly in relation to representations and warranties or sales and marketing campaigns, we may suffer material and adverse effects on our brand value. We may also lose a portion of our customers and therefore our market share in the long term. We cannot guarantee that we can always properly and effectively manage our sales office fully in accordance with the relevant laws and regulations. Additionally, there is no guarantee that our property agents will perform up to our standards of professionalism and effectiveness. We may suffer material and adverse effects on our business and results of operations, as well as incur additional costs while seeking to replace property agents unsuited to the task of selling and marketing our properties.

***The illiquid nature of property limits our ability to respond to any adverse movements in the performance of our investment portfolio.***

We hold certain high-quality properties for investment purposes, strategically selecting them based on their potential for appreciation in value and revenue from commercial property operations and for the development of our business. However, the performance of the real estate market is affected by several factors, many of which are beyond our control. See “—We are susceptible to adverse movements in the PRC real estate market, particularly in Sichuan province and other regions where we plan to have property development projects.” As of December 31, 2021, we had investment properties amount to RMB4,337.4 million (US\$680.6 million). Our investment property portfolio may increase in the future. The fair value of our investment properties is likely to fluctuate from time to time and such fluctuations make it difficult to predict our future performance. As property investments are inherently illiquid, our ability to sell our properties in response to global, national, regional and/or local conditions, financial or otherwise, is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find purchasers to purchase such investment properties. In addition, should we decide to sell an investment property that is subject to a lease agreement, we may have to obtain consent from or pay termination fees to tenants. We may also need to incur capital expenditure to manage and maintain our properties, or to correct defects or make improvements to these properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all. Furthermore, our ability to convert any of our investment properties to alternative uses is limited as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that such approvals and financing can be obtained when needed. In such circumstances, we may suffer material and adverse effects on our business and financial condition, particularly as we may have expended significant capital resources in building up our investment portfolio.

***The fair value of our investment properties may fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability.***

The fair value of our investment properties may fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability. We are required to reassess the fair value of our investment properties at the end of each reporting period. Our investment properties were valued by an independent property valuer, on an open market and existing use basis, which reflected market conditions on the respective dates. Such investment properties are measured at fair value with significant unobservable inputs used in the valuation techniques. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of



profit or loss and other comprehensive income for the period in which they arise, therefore directly affecting our results of operations. Based on such valuation, we recognized the aggregate fair value of our investment properties and the relevant deferred tax on our consolidated statements of financial position. In 2019 and 2021, our fair value gains on investment properties were RMB160.8 million and RMB2.0 million (US\$0.3 million), respectively. We recorded fair value losses on investment properties in the amount of approximately RMB49.3 million for the year ended December 31, 2020.

Despite the impact on the results of operations, fair value gains or losses do not change our cash position as long as the relevant investment properties are held by us. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each reporting period. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. As a result, we cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties or that the fair value of our investment properties will not decrease in the future. In addition, the fair value of our investment properties may materially differ from the amounts we would receive in actual sale of the investment properties. Any significant decreases in the fair value of our investment properties or any significant deviation in the amount we receive in actual sale of the investment properties as compared with the recorded fair value of such properties would materially and adversely impact our results of operations.

***We guarantee the mortgage loans provided by financial institutions to our customers and consequently, we are liable to the mortgagees if our customers default.***

Our customers may apply for mortgage loans to purchase our properties. As consistent with market practice, we guarantee these mortgage loans for purchasers up until (i) we complete the relevant properties and the property ownership certificates and the mortgage loans are registered in favor of the mortgagee bank or (ii) the settlement of mortgage loans between the mortgagee bank and the purchaser, whichever is earlier. The guarantee period may range from one to three years.

The guarantees cover the full value of mortgage loans that purchasers of our properties have obtained to finance their purchases and any additional payments or penalties imposed by mortgagee banks for any defaults in mortgage payments by the purchasers. We generally deposit with the mortgage bank a sum equal to or less than five percent of the mortgage amount. In the event that a customer defaults on the mortgage payment, the mortgage bank may deduct the deposited sum from the payment due and demand our immediate payment of the outstanding balance. Once we have satisfied our obligations under the guarantee, the bank would then assign its rights under the mortgage to us and we would have full recourse to the property.

As we generally rely on credit assessments conducted by banks on our customers in making our guarantees, we cannot guarantee that they will be sufficiently extensive. Yet even if we were to conduct our own, we cannot guarantee that one or more of our customers will not default on us going forward, particularly as there is limited financial or public information on many of them. There can also be no assurance that we will be able to estimate and make appropriate provision for defaults. As of December 31, 2019, 2020 and 2021, our outstanding guarantees over the mortgage loans of our customers amounted to RMB8,882.0 million, RMB11,594.3 million and RMB17,686.6 million (US\$2,775.4 million), respectively. Historically, we experienced defaults by customers during the period that we guarantee these mortgage loans, though such defaults did not have any material adverse effect on our business or financial positions. We cannot assure you that defaults by our customers during our guarantee period will not occur in the future. Furthermore, it is possible that global, national, regional or local financial conditions may result in multiple defaults in close succession; in the event that several guarantee payment obligations arise at a time, we may experience material and adverse effects on our business, financial condition and results of operations, especially if the market value of our properties depreciates substantially or the prevailing conditions prevent us from reselling our properties on favorable terms.

***We may fail to make sufficient provision for LAT.***

Properties that we develop for sale are subject to a Land Appreciation Tax (“LAT”). Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciated value of the properties. LAT is calculated based on the proceeds received from the sale of properties less deductible expenditures. We make provision for the estimated full amount of applicable LAT in accordance with relevant PRC tax laws and regulations. Our estimates are based on, among other factors, our own apportionment of deductible expenses, which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT.

We only prepay a portion of our provision for the estimated LAT each year as required by local tax authorities. For the year ended December 31, 2019, 2020 and 2021, we made provision for LAT in the amount of RMB218.3 million, RMB493.2 million and RMB221.3 million (US\$34.7 million), respectively. As of the date of this exchange offer memorandum, we had not had any material disagreements with the relevant authorities respecting our LAT calculations. However, we cannot assure you that this will always be the case going forward. The relevant authorities may conclude that we are liable for more substantial LAT payments with respect to past liabilities and present obligations. We may experience material and adverse effects on our cash flow, financial condition and results of operations while seeking to pay the shortfall amount to relevant authorities, which may in turn lead to restrictions on our ability to implement our business strategies.

***Future investments or acquisitions may have a material adverse effect on our ability to manage our business.***

We may make strategic investments or acquisitions from time to time. However, our success in such ventures depend on our ability to identify suitable acquisition targets, obtain financing on favorable terms and acquire the necessary regulatory approvals. In the event that we are unable to make, or are restricted from making, such strategic investments or acquisitions due to regulatory, financial or other constraints, we may not be able to effectively implement our business strategies.

Acquisitions typically involve a number of risks that may lead to material and adverse effects on our business, financial condition and results of operations. These may include, among others:

- failure to identify suitable targets;
- difficulties with integrating the operations and personnel of the target corporation with our own;
- potential disruption to our business operations and the diversion of management attention;
- dilution of our shareholders, in the event that we seek and obtain additional equity financing;
- failures to detect non-compliance incidents and financial or other issues during our due diligence procedures; and
- failures to reap the expected benefits of the acquisition and take advantage of potential synergies, to the detriment of our own financial well-being.

***Failure to protect our intellectual property rights may materially and adversely affect our brand value.***

We rely on our trade name and trademarks “領地 | LEAPING” to build brand value and recognition, which we believe are integral to consolidating and building our market presence. However, brand value is based largely on public perception. It may diminish in the event that we fail to deliver properties that are safe for habitation, are subjected to negative publicity, offer consistently negative experiences to customers or third parties that deal with us or are perceived as unethical or socially irresponsible. Even isolated incidents may lower market trust and reduce demand for our properties in the long term.



In addition, our efforts to protect our brand name may not be adequate. In particular, we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. Any unauthorized use or infringement of our trade name or trademarks may impair our brand value and recognition. Third parties may use our intellectual property in ways that damage our reputation in the real estate industry. We cannot guarantee that our measures to protect our intellectual property will be sufficient.

We primarily rely on trademark and copyright law with our employees, customers and business partners to protect our intellectual property rights. See “Business—Intellectual Property.” Despite the precautions taken, there can be no assurance that we will be able to detect all misappropriation or unauthorized use of our trade name and trademarks in a timely manner, or at all. There is also no guarantee that we will be successful in any enforcement proceedings that we undertake. Litigation to protect our intellectual property may be time-consuming, costly and divert management attention from our operations. We may experience material and adverse effects on our business and financial condition in the short term, while failures to protect our intellectual property rights may diminish our competitiveness and market share in the long term.

***Compliance with PRC laws and regulations regarding environmental protection and the preservation of antiquities and monuments may delay the progress of our property development projects and create additional costs.***

We are subject to various laws and regulations concerning environmental protection and the preservation of antiquities and monuments, which effectively prohibit and restrict property development in certain regions. See “Regulations.” While navigating this regulatory regime, we may incur additional compliance costs, leading to lower profit margins and material and adverse effects on our results of operations. We may also be forced to delay our construction plans and fail to complete properties on time, suffering damage to our reputation and access to future business opportunities. See “—We may fail to complete our property development projects on time, or at all.”

As required by PRC laws and regulations, property projects with a GFA in excess of 50,000 sq.m. or in environmentally sensitive regions are required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. For other property projects, we are required to file the environmental impact registration form for approval. If we fail to meet such requirements, the local authorities may impose penalties ranging from 1% to 5% of the total investment of the pertinent property project, issue orders to reinstate, and impose administrative sanctions to the persons directly in charge of the construction unit as well as other persons directly responsible. We cannot assure you that we will be able to comply with all such requirements. In addition, it is possible that the environmental assessments conducted may not reveal all environmental issues or their full extent, and there may be material environmental liabilities of which we are unaware. In the event of a suspension of construction and/or imposition of a fine as a result of our non-compliance, our financial condition may be materially and adversely affected.

As environmental awareness grows in China, we anticipate that the PRC Government will continue to promulgate increasingly stringent environmental laws and regulations. We also believe that we, and our environmental impact assessment reports, will be evaluated against higher standards for compliance with the regulatory regime. We anticipate that these developments will increase our project development costs in general. Moreover, should the public perceive us as socially irresponsible on environmental issues, the consequent damage to our reputation may diminish our brand value. See “—Failure to protect our intellectual property rights may materially and adversely affect our brand value.”

***Our success depends on our ability to retain members of our senior management team and key personnel.***

Our continuing and future success depends on the efforts of our senior management team. As they possess industry expertise, know-how or experience in key areas such as construction management, design and sales and marketing, losing their services may have a material and adverse effect on our ability to grow

and sustain our business. For example, we currently rely on Mr. Liu Yuhui, our chairman of the Board, executive Director, and chief executive officer, to oversee our business development, formulation and implementation of business strategies. Members of our senior management team collectively have an average of approximately over 10 years in the real estate industry. See “Management.” Should any or all members of our senior management team join or form a competing business with their expertise, business relationships and full knowledge of our business operations, we may not be able to estimate the extent of and compensate for such damage. Unexpected resignations may also leave key operations without supervisors and materially and adversely affect the implementation of our business strategies. In addition, we rely on our experienced employees, including capital management, financing, human resources, strategic investment and marketing personnel, for our daily operation and business expansion. There can be no assurance that we will be able to recruit personnel with equivalent qualifications in a timely manner or at all, as competition for experienced management is fierce in our industry, particularly in cities where we have operations.

***We may be involved in claims, disputes and legal proceedings, which may adversely affect our financial condition, divert management attention and harm our reputation.***

We may be directly or indirectly involved in claims, disputes and legal proceedings with various parties involved in our property development projects and operation, such as contractors, regulatory bodies, business partners and customers. These claims, disputes and legal proceedings may relate to, among other issues, contractual warranty disputes, employment and intellectual property. For example, earlier purchasers of our properties may allege that we did not fulfill our representations and warranties in the subsequent planning and development of our property development projects. See “—We are exposed to contractual and legal risks related to pre-sales.” In 2019, 2020 and 2021, we were not involved in any lawsuit that have a material adverse effect on our business, financial condition and results of operations. However, we cannot assure you that we will not be involved in any major legal proceedings in the future. Any claims, disputes and legal proceedings brought against us, with or without merit, could result in substantial costs and divert capital resources and management attention. We may suffer damage to our reputation regardless of whether we prevail, leading to material and adverse effects on our business and brand value.

***Our insurance coverage may not sufficiently cover the risks related to our business.***

We purchase and maintain insurance policies that we believe are customary with the standard commercial practice in our industry and as required under the relevant laws and regulations. In addition, we require the general contractors of our development projects to maintain insurance policy in accordance with contracting agreements. See “Business—Insurance.” However, we cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with customary practice in China, we do not carry any business interruption insurance or litigation insurance. Moreover, we do not insure our property development projects against disruptions or damage caused by natural disasters, wars, civil unrest, acts of terrorism and other instances giving rise to force majeure. We may be required to bear our losses to the extent that our insurance coverage is insufficient. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, and thereby materially and adversely affect our financial condition and results of operations.

***We may experience failures in or disruptions to our information technology systems.***

We rely on our information technology systems to manage key operational functions such as processing financial data, approving disbursement and coordinating business operations between subsidiaries. However, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information systems will not occur going forward. We may incur significant costs in restoring any damaged information technology systems. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers and sales. We may thus experience material and adverse effects on our business and results of operations.

***We have indebtedness and may incur additional indebtedness in the future, which may materially and adversely affect our financial condition and results of operations.***

We maintain a substantial level of borrowings to finance our operations. As of December 31, 2019, 2020 and 2021, our total interest-bearing bank and other borrowings amounted to approximately RMB7,853.8 million, RMB11,755.2 million, RMB14,257.4 million and RMB11,017.7 million (US\$1,728.9 million), respectively. We may from time to time in the future consider debt financing opportunities to refinance our existing loans and to support our business expansion.

Our indebtedness could have an adverse effect on us, for example by: (i) increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; and (ii) limiting our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate. We have indebtedness and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our existing and future debt obligations.

In addition, we are subject to certain restrictive covenants under the terms of our borrowings, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among others, incur additional debt, provide loans or guarantees, provide security and quasi-security, incur liens, dispose of material assets through sale, lease or other methods, pay dividends or distributions on certain of our subsidiaries' capital stock, repay or transfer certain indebtedness, reduce registered capital, make investments and acquisitions, establish joint ventures, conduct mergers, consolidation and other change-of-control transactions, and file for bankruptcy or dissolution. In addition, some of the loans may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-asset ratio or minimum profitability levels during the term of the loans.

Moreover, our trust and other financings are generally secured by our equity interests in the relevant project subsidiaries, and/or land use rights or development projects. If we default and cannot repay all of the secured indebtedness, we may lose part or all of our equity interests in these project subsidiaries, our proportionate share of the asset value of the relevant property projects, land use rights or our development projects.

In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development, which could intensify the risks we face as a result of our indebtedness.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulations, the demand for properties in the regions we operate and other factors, many of which are beyond our control. We may not generate sufficient cash flow to pay our anticipated operating expenses and to service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking equity capital. If we are unable to fulfill our repayment obligations under our borrowings, or are otherwise unable to comply with the restrictions and covenants in our current or future financing agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders may demand for early repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clause may also be triggered as a result. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favorable or acceptable to us. As a result, our cash flow, cash available for distributions, financial condition and results of operations may be materially and adversely affected.

***We are a holding company and rely primarily on dividends paid by our subsidiaries, joint ventures and associates to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries, joint ventures or associates to pay dividends to us could have a material adverse effect on our ability to conduct our business.***

We are a holding company incorporated in the Cayman Islands and operate our businesses through our operating subsidiaries, joint ventures and associates in the PRC. Therefore, the availability of funds to satisfy our obligations, including our obligations under the New Notes, largely depends upon dividends received from these subsidiaries, joint ventures, and associates. If our subsidiaries, joint ventures and associates incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted.

According to the PRC laws and regulations, companies may only pay dividends out of distributable profits, which are net profit of our PRC subsidiaries as determined in accordance with PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC subsidiaries are required to make. Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. Failure by our operating subsidiaries in the PRC to pay dividends to us could have a negative impact on our cash flow and our ability to satisfy our obligations, including our obligations under the New Notes in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Furthermore, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to satisfy our obligations, including our obligations under the New Notes.

In addition, under the EIT Law, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT Law, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

Lastly, substantially all of our revenue is denominated in Renminbi. Currently, the Renminbi cannot be freely converted into foreign currencies, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to pay dividends or other payments to us or satisfy other foreign currency-denominated obligations, if any. Under existing PRC foreign exchange regulations, the Renminbi is convertible without prior approval from SAFE for current account transactions so long as certain procedures are complied with. Examples of such current account transactions include profit distributions and interest payments. However, prior approval and registration with SAFE is required for capital account transactions. Examples of capital account transactions include foreign direct investment and the repayment of loan principal. There can be no assurance that the PRC Government, in seeking to regulate the economy, will not restrict access to foreign currencies for current account transactions in the future. Such restrictions may limit our ability to convert cash from our operating activities into foreign currencies to make dividend payments or satisfy any foreign currency-denominated obligations we may have.

***There are uncertainties about the recoverability of our deferred tax assets, which could adversely affect our results of operations.***

We recorded deferred tax assets of RMB676.1 million, RMB983.6 million and RMB1,192.0 million (US\$187.1 million), respectively, as of December 31, 2019, 2020 and 2021. We periodically assess the

probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings could be accurate due to certain factors beyond our control, such as macro economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

## **RISKS RELATING TO THE PROPERTY INDUSTRY IN CHINA**

***The real estate industry is closely monitored by the PRC Government and we may fail to adapt to new laws and regulations in ways that are profitable to our business.***

The PRC Government closely monitors the real estate industry and promulgates new laws and regulations that are relevant to our business from time to time. The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as reducing the land available for property development, setting interest rate, setting pre-sale unit price, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing foreign exchange restrictions on foreign investment and financing. Such policies, which may be introduced to curb overheating in the real estate industry, may reduce market demand for our properties.

Laws and regulations promulgated to regulate other sectors of the economy may also indirectly affect our industry; for example, the PRC Government may raise benchmark interest rates in parallel with national economic growth. This could effectively increase mortgage rates for our customers and our financing costs. See “—Risks Relating to Our Business—We are susceptible to the effects that interest rate hikes may have on our customers’ mortgage rates and our financing costs.”

There can also be no assurance that the PRC Government will relax the current restrictive measures, nor can we assure that the PRC Government will not promulgate and enhance restrictive measures in the future. We currently do not expect material adverse impact on our general operation from the above restrictive measures because our strict control of land cost and our target customers, first-time home buyer and home upgrade buyer, are less impacted by the restrictive measure. If we fail to adapt to new laws, regulations and measures that may come into effect from time to time with adverse impact on our business, our financial condition, results of operations and prospects may be materially and adversely affected.

***The PRC government may adopt more strict measures to regulate the property sector.***

Investments in the PRC property sector have increased significantly in the past decade. In response to concerns over the rapid increase in property investments and property prices, from 2004 to the first half of 2008, the PRC government introduced various policies and measures to curtail property developments. In the second half of 2008 and in 2009, in order to combat the impact of the global economic slowdown, the PRC government adopted measures to encourage consumption in the residential property market and to support real estate development. However, since December 2009, the PRC government has adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities, including:

- abolishing certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;
- requiring higher minimum down payment, granting the right to commercial banks to stop lending, punishing speculative developers and requiring mandatory disclosure of property ownership;
- imposing property purchase restrictions on non-local residents, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers, and increasing mortgage interest rates and construction loan interest rates;



- restricting purchasers from purchasing and owning more than one residential properties, and in certain cities imposing property purchase restrictions on non-local residents that cannot provide any proof of local tax or social security payments for more than a specified time period;
- Under the guidance of the “Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities” (國務院關於堅決遏制部分城市房價過快上漲的通知) in April 2010, most of the first- and second-tier cities adopted the relevant local regulations in restricting the maximum number of properties each resident is allowed to purchase;
- launching new property tax schemes in certain cities on a trial basis, and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase.

In August 2011, MOHURD urged provincial governments to implement home purchase restrictions to control property prices, and listed criteria for the implementation of restrictions. In the second half of 2011, in order to further cool down the property market, the PRC government extended home purchase restrictions to certain second- and third-tier cities in addition to 40 first- and second- tier cities that had already adopted home purchase restriction measures.

On February 26, 2013, the General Office of the State Council issued the Notice on Further Regulating Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among other things, that a 20% individual income tax should be levied on the difference between the sale proceeds and the purchase price for the owner’s transfer of residence. At the end of 2013, a new round of policies aimed at promoting affordable housing and discouraging speculative investments in residential properties was announced in a number of large Chinese cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Zhengzhou, Nanchang, Fuzhou, Xiamen, Nanjing and Hangzhou. However, home purchase restriction policies have been relaxed recently.

On April 1, 2017, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development issued the Notice of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知). According to the Notice, cities facing serious demand over supply and overheating market shall increase the supply of housing land to maintain a housing supply-demand balance, especially for ordinary commercial houses; and cities with excessive housing supply shall reduce or suspend the land supply for housing. All the local governments shall build an inspection system to monitor the source of funds for land acquisition to ensure that the real estate developers use their own funds to purchase lands.

In July 2017, NDRC, CSRC, Ministry of Finance, Ministry of Housing and Urban-Rural Development, Ministry of Public Security, MLR, SAT, SAIC and PBOC jointly issued the Notice on Accelerating the Development of Renting Market in Large and Medium-sized Cities with Influx Population (關於在人口淨流入的大中城市加快發展住房租賃市場的通知), promoting the development of renting market through multiple channels, such as increasing the land banks to be granted for renting houses, encouraging the ancillary renting houses in new commodity properties. The promotion on renting market may adversely impact property sales.

In August 2020, MOHURD and PBOC have held a joint meeting to communicate with key real estate enterprises and other relevant governmental departments. In the meeting, it is announced that MOHURD and PBOC, jointly with other relevant governmental departments, have formulated rules for fund monitoring and financing administration of key real estate enterprises to establish a more market-oriented, rule-based and transparent administration over the financing by real estate enterprises. The “Three Red Lines” policy was set up in relation to financings for real estate enterprises. The “Three Red Lines” refers to the financial performance of a real estate enterprise: (1) liabilities to assets ratio after excluding the advances received shall not exceed 70 per cent.; (2) net debt to equity ratio shall not be greater than 100 per cent.; and (3) cash

to short term borrowing ratio shall not be less than 1. Availability of financing for property developers may be restricted if they do not meet such ratios.

On January 1, 2021, PBOC jointly issued the Notice on Preventing the Illegal Flow of Loans for Business Purposes into the Real Estate Sector (關於防止經營用途貸款違規流入房地產領域的通知), pursuant to which, in order to prevent business-use loans from illegally flowing into the real estate sector, and to support the development of the real economy, some measures, such as strengthening borrower qualification verification, strengthening credit demand review, strengthening loan term management, strengthening loan collateral management, strengthening post-loan management and etc, will be adopted and implemented. All banking and insurance regulatory bureaus, local housing and urban-rural construction departments, and branches of the PBOC shall jointly carry out a special investigation on the illegal flow of business-use loans into real estate, complete the investigation before May 31, 2021, and increase supervision and rectification of illegal problems and penalties. See “Regulations” for further details.

According to public media reports, on August 21, 2021, the Ministry of Natural Resources and other relevant governmental departments have held a joint meeting to impose conditions on granting state-owned land use rights to property developers, including setting price ceiling and requiring property developers to retain a portion of the property developed. No official announcement was published as of the date of this exchange offer memorandum and our ability to raise capital for business operation and expansion may be adversely affected if the PRC government officially imposes further conditions for land bidding, auction or listing for sale.

We cannot assure you that the PRC government, in particular local government where we have operations, will not adopt more stringent policies, regulations and measures in the future. Such policy changes may materially and negatively impact our business, results of operations, financial condition and prospects.

***In the event that the PRC Government restricts our ability to conduct pre-sales, we may lose a major source of funding for our property development projects.***

Our revenue from pre-sales is a major source of funding for our property development projects. However, in August 2005, the PBOC issued the “2004 Real Estate Financing Report” recommending that the practice of pre-selling properties be discontinued. The reasoning was that pre-sales may create market risks and transactional irregularities. We cannot guarantee that the PRC Government will not adopt this recommendation or impose additional restrictions on pre-sales going forward. Under current PRC laws and regulations, we are required to fulfill certain conditions prior to commencing pre-sales. Additionally, we are also only able to use our proceeds to finance construction of properties to which individual pre-sales relate. In the event that the PRC Government imposes bans or further restrictions on the conduct of pre-sales, we may be forced to seek alternative sources of funding to finance our property development projects. Alternative sources of funding may not be available to us on favorable terms or at all, and we may suffer material and adverse effects on our business and results of operations.

***Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available to purchasers.***

Many purchasers of our properties rely on mortgages to finance their purchases. Without mortgage financing, some of our prospective customers would not be able to purchase our properties. There are a number of factors beyond our control that could affect the market for, and availability of, mortgage loans in China, and make it more difficult for us to pre-sell or sell our properties. For example, any increase in interest rates may significantly increase the cost of mortgage financing, thus affecting the purchasers’ affordability of properties. In addition, the PRC government and commercial banks may increase the down-payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.



From time to time, the PRC government issues laws, regulations or policies regarding mortgage financing to regulate the PRC property market.

- In January 2010, the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market, which, among other things, provides that homeowners with outstanding mortgage loans who intend to buy additional properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40% of the purchase price and the applicable interest rate shall be set strictly based upon the associated risk level.
- In April 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, pursuant to such notice, interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate.
- In May 2010, MOHURD, PBOC and CBRC jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans.
- On September 29, 2010, PBOC and CBRC jointly issued a notice, under which the minimum down-payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties.
- In January 2011, the State Council issued a circular to further raise the minimum down-payment requirement for second home purchases to 60%. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the borrower's monthly income or if the total debt service of the borrower would exceed 55% of such individual's monthly income.
- Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. Then on September 29, 2014, PBOC and CBRC jointly issued the "Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Housing Financial Services" (中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知), according to which, the reasonable housing loan demand of residential households shall be actively supported; where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied property.

See "Regulations—Measures on Stabilizing Housing Price." If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, results of operations and financial condition may be materially and adversely affected.

***Restrictions on foreign investment may materially and adversely affect our ability to invest in our PRC subsidiaries.***

In order to curtail overheating in the real estate industry, the PRC government has imposed restrictions on foreign investment in the property sector to curtail the perceived over-heating of the property sector by,

among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control on cross-border investment and financing activities and imposing restrictions on purchases of properties in China by foreign persons. The foregoing restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material and adverse effect on our business, results of operations and financial condition. In addition, the PRC Government may impose additional conditions toward establishing foreign-invested real estate enterprises and tighten foreign exchange controls. Such measures may materially and adversely affect our ability to invest in our PRC subsidiaries, and therefore hamper the growth of our business. Our PRC subsidiaries may be forced to search for other sources of financing, which may not be available on favorable terms or at all.

***Increasing competition in the PRC, particularly from national and regional property developers in Sichuan and other cities where we operate or intend to operate, may adversely affect our business and financial condition.***

The real estate market in Sichuan and other cities where we have existing operations, or intend to operate, is intensely competitive. In recent years, a large number of property developers have undertaken property development and investment projects in these cities. Our competitors include property developers who operate on a national, regional and local scale as well as those that come from overseas, some of which may have better track records and greater financial and other resources than us. In addition, we also compete with small local property developers. We may face intense competition in procuring land, financing, raw materials and skilled management and labor resources, which may result in increased cost for land, construction and operation cost.

Our efforts to achieve market acceptance and brand recognition may require us to reduce prices for our properties, while competitive pressures steadily increase our cost of sales. There is no assurance that we will be able to pass additional costs on to our customers. Indeed, our ability to do so is limited as our costs may not increase until after our pre-sales. Failures to compete effectively may diminish our sales and erode our market share, which could in turn materially and adversely affect our business, financial condition, results of operations and competitive position.

## **RISKS RELATING TO DOING BUSINESS IN CHINA**

***We are vulnerable to adverse changes in economic, political and social conditions and government policies in China and other countries and regions.***

We manage all of our business operations from our headquarters in Chengdu, Sichuan province. Accordingly, our financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in China. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, uniformity in the implementation and enforcement of law, control over capital investment, resource allocation, growth rate and control over foreign exchange.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy with socialist characteristics. For the past four decades, the PRC Government has implemented economic reform measures to utilize market forces in the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

Many of the reform measures carried out by the PRC government are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws

and regulations or the interpretation or implementation thereof in China may have a material impact on our operations or may adversely affect our financial condition and results of operations.

While the PRC economy has grown significantly in recent years, this growth has been geographically uneven among various sectors of the economy and during different periods. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may materially and adversely affect our business. In the past, the PRC Government has periodically implemented a number of measures intended to slow down certain segments of the economy which the PRC Government believed was overheating. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and allocate resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may reduce demand for our properties and therefore materially and adversely affect our business, financial condition and results of operations.

China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US\$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. On September 18, 2018, President Donald Trump imposed 10% tariffs on approximately US\$200 billion worth of Chinese goods and plans to further increase the rate to 25% in January 2019. In return, the PRC responded with tariffs on US\$60 billion of U.S. goods. The rhetoric surrounding the trade war continues to escalate and neither side has been willing to resume stalled trade negotiations. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected.

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. On 6 August 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

In addition, the outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. The United Kingdom (the "UK") ceased to be a member of the European Union (the "EU") on January 31, 2020 ("Brexit"). During the period from that date to December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "TCA"). On December 30, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application in the EU for a limited period (the "Provisional Period"), pending ratification of the TCA by the European Parliament. The Provisional Period commenced on January 1, 2021, and is expected to end no later than April 30, 2021. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets. The effect of such potential events on us or the New Notes is impossible to predict;

but they could significantly impact volatility, liquidity and/or the market value of securities, including the New Notes, and could have a material adverse effect on our ability to make payments on the New Notes.

In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. In February 2022, Russia launched a special military operation in Ukraine. The special military operation started after a prolonged military build-up and the Russian recognition of the self-proclaimed Donetsk People's Republic and the Luhansk People's Republic. The situation in Eastern Europe have led to significant volatility in the global capital markets and on the global economy. The conflict between Russia and Ukraine is still evolving and the impact of such geo-political conflicts on global economy is still unclear. Our business, results of operations, financial condition and prospects may be materially and adversely affected by such geo-political conflicts and changes in global macro-economic environment.

These and other issues resulting from the global economic slowdown, financial market turmoil and geo-political conflicts have adversely affected, and may continue adversely affecting, the overall PRC economy, which would in turn affect homeowners and potential property purchasers, thus leading to a decline in the general demand for our products and erosion of their sale prices.

***We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly the U.S. dollar.***

The New Notes are denominated in U.S. dollars, while substantially all of our revenue is denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our U.S. dollar-denominated indebtedness. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the New Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the New Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the New Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Dealer Manager and its respective affiliates may enter into such hedging arrangements permitted under the Indenture, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

***The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised outside of China in our business in the PRC.***

On May 23, 2007, the MOFCOM and the SAFE jointly promulgated the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate

Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》), amended on October 28, 2015 by Decision of the Ministry of Commerce on Revising Some Regulations and Normative Documents (《關於修改部分規章和規範性文件的決定》), which provides that foreign invested real estate enterprises approved to be incorporated by the competent local authority shall promptly complete required filings with the MOFCOM.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation.

Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, funds raised outside of China in China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner, or at all.

***The national and regional economies in China and our business may be adversely affected by factors beyond our control such as natural disasters, acts of war or terrorism and epidemics.***

Certain factors beyond our control may adversely affect the economy, infrastructure and livelihood of people in the region where we conduct our business operations. Some regions in China may be susceptible to the threat of natural disasters, potential wars, terrorist attacks or epidemics such as Ebola, Severe Acute Respiratory Syndrome (SARS), H1N1 influenza, H5N1 influenza, H7N9 influenza H3N2 influenza and COVID-19. Specifically, the outbreak and national spread of COVID-19 may continue affecting the overall PRC economy, and accordingly our results of operations, if COVID-19 persists or even escalates. Serious natural disasters and acts of war or terrorism may result in, among others, power shortages or failures, loss of life, injuries, destruction of assets and disruption of our business operations. Severe communicable disease outbreaks may cause a widespread health crisis that materially and adversely affects economic systems and financial markets. In addition, some regions in the PRC, including certain areas where we operate, such as Sichuan province, are under the threat of earthquake, flood, fire, drought or epidemics. Any of these factors and others beyond our control could have an adverse effect on the overall business sentiment and environment, create uncertainties in the region where we conduct our business operations, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

***Our business operations may be affected by the outbreak of COVID-19.***

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The outbreak of COVID-19 has spread far and wide inside China. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. As a result, sales offices and construction of our development projects may be temporarily shut down. Moreover, supply of our raw materials and productivity of our employees may be adversely affected. Our operations may experience disruptions, such as temporary closure of our offices and/or those of our contractors or suppliers and suspension of services.



Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation. Our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the outbreak continues or further deteriorates. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Furthermore, our properties or facilities may be required to be suspended or quarantined, if there were clusters for the COVID-19 cases in our properties or facilities or governmental ordinance to contain the outbreaks. Any of these circumstances will result in material adverse impact on our business, financial condition, results of operations, performance and prospects. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. However, there can be no assurance that this recovery momentum will continue in the future. Since late 2021, cities including Xi'an, Changchun, Shenzhen, Shanghai and others have been placed under lockdown due to COVID-19 cases of different variants. Some of such lockdown measures and travel restrictions may not have been lifted on the date of this exchange offer memorandum. Our business, financial condition and results of operations may be materially and adversely affected by the spread and resurgence of COVID-19 cases and government measures to combat the pandemic.

***Uncertainties with respect to the PRC legal system and the current legal environment in China could limit the legal protection available to you.***

The legal system in China has inherent uncertainties that could limit the legal protection available to you. Our business is conducted in China and our principal operating subsidiaries are located in China. Consequently, we are subject to PRC laws and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court (最高人民法院), while prior legal decisions and judgments have limited significance as precedent. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations related to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade.

However, many of these laws and regulations are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Moreover, these laws and regulations are relatively new and there is a limited volume of published decisions. Thus, there are uncertainties involved in their implementation and interpretation, which might not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have retroactive effect. Consequently, we may not be aware of any violation of these policies and rules until sometime after such violation has occurred. Furthermore, the legal protection available to you under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and result in substantial costs and diversion of resources and management attention.

***You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our Directors or senior management residing in China.***

The Company is incorporated in the Cayman Islands. All of our assets are located in China and all of our Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

In addition, on July 14, 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the

Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “Arrangement”). Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. It may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

## **RISKS RELATING TO THE NEW NOTES**

***We are a holding company and payments with respect to the New Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.***

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The New Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have significant operations. Accordingly, our ability to pay principal and interest on the New Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our PRC subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries’ assets that would be prior to the claims of holders of the New Notes. As a result, our payment obligations under the New Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the New Notes. As of December 31, 2021, our Non-Guarantor Subsidiaries had total debt in the amount of RMB11,974.9 million (US\$1,879.1 million), capital commitments in the amount of RMB15,305.0 million (US\$2,401.7 million) and contingent liabilities arising from guarantees in the amount of RMB18,665.1 million (US\$2,929.0 million). The New Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the New Notes.

Under the terms of the New Notes, a Subsidiary Guarantee may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of equity interest of no less than 20% in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year end. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the New Notes.



***We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.***

Our total interest-bearing bank and other borrowings as of December 31, 2019 and 2020 were RMB11,755.2 million and RMB14,257.4 million, respectively. Our total interest-bearing bank and other borrowings as of December 31, 2021 was RMB11,017.7 million (US\$1,728.9 million), the current portion of which amounted to RMB3,232.5 million (US\$507.2 million), and the non-current portion of which amounted to RMB7,785.2 million (US\$1,221.7 million), respectively.

Since December 31, 2021, we have incurred additional indebtedness, repaid some of our existing indebtedness and in sum, our total borrowings have increased. In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the New Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Indenture, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the New Notes includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the New Notes excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating

cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, including our obligations under the New Notes, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled “Description of Material Indebtedness and Other Obligations.” Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the New Notes and other debt.

***We may in the future designate certain subsidiaries as Unrestricted Subsidiaries under the Indenture, which will not be subject to various covenants under the Indenture; and we and our Restricted Subsidiaries may be able to make dividend payment in shares of our Unrestricted Subsidiaries under the Indenture.***

We have the flexibility under the terms of the New Notes to designate any subsidiary in the Restructuring Group (as defined under “Description of the New Notes—Definitions”) as Unrestricted Subsidiaries, subject to certain conditions. The effects of designation of an entity as an Unrestricted Subsidiary include, but are not limited to:

- the business, assets and liabilities of such entity will no longer be part of the credit underlying the New Notes;
- such entity will not be subject to the restrictive covenants applicable to Restricted Subsidiaries under the Indenture;
- as applicable, the Subsidiary Guarantees of such entity may be released, and the shares of such entity previously pledged to the collateral agent or the trustee for the benefit of the holders of the New Notes may be released; and
- interest expenses on Indebtedness (as defined in the Indenture) of such entity will not be included in the calculation of our Consolidated Interest Expense (as defined under “Description of the New Notes—Definitions”), other than such interest expenses on indebtedness that is guaranteed and is actually paid by us or a Restricted Subsidiary.

As a result of any such designation, the value of assets subject to the restrictive covenants under the Indenture may decrease and the market pricing and trading of the New Notes may be materially affected. In addition, we will be able to pay dividends or make distributions on or with respect to our or our Restricted Subsidiaries’ capital stock in shares of capital stock of any Unrestricted Subsidiary, as long as there is no default at the time of, and after giving effect to, such dividend payment or distribution under the Indenture. Accordingly, you are cautioned as to our ability to designate further Unrestricted Subsidiaries subject to the conditions set forth in the Indenture.

***Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.***

As a holding company, we depend on the receipt of dividends and the principal and interest payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our

obligations, including our obligations under the New Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries are subject to certain dividend distribution limitations. See “Description of Material Indebtedness and Other Obligations—PRC Bank Loan Agreements.” Such restrictions may adversely affect the calculation of our Consolidated EBITDA, and in turn our ability to undertake additional financing, investment or other transactions under the terms of the New Notes. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the New Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the New Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise and is considered the beneficial owner of the dividend and certain other conditions are met, such withholding tax rate may be lowered to 5%. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the New Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the New Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the New Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident and certain conditions are met) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the New Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

***We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly the U.S. dollar.***

The New Notes are denominated in U.S. dollars, while substantially all of our revenue is denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from

May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our U.S. dollar-denominated indebtedness. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the New Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the New Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the New Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Dealer Manager and its respective affiliates may enter into such hedging arrangements permitted under the Indenture, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

***We may not be able to repurchase the New Notes upon a Change of Control Triggering Event.***

We must offer to purchase the New Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Description of the New Notes—Repurchase of Notes upon a Change of Control Triggering Event.” The source of funds for any such purchase would be our available cash or third-party financing.

However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding New Notes. Our failure to make the offer to purchase or to purchase the outstanding New Notes would constitute an Event of Default under the New Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the New Notes and repay the debt.

In addition, the definition of a Change of Control for purposes of the Indenture does not necessarily afford protection for the holders of the New Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control for purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the New Notes and the ability of a holder of the New Notes to require us to purchase its New Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

***Interest payable by us to our foreign investors may be subject to withholding taxes under PRC tax laws and gain on the sale of our New Notes may be subject to PRC tax laws.***

We may be treated as a PRC resident enterprise for PRC tax purposes. If we are deemed a PRC resident enterprise, the interest payable on the New Notes may be considered to be sourced within China. In that case,

PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are “nonresident enterprises” so long as such “nonresident enterprise” investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the New Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if we are considered a PRC resident enterprise and the relevant PRC tax authorities consider interest we pay with respect to the New Notes, or any gains realized from the transfer of New Notes, to be income derived from sources within the PRC, such interest or gains earned by nonresident individuals may be subject to PRC tax (which in the case of interest, may be withheld by us) at a rate of 20%. In addition, if we are treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the New Notes are providing loans to us within the PRC, the holders of the New Notes may be subject to value-added tax at a combined rate of approximately 6.72%, which we may be required to withhold. It is uncertain whether we will be considered a PRC “resident enterprise.” If we are required under the EIT Law to withhold PRC income tax on interest payable to our noteholders, we will be required to pay such additional amounts, subject to certain exceptions, as will result in receipt by a holder of a New Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the New Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the New Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC tax on the transfer of our New Notes, the value of your investment in our New Notes may be materially and adversely affected. It is unclear whether in practice if we are considered a PRC “resident enterprise,” holders of our New Notes might be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or areas.

***We may be able to redeem the New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC “resident enterprise”.***

In the event we are required to withhold PRC tax on interest payable to certain of our nonresident investors, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the New Notes—Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in specified tax law or certain other circumstances, including any change in interpretation or statement of the official position that results in us being required to withhold PRC tax on interest payments we may redeem the New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

***If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.***

If we are unable to comply with the restrictions and covenants in the Indenture or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the New Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.



***Our operations are restricted by the terms of the New Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.***

The Indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

***The terms of the New Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures.***

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with third parties, including other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures primarily engaged in permitted business up to an aggregate amount equal to 30% of our total assets, without satisfying the Fixed Charge Coverage Ratio requirement. See "Description of the New Notes."

***The terms of the New Notes permit us to pay substantial amount of dividends.***

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a "Restricted Payment", which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and



qualifications. Under the terms of the New Notes, we may pay dividends on our common stock with respect to any fiscal year commencing from January 1, 2021 in an aggregate amount up to 20% of our profit for the year on a non-cumulative basis without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the New Notes.

***The New Notes are subject to optional redemption by us.***

As set forth in “Description of the New Notes—Optional Redemption,” the New Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the New Notes. During any period when we may elect to redeem the New Notes, the market value of those New Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period. We may be expected to redeem the New Notes when the current financing cost is lower than the interest rate on the New Notes. In such case, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the New Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the holders of the New Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

***A trading market for the New Notes may not develop and a few investors may purchase a significant percentage of the aggregate principal amount of the New Notes offered, and there are restrictions on resale of the New Notes.***

Approval in-principle has been received from the SGX-ST for the listing of and quotation for, the New Notes on the Official List of the SGX-ST. However, we cannot assure you that we will obtain or be able to maintain a listing on SGX-ST, or that, if listed, a liquid trading market will develop. In addition, the New Notes may be allocated to a limited number of investors, in which case liquidity of the New Notes may be limited. Furthermore, holders of a significant percentage of the aggregate principal amount of the New Notes will have certain rights under the Indenture and the New Notes. Accordingly, if a few investors purchase a significant percentage of the New Notes, even if less than a majority, they will be able to exercise such rights on behalf of all holders of the New Notes and significantly influence the outcome of the voting on matters related to the New Notes. In addition, the New Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your New Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See the section headed “Transfer Restrictions.” If an active trading market does not develop or is sustained, the market price and liquidity of the New Notes could be adversely affected.

***Our corporate ratings maybe lowered or withdrawn in the future.***

In April 2022, Moody’s Investors Service had withdrawn our corporate family rating of B2 with a negative outlook. In March 2022, Fitch Ratings had also withdrawn our Long-Term Foreign-Currency Issuer Default Rating (IDR) of “B” with Stable Outlook. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. If we were to be rated again, we cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the New Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the New Notes or us may adversely affect the market price of the New Notes.

***Certain transactions that constitute “connected transactions” under the Listing Rules will not be subject to the “Limitation on Transactions with Shareholders and Affiliates” covenant.***

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that any transaction between a listed company or any of its

subsidiaries, on the one hand, and a “connected person” of such listed company, on the other hand, is a “connected transaction” that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of “connected person” to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of “connected person” also captures “associates,” which include, among others, (a) any subsidiary of such “connected person,” (b) any holding company of such “connected person” and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the New Notes only applies to transactions between us or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of our shares or (y) any of our Affiliate, on the other hand. As such, transactions between us or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders’ requirement under the Listing Rules. As a result, we are not required by the terms of the New Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers’ certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the New Notes for any such transactions.

***The insolvency laws of the Cayman Islands, British Virgin Islands, Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which holders of the New Notes are familiar.***

Because we are incorporated, and the JV Subsidiary Guarantors (if any) may be incorporated, under the laws of the Cayman Islands, an insolvency proceeding relating to us or any such Subsidiary Guarantor or JV Subsidiary Guarantor, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. In addition, our Subsidiary Guarantors and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the BVI or Hong Kong and the insolvency laws of the BVI and Hong Kong may also differ from the laws of the jurisdictions with which the holders of the New Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the jurisdictions with which the holders of the New Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our New Notes.

***The liquidity and price of the New Notes following the offering may be volatile.***

The price and trading volume of the New Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the New Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the New Notes. We cannot assure you that these developments will not occur in the future.

***The Trustee may request the holders of the New Notes to provide an indemnity and/or security and/or prefunding to its satisfaction.***

In certain circumstances, the Trustee may at its sole discretion, request holders of the New Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it will take actions on their behalf. The Trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. Further, the Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Indenture or in circumstances where there is uncertainty or dispute as to such actions' compliance with applicable laws and regulations. In such circumstances, to the extent permitted by any applicable agreements or applicable laws, it will be for the holders of the New Notes to take such actions directly.

***There may be less publicly available information about us than is available in certain other jurisdictions.***

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this exchange offer memorandum has been prepared in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this exchange offer memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between IFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between IFRS and other GAAPs and how those differences might affect the financial information contained in this exchange offer memorandum.

***We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, and such standards may be different from those applicable to debt securities listed in certain other jurisdictions.***

We will be subject to reporting obligations in respect of the New Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the New Notes are accustomed to.

***The New Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

The New Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the New Notes represented by the global certificate will trade in book entry form only, and notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the New Notes. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the New Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the New Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the New Notes and credited by such participants to indirect participants. After payment to the nominee of the common depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Indenture.

Unlike the holders of the New Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Noteholders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the New Notes.

## **RISKS RELATING TO THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES**

*Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.*

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the New Notes or at any time thereafter. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this exchange offer memorandum) are attributed to our PRC operating subsidiaries and any contribution from direct operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the New Notes will not be guaranteed by certain of our offshore subsidiaries upon issuance. In addition, certain of our future offshore subsidiaries will not be required to guarantee the New Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the New Notes do not exceed 15% of our total assets. As a result, the New Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See “Description of the New Notes—The Subsidiary Guarantees and JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors which will guarantee the New Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our obligations under the New Notes if we are unable to do so.

Under the terms of the New Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15% of our total assets.

In addition, a Subsidiary Guarantee may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of certain minority interest in such subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year-end. See “—Risks Relating to the New Notes—We are a holding company and payments with respect to the New Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

*The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees.*

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the BVI, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if

any) may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in the BVI:

- (i) incurred the debt with the intent to defraud creditors (whenever the transaction took place, and irrespective of insolvency);
- (ii) put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- (iii) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor; or
- (iv) in the case of (ii) and (iii), a guarantee will be only be voidable if (1) it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so where insolvent in this context under BVI law means that the guarantor is unable to pay its debts as they fall due and the value of its liabilities exceeds its assets, and (2) the guarantee was given within the six month period preceding the commencement of liquidation, or, if the guarantee and beneficiary are connected entities, two years.

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in other jurisdictions:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor 's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor 's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair salable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor without

rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the New Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the New Notes.



## QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

**Q: Why is the Company making the Exchange Offer?**

**A:** We are conducting the Exchange Offer to refinance the Existing Notes and improve our liquidity position. See “Summary of the Exchange Offer—Background” and “Summary of the Exchange Offer—Purpose of the Exchange Offer.”

**Q: What will I receive if I tender my Existing Notes in the Exchange Offer?**

**A:** For each US\$1,000 principal amount of outstanding Existing Notes that is validly tendered prior to the Expiration Deadline and accepted for exchange, an Eligible Holder will receive the Exchange Consideration, consisting of:

- (a) US\$1,000 in aggregate principal amount of the US\$ denominated 12.0% Senior Notes due 2023 (the “**New Notes**”); and
- (b) any Accrued Interest.

Any fractional amounts of the New Notes will be forfeited. See “Summary of the Exchange Offer” and “Description of the Exchange Offer—Exchange Consideration” for further details.

**Q: What are the consequences of not tendering in the Exchange Offer?**

**A:** Following the consummation of the Exchange Offer, the trading market for Existing Notes that are not exchanged could become more limited than the existing trading market for the Existing Notes and could cease to exist altogether due to the reduction in the amount of the Existing Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Existing Notes. See the section entitled “Risk Factors—Risks Relating to the Exchange Offer Generally—Upon consummation of the Exchange Offer, the liquidity of the market for outstanding Existing Notes may be substantially reduced, and market prices for outstanding Existing Notes may decline as a result” for additional risk disclosure. Even if the Exchange Offer is consummated, the Company may not be able to repay the remaining non-exchanging Existing Notes upon their maturity. See “Risk Factors—Risks Relating to the Exchange Offer Generally—Even after consummation of the Exchange Offer, we may not be able to make payments due on any outstanding Existing Notes or any other outstanding indebtedness.”

**Q: How do the Existing Notes differ from the New Notes to be issued in the Exchange Offer?**

**A:** The Existing Notes will mature on June 27, 2022. The New Notes have a tenor of 364 days. See “Summary of the Exchange Offer—Certain Differences between the Existing Notes and the New Notes” and “Description of the New Notes” for further details.

**Q: Are there any conditions to the consummation of the Exchange Offer?**

**A:** Our obligation to complete the Exchange Offer is conditioned upon, among other things, the following: (i) not less than the Minimum Acceptance Amount of the Existing Notes shall have been validly tendered prior to the Expiration Deadline; (ii) there being no material adverse change in the market from the date of this exchange offer memorandum to the Settlement Date; (iii) an affirmative determination by us that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated hereby are in our best interests; and (iv) the satisfaction or waiver of the other conditions described in “Description of the Exchange Offer—Conditions to the Exchange Offer.”

Subject to applicable law, we may terminate or withdraw the Exchange Offer if any of the conditions is not satisfied or waived by the Settlement Date. We may also extend the Exchange Offer from time to time until all conditions are satisfied or waived.

Although we have no present plans or arrangements to do so, we reserve the right to amend, modify or waive, at any time, the terms and conditions of the Exchange Offer, subject to applicable law. We will give you notice of any amendments, modifications or waivers as and if required by applicable law.

Any tendering Eligible holder must tender its entire holding of Existing Notes for exchange. We reserve our right not to accept any partial tender of Existing Notes by any Eligible Holders.

**Q: When will the Exchange Offer expire?**

**A:** The Exchange Offer will expire at 4:00 p.m., London time on June 20, 2022, subject to our right to extend or earlier terminate that time and date at our absolute discretion.

**Q: Under what circumstances can the Exchange Offer be extended, amended or terminated?**

**A:** We reserve the right to extend the Exchange Offer at our absolute discretion for any reason. We expressly reserve the right, at any time, to amend the terms of the Exchange Offer in any respect, prior to the Expiration Deadline, subject to applicable law. Further, we may extend the Exchange Offer if we make a material change in the terms of the Exchange Offer or in the information contained in this exchange offer memorandum or waive a material condition to the Exchange Offer. During any extension of the Exchange Offer, Existing Notes that were previously tendered for exchange will remain subject to the Exchange Offer. Any waiver, amendment or modification of the Exchange Offer, including any change in the Exchange Consideration, will apply to all Existing Notes previously validly tendered. We reserve the right to terminate the Exchange Offer at any time prior to the Settlement Date if any conditions are not met. For more information regarding our right to extend, amend or terminate the Exchange Offer, see “Description of Exchange Offer—Expiration Deadline; Extensions; Amendments; Termination.”

**Q: When will the Company issue the New Notes?**

**A:** Assuming the conditions to the Exchange Offer are satisfied or waived, we anticipate that we will issue the New Notes and settle the Exchange Offer, including the delivery and payment of the Exchange Consideration, on or about June 22, 2022, unless the Exchange Offer is extended or earlier terminated.

**Q: What are my rights if I change my mind after I tender my Existing Notes?**

**A:** Tenders of Existing Notes may not be withdrawn or revoked once submitted unless we are required by law to permit such withdrawal or revocation.

**Q: Will the Company receive any cash proceeds from the Exchange Offer?**

**A:** No. See “Use of Proceeds.”

**Q: When will the Company purchase or redeem the Existing Notes?**

**A:** Existing Notes tendered in the Exchange Offer pursuant to valid and accepted instructions will be exchanged on the Settlement Date and subsequently canceled.

Whether or not the Exchange Offer is consummated, we expressly reserve our absolute right, at our sole discretion, from time to time to redeem or purchase any Existing Notes that remain outstanding after the consummation or termination of the Exchange Offer through open market or privately negotiated transactions, one or more tender offers or additional exchange offers or otherwise, on terms that may differ from the Exchange Offer and could be for cash or other consideration, or to exercise any of our other rights, including redemption rights, under the relevant Existing Notes Indenture.

**Q: Can I transfer my Existing Notes after submitting an instruction to exchange?**

**A:** Upon giving instructions with respect to any Existing Notes, an Eligible Holder will agree that its Existing Notes will be blocked from transferring in the relevant account in the relevant Clearing System from the date the relevant instruction is submitted until the Settlement Date or the date of termination of the Exchange Offer (including where such Existing Notes are not accepted by the Company for exchange), whichever is earlier.

**Q: What happens if some or all of my Existing Notes are not accepted?**

**A:** If we decide not to accept some or all of your Existing Notes because of an invalid tender, the occurrence of the other events set forth in this exchange offer memorandum or otherwise, the Existing Notes not accepted by us for the Exchange Offer will be credited back to the tendering holder’s account at Euroclear or Clearstream, as applicable.

**Q: Will I have to pay any fees or commissions if I tender my Existing Notes in the Exchange Offer?**

**A:** If your Existing Notes are held through a broker or other nominee who tenders the Existing Notes on your behalf, your broker may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges apply. Otherwise, you will not be required to pay any fees or commissions to us, the Dealer Manager or the Information and Exchange Agent in connection with the Exchange Offer.

**Q: How do I tender my Existing Notes for exchange in the Exchange Offer?**

**A:** Please see “Description of Exchange Offer—Procedures for Tendering Existing Notes.” For further information, please contact D.F. King Ltd., who has been retained by us as the Information and Exchange Agent for the Exchange Offer, or consult your broker, dealer, commercial bank, trust company or other nominee or custodian for assistance.

PLEASE NOTE: THE EXCHANGE OFFER IS AVAILABLE ONLY TO HOLDERS WHO ARE NOT U.S. PERSONS (WITHIN THE MEANING OF REGULATION S) AND ARE OUTSIDE THE UNITED STATES. TO PARTICIPATE IN THE EXCHANGE OFFER, A HOLDER OF EXISTING NOTES MUST EITHER HOLD SUCH EXISTING NOTES THROUGH A DIRECT PARTICIPANT IN EUROCLEAR OR CLEARSTREAM OR ARRANGE FOR THE TRANSFER OF ITS EXISTING NOTES SO THAT THEY ARE HELD THROUGH SUCH A DIRECT PARTICIPANT. U.S. PERSONS (WITHIN THE MEANING OF REGULATION S) AND PERSONS LOCATED IN THE UNITED STATES ARE NOT PERMITTED TO TENDER EXISTING NOTES IN THE EXCHANGE OFFER.

**Q: Will the New Notes be freely tradable?**

**A:** Transfer of the New Notes will be restricted. The New Notes will not be registered under, and we are not obligated to register the New Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See “Transfer Restrictions.” We have not agreed to or otherwise undertaken to register the New Notes, and have no intention to do so. There can be no assurance as to the development or liquidity of any market for the New Notes.

**Q: What is company’s plan if the Exchange Offer fails?**

**A:** If the Exchange Offer are not successfully completed, the Company may not be able to repay the Existing Notes upon maturity and may contemplate conducting an alternative debt restructuring exercise. See “Summary of the Exchange Offer” for more details.

**Q: To whom should I direct any questions?**

**A:** Questions about the terms of the Exchange Offer should be directed to the Dealer Manager or the Information and Exchange Agent, as appropriate. If you have questions regarding exchange procedures or require additional copies of this exchange offer memorandum, please contact the Information and Exchange Agent. Contact information for the Dealer Manager and the Information and Exchange Agent are set forth on the back cover of this exchange offer memorandum. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominees or custodians for assistance concerning the Exchange Offer. All documents related to the Offer will be made available, subject to eligibility, on the Exchange Website.

## USE OF PROCEEDS

We will not receive any cash proceeds from the Exchange Offer. Any Existing Notes exchanged in connection with the Exchange Offer will be cancelled.

## DESCRIPTION OF THE EXCHANGE OFFER

### BACKGROUND

During the second half of 2021, Chinese property developers and the capital markets that have funded growth and development of the sector have experienced a turning point. Reduced bank lending for real estate development has resulted in reduced access by property developers to onshore capital. In addition, reduced bank lending for mortgage finance for buyers, as well as concerns of buyers about the ability of property developers to complete projects, has resulted in reduced property sales. Adverse reaction to these onshore events by offshore capital markets has made access to offshore capital difficult for property developers and has limited the Group's funding sources to address upcoming maturities.

Despite the adverse market environment, we are working on generating sufficient cash flow to meet our financial commitments, including, among others, through extension of our existing debt obligations, opportunistic financing and expenditure conservation. As part of these efforts, we are conducting the Exchange Offer to improve our financial condition, extend our debt maturity profile, strengthen our balance sheet, improve cash flow management and enhance our ability to satisfy our debt obligations. We are offering Eligible Holders of the Existing Notes an opportunity to exchange their Existing Notes for New Notes with an extended maturity and terms designed to allow us to improve our financial condition and stability.

### GENERAL

We intend to conduct the Exchange Offer in accordance with the applicable rules and regulations of any jurisdiction where the offer of the New Notes and the exchange of the Existing Notes are permitted. The Exchange Offer will only be made to, and the New Notes are being offered and will be issued only to, Eligible Holders of Existing Notes who have complied with the procedures set out herein, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees or custodians have complied with the procedures herein and confirmed and represented that such holders are non-U.S. persons located outside the United States, or certain fiduciaries holding accounts for the benefit of non-U.S. persons outside the United States, as those terms are defined in Regulation S under the Securities Act.

### PURPOSE OF THE EXCHANGE OFFER

The purpose of the Exchange Offer is to refinance the Existing Notes and improve our liquidity position and extend maturity of the Existing Notes. See "Summary of the Exchange Offer—Background of the Exchange Offer" and "Summary of the Exchange Offer—Purpose of the Exchange Offer."

### TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions set forth in this exchange offer memorandum, we are offering to exchange at least the Minimum Acceptance Amount of our outstanding Existing Notes (due June 27, 2022 with ISIN: XS2341204688, Common Code: 234120468) held by Eligible Holders for the Exchange Consideration as set forth below. As of the date of this exchange offer memorandum, US\$122,730,000<sup>(1)</sup> in aggregate principal amount of our Existing Notes is outstanding.

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*Note:*

- (1) The outstanding amount does not include US\$15,200,000 in principal amount of the Existing Notes held by a controlling shareholder of the Company as of the date of this exchange offer memorandum. This controlling shareholder of the Company plans to cancel such principal amount of the Existing Notes held by it.



Eligible Holders of the Existing Notes validly accepted and exchanged in the Exchange Offer will, from and including the Settlement Date, waive any and all rights with respect to the Existing Notes (other than the right to receive the relevant components of the applicable Exchange Consideration) and will release and discharge us from any and all claims such holder may have, now or in the future, arising out of or related to such Existing Notes, including any and all accrued and unpaid interest thereon.

Any tendering Eligible holder must tender its entire holding of Existing Notes for exchange. We reserve our right not to accept any partial tender of Existing Notes by any Eligible Holders.

Existing Notes accepted pursuant to the Exchange Offer will be exchanged on the Settlement Date and will subsequently be cancelled.

## **EXCHANGE CONSIDERATION**

Eligible Holders of the outstanding Existing Notes that are validly tendered prior to the Expiration Deadline and accepted for exchange will receive the Exchange Consideration, consisting of:

- (a) US\$1,000 in aggregate principal amount of the US\$ denominated 12.0% Senior Notes due 2023 (the “**New Notes**”); and
- (b) any Accrued Interest.

The Existing Notes bear interest at the rate of 12.0% per annum. Accrued and unpaid interest on any Existing Notes validly tendered and accepted for exchange will be payable in cash.

**Notwithstanding anything to the contrary contained in this exchange offer memorandum or in any other document related to the Exchange Offer, we expressly reserve the right, at our sole discretion and regardless of whether any of the conditions described under “Description of the Exchange Offer—Conditions to the Exchange Offer” have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Expiration Deadline, (iv) amend the terms of the Exchange Offer, including the Minimum Acceptance Amount, or (v) modify the form or amount of the consideration to be paid pursuant to this Exchange Offer. Unless waived by us, if we receive valid tender of the Existing Notes for less than the Minimum Acceptance Amount, we will not proceed with the Exchange Offer and the Exchange Offer shall lapse automatically.**

If all or any of the Existing Notes tendered for exchange by any holder has not been accepted, you will receive (i) the Exchange Consideration in relation to the amount of the Existing Notes validly tendered and accepted in the Exchange Offer; and (ii) in relation to those Existing Notes not accepted in the Exchange Offer, such Existing Notes will be returned to such holder.

No other holders of the Existing Notes will be entitled to receive the Exchange Consideration.

## **INTEREST OR COUPON ON THE NEW NOTES**

The New Notes will bear interest at 12.0% per annum, payable in arrears. See “Summary of the New Notes.”

## **ELIGIBILITY FOR ACCEPTANCE OF THE EXCHANGE OFFER**

By submitting an electronic Instruction with respect to any Existing Notes to Euroclear or Clearstream, as applicable, you shall be deemed to certify that you are an Eligible Holder.

## **EXPIRATION DEADLINE; EXTENSIONS; AMENDMENTS; TERMINATION**

For purposes of the Exchange Offer, the Expiration Deadline will be 4:00 p.m., London time, on June 20, 2022, subject to our right to extend or earlier terminate that time and date at our absolute discretion, in which case the Expiration Deadline means the latest time and date to which such time and date is extended or earlier terminated.

We reserve the right, at our absolute discretion, by giving written notice to the Dealer Manager and the Information and Exchange Agent to:

- extend the Exchange Offer;
- terminate the Exchange Offer if any condition to our obligation to consummate the Exchange Offer is not satisfied or waived prior to the Settlement Date, or if we determine that accepting the transactions contemplated hereby are not in our best interests; and
- amend or modify the Exchange Offer, or waive any condition to the Exchange Offer.

If we make a material change in the terms of the Exchange Offer or the information concerning the Exchange Offer, or waive a material condition to the Exchange Offer, we will promptly disseminate disclosure regarding the changes to the Exchange Offer and we may extend the Exchange Offer as we consider appropriate or if required by law.

During any extension of the Exchange Offer, Existing Notes that were previously tendered for exchange will remain subject to the Exchange Offer. Any waiver, amendment or modification of the Exchange Offer, including any change in the Exchange Consideration will apply to all Existing Notes previously validly tendered for such waiver, amendment or modification.

We will promptly announce any extension, amendment or termination of the Exchange Offer by issuing an announcement via the websites of the SEHK and the Exchange Website, and through Euroclear and Clearstream. We will announce any extension of the Expiration Deadline no later than 9:00 a.m., Hong Kong time, on the next business day after the previously scheduled Expiration Deadline.

## **ACCEPTANCE OF THE EXISTING NOTES**

Subject to the terms and conditions of the Exchange Offer, and assuming we do not otherwise terminate the Exchange Offer, we will be deemed to accept validly tendered Existing Notes when, and if, we give oral or written notice of acceptance to the Dealer Manager and the Information and Exchange Agent. If any tendered Existing Notes are not accepted for any reason described in the terms and conditions of the Exchange Offer, such unaccepted Existing Notes will be returned to the tendering holder at our expense promptly after the expiration or termination of the Exchange Offer. Any unaccepted Existing Notes will be credited back to the tendering holder's account at the relevant Clearing System. Under no circumstances will we be required to accept Existing Notes for exchange that have not been validly tendered prior to the Expiration Deadline in accordance with the procedures set forth in this exchange offer memorandum. We reserve the absolute right to reject any and all tenders of the Existing Notes not in proper form or any Existing Notes the acceptance for exchange of which may, in the opinion of counsel, be unlawful. See “—Procedures for Tendering Existing Notes.”

## **SETTLEMENT DATE; DELIVERY OF CONSIDERATION**

The Settlement Date will occur promptly after the Expiration Deadline. We anticipate that the Settlement Date will occur on or about June 22, 2022, unless the Exchange Offer is extended.

Subject to the terms and conditions of the Exchange Offer, and assuming that the Exchange Offer are not otherwise terminated by us, on the Settlement Date, Eligible Holders of Existing Notes who validly tendered in accordance with the procedures set forth in this exchange offer memorandum prior to the Expiration Deadline that are accepted by us will receive the Exchange Consideration.

Any cash payments for the Exchange Offer will be made by deposit of funds with Euroclear or Clearstream. Euroclear or Clearstream will transmit the New Notes to the holders and Euroclear or Clearstream will also transmit the cash payments to holders.

## **CONDITIONS TO THE EXCHANGE OFFER**

Notwithstanding anything to the contrary contained in this exchange offer memorandum or in any other document related to the Exchange Offer, we expressly reserve the right, at our sole discretion and regardless of whether any of the conditions described under this section have been satisfied, subject to applicable law, at any time to (i) terminate the Exchange Offer, in whole or in part, (ii) waive any of the conditions described herein, in whole or in part, (iii) extend the Expiration Deadline, (iv) amend the terms of the Exchange Offer, including the Minimum Acceptance Amount, or (v) modify the form or amount of the consideration to be paid pursuant to the Exchange Offer.

### **Combined General Conditions**

Notwithstanding any other provisions of the Exchange Offer, or any extension of the Exchange Offer, we will not be required to deliver any consideration (and we may terminate the Exchange Offer or, at our option, modify, extend or otherwise amend the Exchange Offer), unless each of the following conditions, which we refer to as the combined general conditions, are satisfied or waived:

- (1) not less than the Minimum Acceptance Amount of the Existing Notes, not including any Existing Notes subject to repurchase, shall have been validly tendered and not validly withdrawn prior to the Expiration Deadline;
- (2) we have made an affirmative determination that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated hereby are in our best interests;
- (3) no action or event shall have occurred or to our knowledge, been threatened (including a default under an agreement, indenture or other instrument or obligation to which we or one of our subsidiaries is a party or by which we or one of our subsidiaries is bound), nor shall any action, proceeding, application, claim, counterclaim or investigation (whether formal or informal) be pending or have been taken, nor shall any statute, rule, regulation, judgment, order, stay, decree or injunction have been proposed, promulgated, enacted, entered, enforced or deemed to be applicable to the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer by or before any court or governmental, regulatory or administrative agency or instrumentality, domestic or foreign, authority or tribunal, or by any other person, domestic or foreign, that either:
  - (i) challenges the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any material manner, the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer; or
  - (ii) in our reasonable judgment, could materially affect our business, condition (financial or otherwise), income, operations, properties, assets, liabilities or prospects, or materially impair the contemplated benefits to us of the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer or might be material to holders of the Existing Notes in deciding whether to accept the Exchange Offer;

- (4) there shall not have occurred or be likely to occur any event affecting the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of us or our subsidiaries that, in our sole judgment, either (i) is, or is reasonably likely to be, materially adverse to our business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects, or (ii) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer;
- (5) none of the following has occurred:
- (i) any general suspension of or limitation on trading in securities on the PRC, the United States, London, Singapore or Hong Kong securities or financial markets, or in the over-the-counter market (whether or not mandatory);
  - (ii) any material decrease in the trading price of the Existing Notes in the PRC, the United States, London, Singapore or Hong Kong or other major securities or financial markets;
  - (iii) a material impairment in the general trading market for debt securities;
  - (iv) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the PRC, the United States, London, Singapore or Hong Kong or other major financial markets (whether or not mandatory);
  - (v) a commencement or escalation of a war, armed hostilities, terrorist act or other national or international crisis directly or indirectly relating to the PRC, the United States, London, Singapore or Hong Kong;
  - (vi) any limitation (whether or not mandatory) by any governmental, administrative or regulatory authority or agency, domestic or foreign, or other event having a reasonable likelihood, in our reasonable judgment, of affecting, the extension of credit by banks or other lending institutions in the PRC, the United States, London, Singapore or Hong Kong;
  - (vii) any material disruption has occurred in securities settlement or clearance services in the PRC, the United States, London, Singapore or Hong Kong;
  - (viii) any amalgamation, merger, acquisition or other business combination proposal involving us or our subsidiaries shall have been proposed, announced or made by any person or entity;
  - (ix) any material adverse change in the PRC, the United States, London, Singapore or Hong Kong securities or financial markets generally;
  - (x) in the case of any of the foregoing existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening thereof; and
- (6) the Existing Notes Trustee shall not have objected in any respect to, nor have taken any action that could in our reasonable judgment adversely affect the consummation of, the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer nor shall the Existing Notes Trustee have taken any action that challenges the validity or effectiveness of the procedures used by us in making the Exchange Offer or the exchange of the Existing Notes under the Exchange Offer.

## Waiver, Termination and Modification

The foregoing conditions are for our sole benefit and may be waived by us, in whole or in part, at our absolute discretion. Any determination made by us concerning an event, development or circumstance described or referred to above will be conclusive and binding. Our failure at any time to exercise any of our rights will not be deemed a waiver of any other right, and each right will be deemed an ongoing right which may be asserted at any time and from time to time.

If any of the combined general conditions is not satisfied, we may, at any time prior to the Settlement Date, subject to applicable law:

- terminate the Exchange Offer and return all tendered Existing Notes;
- modify, extend or otherwise amend the Exchange Offer and retain all tendered Existing Notes until the Expiration Deadline may be extended; or
- waive any unsatisfied conditions with respect to the Exchange Offer, and accept all Existing Notes tendered and delivered.

Unless waived by us, if we receive valid tender of the Existing Notes for less than the Minimum Acceptance Amount, we will not proceed with the Exchange Offer and the Exchange Offer shall lapse automatically.

## Representations, Warranties and Covenants of Eligible Holders of the Existing Notes

Upon instruction to tender the Existing Notes, which will be irrevocable, and subject to the terms and conditions of the Exchange Offer generally, each Eligible Holder will be deemed, among other things, to:

- (1) irrevocably sell, assign and transfer to or upon our order or the order of our nominee, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all Existing Notes tendered thereby, such that thereafter it shall have no contractual or other rights or claims in law or in equity against the Company, the Existing Notes Trustee, the Existing Notes Agents or any fiduciary, trustee, fiscal agent, security agent or other person connected with the Existing Notes arising under, from or in connection with such Existing Notes;
- (2) waive any and all rights with respect to the Existing Notes tendered thereby (including, without limitation, any existing or past defaults and their consequences in respect of such Existing Notes); and
- (3) release and discharge us, each Subsidiary Guarantor, each JV Subsidiary Guarantor (if any), the Existing Notes Trustee, the Existing Notes Agents and any fiduciary, trustee, fiscal agent, security agent and other person connected with the Existing Notes from any and all claims such holder may have (now or in the future), arising out of or relating to the Existing Notes tendered thereby, including, without limitation, any claims that such holder is entitled to receive additional principal or interest payments with respect to the Existing Notes tendered thereby (other than as expressly provided in this exchange offer memorandum) or to participate in any redemption or defeasance of the Existing Notes tendered thereby.

In addition, such Eligible Holder of the Existing Notes will be deemed to represent, warrant and undertake that (collectively the "**Investor Representations**"):

- (1) it has received and reviewed this exchange offer memorandum including the terms of the New Notes set out herein;

- (2) it bases its investment decision solely on the information published on or prior to the date of this exchange offer memorandum by the Company on the HKEXnews website of The Stock Exchange of Hong Kong Limited (the “HKEXnews website”) (the “Public Disclosure”) and not on any other information or representation concerning the Company which it may have received from the Company, the Dealer Manager or their respective representatives. It acknowledges that none of the Company, any of its affiliates or any other person has made any representations, express or implied, to us with respect to the Company, the Exchange Offer, the New Notes or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Exchange Offer or the New Notes. It agrees that it will not distribute, forward, transfer or otherwise transmit any presentational or other materials concerning the Exchange Offer (including electronic copies thereof) to any person (other than any Eligible Holder on behalf of which we act), and we have not distributed, forwarded, transferred or otherwise transmitted any such materials to any person (other than any Eligible Holder on behalf of which we act);
- (3) it understands that the Exchange Offer involves a high degree of risk and that the New Notes are complex products;
- (4) it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, the Existing Notes tendered thereby;
- (5) it (i) has not received or been sent copies of this exchange offer memorandum or any related documents in, into or from the United States, (ii) is not a “U.S. person” and is not located in the United States, (iii) is not an agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal who has given instructions with respect of the Exchange Offer from within the United States or from a U.S. person, (iv) has not otherwise utilized in connection with the Exchange Offer, directly or indirectly, the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, email and other forms of electronic transmission) of interstate or foreign commerce, or of any facilities of a national securities exchange, of the United States and (v) is offering to exchange the Existing Notes from outside the United States;
- (6) it acknowledges that the Exchange Offer are subject to the restrictions set out in the section entitled “Offer and Distribution Restrictions”;
- (7) it acknowledges that the New Notes to be exchanged for the Existing Notes tendered for exchange hereby have not been registered under the Securities Act or with any state or other jurisdiction of the United States and may only be sold or otherwise transferred subject to the restrictions set out in the section entitled “Transfer Restrictions;”
- (8) the Existing Notes being tendered thereby were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Existing Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;
- (9) it will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Notes tendered thereby and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (10) in evaluating the Exchange Offer and in making its decision whether to participate therein by tendering its Existing Notes, such holder has made its own independent evaluation of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) other than those contained in this



exchange offer memorandum (as amended or supplemented to the Expiration Deadline), the Dealer Manager, the Information and Exchange Agent or the Existing Notes Trustee or the Existing Notes Agents;

- (11) it (a) has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in connection herewith to the extent it has deemed necessary, (b) has had a reasonable opportunity to ask questions of and received answers from officers and representatives of the Company and the Subsidiary Guarantors concerning the financial condition and results of operations of the Group, and any such question has been answered to its satisfaction, (c) has requested from the Company and the Subsidiary Guarantors and reviewed all information that it believes is necessary or appropriate in connection with the Exchange Offer, and (d) has been and will continue to be solely responsible for making its own independent analysis of and investigations into the status, creditworthiness, prospects, business, operations, assets and condition of the Group;
- (12) It understands and agrees that it may not rely on any investigation that any person acting on its behalf has conducted with respect to the Exchange Offer, the New Notes, the Company and the Subsidiary Guarantors or any of their respective affiliates, and no other party has made any representation to it, express or implied, with respect to the Exchange Offer, the New Notes, the Company or the Subsidiary Guarantors. None of the Dealer Manager or any of its associates or affiliates have made, and it has not relied upon, any written or oral communication, representation, warranty or condition (express or implied) about, and the Dealer Manager shall have no liability or responsibility for (a) the effectiveness, validity or enforceability of any agreement or other document entered into by or provided to it in connection with the Exchange Offer; (b) any non-performance by any party to any such documents; (c) the Exchange Offer or the New Notes; or (d) the business, properties, prospects, condition (financial or otherwise) or results of operations of the Group, and the Dealer Manager does not owe and shall not owe any duty whatsoever in connection with any of the foregoing. Any information or explanations related to the terms and conditions of or the Exchange Offer and the New Notes does not constitute investment advice or a recommendation in respect of the Exchange Offer and is not considered or deemed to be an assurance or guarantee as to the expected performance of the New Notes, the Company, and each other member of the Group;
- (13) it acknowledges that the information provided with regard to the Company or the Subsidiary Guarantors and the New Notes has been prepared and supplied by the Company and the Subsidiary Guarantors (whether or not it was conveyed by the Company and/or the Dealer Manager to it on the Company's behalf), and that no other party has verified such information or makes any representation or warranty as to its accuracy or completeness;
- (14) it is a sophisticated institutional investor and has such knowledge and experience in financial, business and international investment matters, and in particular in purchasing debt securities issued by PRC property companies, that, and it is capable of evaluating the merits and risks of the Exchange Offer, and it is aware that we may be required to bear, and is able to bear, the economic risk of an investment in the New Notes, including the possibility that it may lose all or a substantial portion of its investment;
- (15) It acknowledges that certain of the information and materials provided by the Company and the Subsidiary Guarantors, may be provided in the Chinese language, and it represents that it is capable of understanding and evaluating all such information;
- (16) it represents and acknowledges that (a) none of the Dealer Manager and its affiliates has been requested to or has provided with any information or advice with respect to the Exchange Offer or the New Notes nor is such information or advice necessary or desired; (b) none of the Dealer Manager and its affiliates has made or makes any representation as to the Company, the Exchange

Offer or the credit quality of the New Notes; (c) the Dealer Manager and its affiliates may have acquired, or during the term of the Exchange Offer and/or the New Notes may acquire, non-public information with respect to the Company, which we agree need not be provided to us; and (d) in connection with the Exchange Offer and the issuance of the New Notes, none of the Dealer Manager and its affiliates have acted as its financial advisor or fiduciary;

- (17) It is acquiring the New Notes for its own account (or for the account of a person that is not a U.S. person as defined in Regulation S promulgated under the Securities Act as to which we exercise sole investment discretion and have authority to make these statements) for investment purposes, and not with a view to any resale or distribution thereof within the meaning of the U.S. securities laws;
- (18) if it is acting as a fiduciary or agent for one or more investor accounts, (a) it has investment discretion with respect to each such account and (b) it has full power and authority to make the representations, warranties, agreements and acknowledgements in this letter on behalf of each such account;
- (19) It acknowledges and agrees that it did not become aware of the Exchange Offer through any form of general solicitation or advertising within the meaning of Rule 502 under the Securities Act or otherwise through a “public offering” under Section 4(a)(2) of the Securities Act or as a result of any directed selling efforts (as that term is defined in Regulation S) and it did not become aware of the Exchange Offer and was not otherwise solicited to enter into the Exchange Offer through solicitation of any party other than the Company and its respective affiliates;
- (20) the Exchange Offer is lawful under the securities laws of the jurisdiction in which it accept the exchange for the New Notes;
- (21) it is not a nominee company (unless the name of the ultimate beneficiary has been disclosed);
- (22) the delivery of an electronic instruction to the relevant Clearing System shall constitute an undertaking to execute any further documents and give any further assurances that may be required in connection with the Exchange Offer, in each case on and subject to the terms and conditions set out or referred to in this exchange offer memorandum;
- (23) the delivery of an electronic instruction to the relevant Clearing System shall constitute (subject to the terms and conditions of the Exchange Offer generally) the appointment of the Information and Exchange Agent as its attorney and agent, and an instruction to such attorney and agent (such appointment and instruction to be irrevocable) to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the Existing Notes tendered thereby in favor of the Company or such other person or persons as the Company may direct and to deliver such form(s) of transfer and other document(s) in the attorney’s and agent’s discretion and/or the certificate(s) and other documents of title relating to such Existing Notes’ registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Exchange Offer, and to vest in the Company or its nominees such Existing Notes;
- (24) the terms and conditions of the Exchange Offer shall be deemed to be incorporated in, and form a part of, the electronic instruction, which shall be read and construed accordingly;
- (25) by delivering an electronic instruction with respect to its Existing Notes through Euroclear or Clearstream, it consents to the disclosure by Euroclear or Clearstream of certain details concerning the direct participant’s identity, the aggregate principal amount of such Existing Notes and their account details to the Information and Exchange Agent;

- (26) it has not distributed or forwarded this exchange offer memorandum, or any part thereof, or any other documents or materials relating to the Exchange Offer to any person, and it has complied with all laws and regulations applicable to it for the purpose of its participation in the Exchange Offer;
- (27) it is not (i) a person that is, or is owned or controlled by a person that is, identified as a “specially designated national” or “blocked person” in the most current U.S. Treasury Department list of “Specially Designated National and Blocked Persons” or included in the U.S. Treasury Department’s Sectoral Sanctions Identifications List (which can be found at: <https://sanctionssearch.ofac.treas.gov/>), or in the European Union and UK Consolidated Lists of financial sanctions, or in the EU/UK list of persons subject to restrictive measures in view of Russia’s actions destabilizing the situation in Ukraine; or (ii) a person that is organized, resident or located in a country or territory subject to comprehensive/countrywide economic sanctions; (iii) a person that is otherwise the subject of, or in violation of, any sanctions under (x) the laws and regulations that have been officially published and are administered or enforced by the U.S. Government (including, without limitation, the Office of Foreign Assets Control of the U.S. Treasury Department or the U.S. Department of State), or any enabling legislation or executive order relating thereto; or (y) any equivalent sanctions or measures officially published and imposed by the European Union, any member state of the European Union, Her Majesty’s Treasury, the United Nations or any other relevant sanctions authority, including sanctions imposed against certain states, organizations and individuals under the European Union’s Common Foreign & Security Policy; or (iv) acting for or on behalf of any of the foregoing parties (a “**Sanctions Restricted Person**”); and
- (28) it understands that the foregoing representations, warranties, agreements undertakings, confirmations and acknowledgements are required in connection with United States and other securities laws and that it and its affiliates and others will rely upon the truth and accuracy of the foregoing representations, warranties, agreements, undertakings, confirmations and acknowledgements. These Investor Representations shall inure to the benefit of and be binding upon each Eligible Holder of the Existing Notes and their respective successors and permitted assigns, and these Investor Representations shall be binding on its permitted successors in title, permitted assigns and permitted transferees. It confirms that, to the extent it is acting for the account of one or more persons, these Investor Representations constitute legal, valid and binding obligations and any other persons for whose account it is acting.

Each holder of the Existing Notes that submits an electronic instruction will also be deemed to represent, warrant and agree with respect to the transfer restrictions as set forth under the section entitled “Transfer Restrictions.”

The representations and warranties and agreements of a holder tendering Existing Notes shall be deemed to be repeated and reconfirmed on and as of the Expiration Deadline and the Settlement Date. For the purposes of this exchange offer memorandum, the “beneficial owner” of any Existing Notes shall mean any holder that exercises sole investment discretion with respect to such Existing Notes.

## **PROCEDURES FOR TENDERING EXISTING NOTES**

### **General**

To participate in the Exchange Offer, an Eligible Holder must validly tender its Existing Notes for exchange pursuant to the Exchange Offer prior to the Expiration Deadline pursuant to the procedures described below.

To meet the deadlines referred to in this exchange offer memorandum, custodians, nominees and the relevant Clearing System may require you to act on a date prior to the Expiration Deadline. Additionally, they

may require further information in order to process all requests to tender. Eligible Holders are urged to contact their custodians or the relevant Clearing System as soon as possible to ensure compliance with their procedures and deadlines.

The method of delivery of the Existing Notes and all other required documents to the Information and Exchange Agent is at the election and risk of the holder. Eligible Holders of the Existing Notes should allow sufficient time to assure delivery to and receipt by the Information and Exchange Agent prior to the Expiration Deadline.

Questions about the terms of the Exchange Offer should be directed to the Dealer Manager or the Information and Exchange Agent, as applicable. If you have questions regarding tender procedures or require additional copies of this exchange offer memorandum, please contact the Information and Exchange Agent. Contact information for the Dealer Manager and the Information and Exchange Agent are set forth on the back cover of this exchange offer memorandum. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee or custodian for assistance concerning the Exchange Offer.

### **Valid Tender of the Existing Notes**

If you are an Eligible Holder of Existing Notes and you wish to tender your Existing Notes for exchange pursuant to the Exchange Offer, you may accept the Exchange Offer prior to the Expiration Deadline by submitting a valid electronic instruction to the relevant Clearing System in accordance with the requirements of the relevant Clearing System. By submitting an electronic instruction in accordance with the requirements of the relevant Clearing System, you shall be deemed to represent, warrant and undertake the following to the Company, the Dealer Manager, the Information and Exchange Agent and the Existing Notes Trustee and the Existing Notes Agents on each of the Expiration Deadline and the Settlement Date:

- that you wish to receive the New Notes under the terms of the Exchange Offer;
- that you are a person located outside the United States and not a U.S. person (within the meaning of Regulation S under the Securities Act);
- the accuracy of your name and securities account number at the relevant Clearing System in which you hold the Existing Notes and to which the New Notes are to be credited;
- you have authorized the relevant Clearing System to block your position in the Existing Notes until the Settlement Date or termination or withdrawal of the Exchange Offer;
- the accuracy of the cash account number at the relevant Clearing System to which the cash portion of the Exchange Consideration should be credited; and
- that you consent to the disclosure by Euroclear or Clearstream of certain details concerning your identity, the aggregate principal amount of such Existing Notes and the account details to the Information and Exchange Agent.

Your acceptance of the Exchange Offer will constitute a binding agreement between you and us in accordance with the terms, and subject to the conditions, set forth herein and in the electronic instruction. Such acceptance will be binding upon receipt by the relevant Clearing System of a valid electronic instruction in respect of all matters except your tender of the Existing Notes for exchange, which will be binding immediately.

By submitting a valid electronic instruction to the relevant Clearing System, you are deemed to represent, warrant and undertake to the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Dealer Manager, the Information and Exchange Agent, the New Notes Trustee, the New Notes Agents and the Existing Notes Trustee and the Existing Notes Agents that:

- you have received, reviewed and accepted the terms of this exchange offer memorandum, the terms of the New Notes and the “Transfer Restrictions”;
- you currently hold the Existing Notes at the time of submission of an electronic instruction, and will continue to hold the Existing Notes, until the time of settlement on the Settlement Date or the termination of the Exchange Offer;
- you have blocked the Existing Notes (and they will remain blocked) in the securities account to which such Existing Notes are credited in the relevant Clearing System with effect from, and including, the date on which the relevant Clearing System receives the electronic instruction until the time of settlement on the Settlement Date or termination of the Exchange Offer, all in accordance with the normal procedures of the relevant Clearing System and after taking into account the deadlines imposed by the relevant Clearing System;
- you will, through the clearing system, transfer the Existing Notes which are the subject of the electronic instruction, on the Settlement Date, with full title, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Existing Notes, free and clear of all liens charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same; and
- (i) you are the beneficial owner of, or are a duly authorized representative of one or more such beneficial owners of, the Existing Notes and you are not a U.S. person and are not located in the United States of America at the time you submitted the electronic instruction and (ii) if you are acting in a fiduciary, agency or other capacity as an intermediary, then either (x) you have full investment discretion with respect to the Existing Notes covered by the electronic instruction or (y) the person on whose behalf you are acting is a non-U.S. person located outside the United States of America at the time he or she instructed you to accept the Exchange Offer.

If you are unable to give any of the representations and warranties described above, please contact the Dealer Manager. Do not send Existing Notes or electronic instructions to the Dealer Manager, the Company or the Information and Exchange Agent.

## **PROCEDURES FOR PARTICIPATING IN THE EXCHANGE OFFER**

To tender Existing Notes pursuant to the Exchange Offer, a beneficial owner should deliver, or arrange to have delivered on its behalf, via Euroclear or Clearstream, as applicable, and in accordance with the requirements of Euroclear or Clearstream, as applicable, a valid tender instruction that is received by the Information and Exchange Agent by the Expiration Deadline. Tender instructions must be submitted in respect of no less than a minimum nominal amount of Existing Notes (being US\$200,000), and may thereafter be submitted in integral multiples of US\$1,000.

Eligible Holders are responsible for ensuring that their instructions will result in the New Notes they are entitled to receive being at least equal to the minimum principal amount of US\$150,000. Instructions that would result in a principal amount of New Notes below US\$150,000 will be rejected.

Beneficial owners are advised to check with any bank, securities broker or other intermediary through which they hold Existing Notes when such intermediary would need to receive instructions from a beneficial owner in order for that beneficial owner to be able to participate in the Exchange Offer by the Expiration Deadline specified in this exchange offer memorandum. *The deadlines set by any such intermediary and Euroclear or Clearstream, as applicable, for the submission of tender instructions will be earlier than the deadlines set forth in this exchange offer memorandum.*

## **INSTRUCTIONS**

Only direct participants of Euroclear and Clearstream may submit tender instructions to Euroclear or Clearstream. Each beneficial owner of Existing Notes that is not a direct participant must arrange for the direct participant through which such beneficial owner holds its Existing Notes to submit a valid tender instruction on its behalf to Euroclear or Clearstream, as applicable, before the deadlines specified by Euroclear or Clearstream, as applicable.

### **Euroclear and Clearstream Participants**

A beneficial owner wishing to participate in the Exchange Offer must submit, or arrange to have submitted on its behalf, at or before the Expiration Deadline and before the deadlines set by Euroclear or Clearstream, as applicable (unless the Exchange Offer are terminated earlier), a duly completed electronic instruction to the Euroclear or Clearstream, as applicable.

The submission of Existing Notes for exchange will be deemed to have occurred upon receipt by Euroclear or Clearstream, as applicable, of a valid electronic instruction in accordance with the requirements of Euroclear or Clearstream, as applicable. The receipt of such electronic instruction by Euroclear or Clearstream, as applicable, will be acknowledged in accordance with the standard practices of Euroclear or Clearstream, as applicable, and will result in the blocking of such Existing Notes in Euroclear or Clearstream, as applicable, so that no transfers may be effected in relation to such Existing Notes.

By submitting an electronic instruction in respect of the Exchange Offer, the relevant holder will be deemed to have confirmed (i) that such holder wishes to participate in the Exchange Offer for the aggregate principal amount of the Existing Notes specified in the electronic instruction, (ii) the name of the holder or the relevant direct participant and the securities account number at Euroclear or Clearstream, as applicable, in which the Existing Notes are held, and (iii) that the New Notes and any cash payments are to be credited to the securities account and cash account numbers, respectively, at Euroclear or Clearstream, as applicable, in which the Existing Notes are held.

## **DETERMINATION OF VALIDITY**

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tendered Existing Notes pursuant to any of the procedures described above, and the form and validity of all documents will be determined by us at our sole discretion, which determination will be final and binding absent a finding to the contrary by a court of competent jurisdiction. We reserve the absolute right to reject any or all tenders of any Existing Notes determined by us not to be in proper form, or if the acceptance of or exchange of such Existing Notes may, in the opinion of our counsel, be unlawful or result in a breach of contract. A waiver of any defect or irregularity with respect to the tender of one Exchange Note shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of any other Existing Notes.

Your tender of the Existing Notes will not be deemed to have been validly made until all defects or irregularities in your tender and delivery have been cured or waived. None of us, the Dealer Manager, the Information and Exchange Agent, the Existing Notes Trustee, the New Notes Trustee, the Existing Notes Agents, the New Notes Agents or any of their respective affiliates, directors or advisors or agents or any other person or entity is under any duty to give notification of any defects or irregularities in any tender of any Existing Notes, or will incur any liability for failure to give any such notification.

A separate Instruction needs to be submitted per each beneficial owner of the Existing Notes held through Euroclear and Clearstream.

## **NO PARTICIPATION BY THE COMPANY**

The Company may not submit any electronic instructions.



## **NO GUARANTEED DELIVERY**

There are no guaranteed delivery procedures provided by the Company or any other entity making payments on behalf of the Company in connection with the Exchange Offer. Eligible Holders must tender their Existing Notes in accordance with the procedures set forth herein.

## **THE EXISTING NOTES TRUSTEE AND EXISTING NOTES AGENTS**

In accordance with normal practice, the Existing Notes Trustee and Existing Notes Agents expresses no opinion on the terms of the Exchange Offer. The Existing Notes Trustee and Existing Notes Agents have not been involved in formulating the terms of the Exchange Offer, and makes no representation that all relevant information has been disclosed to holders of the Existing Notes herein or that the information contained herein is accurate or complete. Each holder of the Existing Notes is responsible for assessing the merits of the Exchange Offer. Accordingly, each of the Existing Notes Trustee and Existing Notes Agents recommends that the holders of the Existing Notes seek their own independent financial, tax or legal advice with regard to the impact of the implementation of the Exchange Offer.

## **INFORMATION AND EXCHANGE AGENT**

D.F. King Ltd. has been appointed as the Information and Exchange Agent for the Exchange Offer. Questions concerning tender procedures and requests for additional copies of this exchange offer memorandum should be directed to the Information and Exchange Agent at the address and telephone numbers listed on the back cover of this exchange offer memorandum. Holders of the Existing Notes may also contact their broker, dealer, commercial bank, trust company or other nominee or custodian for assistance concerning the Exchange Offer. We will pay the Information and Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses. We have agreed to indemnify the Information and Exchange Agent against certain liabilities, including liabilities arising under the U.S. federal securities laws.

## **DEALER MANAGER**

We have retained Guotai Junan Securities (Hong Kong) Limited to act as the Dealer Manager for the Exchange Offer. We have agreed to pay the Dealer Manager reasonable and customary fees for its services and we will reimburse the Dealer Manager for its reasonable out-of-pocket expenses, including the reasonable expenses and disbursements of its legal counsel. The obligations of the Dealer Manager to perform its functions are subject to various conditions. We have agreed to indemnify the Dealer Manager against various liabilities, including various liabilities under the U.S. federal securities laws. Questions regarding the terms of the Exchange Offer may be directed to the Dealer Manager at its applicable address and telephone number listed on the back cover of this exchange offer memorandum.

The Dealer Manager or certain of its affiliates have provided, from time to time, and in the future may provide, certain investment banking and financial advisory services to us and our affiliates, for which they have received, or in the future will receive, customary fees. In addition, the Dealer Manager or certain of its affiliates may have owned, currently own or may own, equity or equity-like securities of ours.

In the ordinary course of their businesses, the Dealer Manager or certain of its affiliates may at any time hold long or short positions, and may trade for their own account or the accounts of customers, in our securities, including in the Existing Notes. To the extent that the Dealer Manager or certain of its affiliates own Existing Notes during the Exchange Offer, they may tender such Existing Notes pursuant to the terms of the Exchange Offer. Such participation, if any, will be on the same terms and subject to the same conditions set forth in this exchange offer memorandum applicable to other holders of the Existing Notes.

## **ANNOUNCEMENTS**

The announcement of the commencement of the Exchange Offer, the final aggregate principal amount of the Existing Notes tendered and accepted for exchange, the Requisite received, the final total aggregate

principal amount of the New Notes and the settlement of the Exchange Offer will be released via the websites of the SEHK and the Exchange Website, and made through Euroclear or Clearstream, and will occur as specified in the section entitled “Summary Timetable” unless otherwise extended or amended. All other announcements will be made through Euroclear or Clearstream. Significant delays may be experienced in publishing notices through Euroclear or Clearstream and the holders of the Existing Notes are urged therefore to contact the Dealer Manager or the Information and Exchange Agent for the relevant announcements. All announcements will be made available upon release at the offices of the Information and Exchange Agent in London and Hong Kong.

The Company and the Information and Exchange Agent will announce the outcome of the Exchange Offer on the dates set out in the section entitled “Summary Timetable” and the section entitled “Description of the Exchange Offer.”

#### **OTHER FEES AND EXPENSES**

We will bear the fees and expenses of soliciting tenders for the Exchange Offer. Tendering holders of the Existing Notes will not be required to pay any fee or commission to the Dealer Manager, the Existing Notes Trustee or the Information and Exchange Agent. If, however, a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other nominee or custodian, that holder may be required to pay brokerage fees or commissions to such broker, dealer, commercial bank, trust company or other nominee or custodian.

#### **TRANSFER TAXES**

We will pay all transfer taxes, if any, applicable to the exchange of the Existing Notes pursuant to the Exchange Offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing the Existing Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Existing Notes tendered;
- tendered Existing Notes are registered in the name of any person other than the person signing; or
- a transfer tax is imposed for any reason other than the exchange of the Existing Notes under the Exchange Offer.

If satisfactory evidence of payment of transfer taxes is not submitted with the tendered Existing Notes, the amount of any transfer taxes will be billed to the tendering holder.

#### **SOURCE OF FUNDS FOR THE EXCHANGE OFFER**

We plan to use our own internal funds to pay all such cash components of the various fees and considerations described above.

## EXCHANGE RATE INFORMATION

### CHINA

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The PRC government may adopt further reforms of its exchange rate system, including but not limited to making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average <sup>(1)</sup>	High	Low
		(RMB per US\$1.00)		
2017 .....	6.5063	6.7530	6.9575	6.4773
2018 .....	6.8755	6.6292	6.9737	6.2649
2019 .....	6.9618	6.9014	7.1786	6.6822
2020 .....	6.5250	6.8878	7.1681	6.5208
2021 .....	6.3726	6.4508	6.5716	6.3435
December .....	6.3726	6.3693	6.3772	6.3435
2022				
January .....	6.3610	6.3556	6.3822	6.3206
February .....	6.3084	6.3436	6.3660	6.3084
March .....	6.3393	6.3446	6.3720	6.3116
April .....	6.6080	6.4310	6.6243	6.3590
May .....	6.6715	6.6990	6.7880	6.6079
June (through June 3, 2022) .....	6.6595	6.6683	6.6858	6.6595

Source: Federal Reserve H.10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

## HONG KONG

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link within the current rate range or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average <sup>(1)</sup>	High	Low
		(HK per US\$1.00)		
2017 .....	7.8128	7.7950	7.8267	7.7540
2018 .....	7.8305	7.8376	7.8499	7.8043
2019 .....	7.7894	7.8335	7.8499	7.7850
2020 .....	7.7534	7.7562	7.7951	7.7498
2021 .....	7.7996	7.7727	7.8034	7.7515
December .....	7.7996	7.7990	7.8034	7.7914
2022 .....				
January .....	7.7971	7.7917	7.8001	7.7850
February .....	7.8137	7.7992	7.8137	7.7894
March .....	7.8275	7.8214	7.8297	7.8129
April .....	7.8465	7.8414	7.8476	7.8340
May .....	7.8468	7.8490	7.8499	7.8468
June (through June 3, 2022) .....	7.8461	7.8463	7.8475	7.8452

Source: Federal Reserve H.10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

## SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary financial data as of and for each of the years ended December 31, 2019, 2020 and 2021 (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our audited consolidated financial statements for the years ended December 31, 2020 and 2021 and included elsewhere in this exchange offer memorandum. Our financial information is prepared in accordance with IFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. The summary financial data below should be read in conjunction with our consolidated financial statements for the respective years and the notes to those statements included elsewhere in this exchange offer memorandum. Also, the Company's financial results for any past period are not and should not be taken as an indication of the Company's performance, financial position and results of operations in future years.



**SUMMARY CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA**

	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
<b>Continuing Operations</b>				
Revenue . . . . .	7,568,164	13,158,083	15,054,693	2,362,410
Cost of sales . . . . .	(5,465,778)	(9,601,853)	(12,146,556)	(1,906,060)
<b>Gross profit</b> . . . . .	<b>2,102,386</b>	<b>3,556,230</b>	<b>2,908,137</b>	<b>456,350</b>
Other income and gains . . . . .	44,826	74,585	157,831	24,767
Selling and marketing expenses . . . . .	(400,004)	(649,740)	(933,430)	(146,476)
Administrative expenses . . . . .	(532,747)	(573,296)	(651,426)	(102,223)
Other expenses . . . . .	(13,667)	(22,975)	2,000	314
Fair value gains on investment properties . . .	160,840	(49,276)	(62,315)	(9,779)
Finance costs . . . . .	(230,381)	(306,540)	(295,189)	(46,322)
Share of profits and losses of:				
Joint ventures . . . . .	3,758	(29,824)	104,945	16,468
Associates . . . . .	(7,046)	17,196	5,597	878
<b>Profit before tax from continuing operations</b> . . . . .	<b>1,127,965</b>	<b>2,016,360</b>	<b>1,236,150</b>	<b>193,979</b>
Income tax expense . . . . .	(469,688)	(955,792)	(599,401)	(94,059)
<b>Profit/loss for the year from continuing operations</b> . . . . .	<b>658,277</b>	<b>1,060,568</b>	<b>636,749</b>	<b>99,920</b>
Profit for the year from discontinued operations . . . . .	14,036	–	–	–
<b>Profit for the year</b> . . . . .	<b>672,313</b>	<b>1,060,568</b>	<b>636,749</b>	<b>99,920</b>
Other comprehensive income for the year . . .	–	–	–	–
<b>Total comprehensive income for the year</b> . . .	<b>672,313</b>	<b>1,060,568</b>	<b>636,749</b>	<b>99,920</b>
Attributable to:				
Owners of the parent . . . . .	544,825	860,311	488,449	76,648
Non-controlling interests . . . . .	127,488	200,257	148,300	23,272
Other Financial Data (unaudited)				
EBITDA <sup>(1)</sup> . . . . .	2,712,608	4,249,838	3,489,943	547,648
EBITDA margin <sup>(2)</sup> . . . . .	35.8%	32.3%	23.2%	23.2%

Notes:

- (1) EBITDA for any period consists of profit for the year before interests, income tax, depreciation and amortization. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the New Notes. Interest expense excludes amounts capitalized. See "Description of the New Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the New Notes.

The following table reconciles our profit for the year under IFRS to our definition of EBITDA for the periods indicated:

	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
Profit for the year . . . . .	672,313	1,060,568	636,749	99,920
<b>Adjustment</b>				
Interests . . . . .	1,520,303	2,192,758	2,209,007	346,641
Income tax . . . . .	469,688	955,792	599,401	94,059
Depreciation and amortization . . . . .	50,304	40,720	44,786	7,028
<b>EBITDA</b> . . . . .	<u>2,712,608</u>	<u>4,249,838</u>	<u>3,489,943</u>	<u>547,648</u>

- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

## SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(Unaudited)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment . . . . .	236,063	221,873	198,947	31,219
Investment properties . . . . .	4,580,800	4,551,600	4,337,400	680,633
Intangible assets . . . . .	12,688	18,268	23,210	3,642
Investments in joint ventures . . . . .	595,871	577,807	718,626	112,768
Investments in associates . . . . .	78,405	561,101	126,962	19,923
Deferred tax assets . . . . .	676,137	983,633	1,191,999	187,051
Right-of-use assets . . . . .	56,656	51,794	45,576	7,152
Other non-current assets . . . . .	129,557	223,382	223,106	35,010
Total non-current assets . . . . .	6,366,177	7,189,458	6,865,826	1,077,398
<b>CURRENT ASSETS</b>				
Properties under development . . . . .	27,983,573	38,657,280	39,768,610	6,240,563
Completed properties held for sale . . . . .	1,296,666	2,900,193	3,792,932	595,194
Trade receivables . . . . .	60,788	72,860	81,089	12,725
Due from related companies . . . . .	730,271	1,149,913	1,650,730	259,036
Prepayments, deposits and other receivables	1,935,102	3,001,028	5,475,248	859,186
Tax recoverable . . . . .	387,441	568,088	719,130	112,847
Financial assets at fair value through profit or loss . . . . .	2,000	11,026	5,864	920
Other current assets . . . . .	110,551	598,232	851,406	133,604
Restricted cash . . . . .	1,637,442	1,602,975	778,618	122,182
Pledged deposits . . . . .	158,473	144,855	147,168	23,094
Cash and cash equivalents . . . . .	1,381,642	4,177,262	4,297,980	674,447
	35,683,949	52,883,712	57,568,775	9,033,797
Assets of a disposal group classified as held for sale . . . . .	—	—	—	—
Total current assets . . . . .	35,683,949	52,883,712	57,568,775	9,033,797
<b>CURRENT LIABILITIES</b>				
Trade and bills payables . . . . .	4,058,372	6,800,412	8,206,233	1,287,737
Other payables, deposits received and accruals . . . . .	2,666,676	5,789,398	4,844,210	760,162
Due to related companies . . . . .	727,263	225,595	525,868	82,520
Interest-bearing bank and other borrowings .	5,763,159	4,090,066	3,232,482	507,247
Tax payable . . . . .	662,390	1,358,474	1,649,122	258,783
Contract liabilities . . . . .	15,398,334	21,592,955	25,557,106	4,010,468
Financial guarantee contracts. . . . .	1,176	—	950,991	149,231
Lease liabilities . . . . .	4,512	6,220	2,703	424
	29,280,706	39,863,120	44,968,715	7,056,573
Liabilities of a disposal group classified as held for sale . . . . .	—	—	—	—
Total current liabilities . . . . .	29,280,706	39,863,120	44,968,715	7,056,573

	As of December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(Unaudited)
<b>NET CURRENT ASSETS</b> .....	6,403,243	13,020,592	12,600,060	1,977,224
<b>TOTAL ASSETS LESS CURRENT</b>				
<b>LIABILITIES</b> .....	12,769,420	20,210,050	19,465,886	3,054,622
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing bank and other borrowings .	5,992,020	10,167,291	7,785,172	1,221,663
Deferred tax liabilities .....	707,876	767,863	845,169	132,625
Financial guarantee contracts .....	—	—	—	—
Lease liabilities .....	9,777	4,824	3,517	552
Total non-current liabilities .....	6,709,673	10,939,978	8,633,858	1,354,841
<b>NET ASSETS</b> .....	<u>6,059,747</u>	<u>9,270,072</u>	<u>10,832,028</u>	<u>1,699,782</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of</b>				
<b>the parent</b>				
Share capital .....	1	8,446	8,670	1,361
Reserves .....	5,227,219	7,241,954	7,872,142	1,235,311
	5,227,220	7,250,400	7,880,812	1,236,671
<b>Non-controlling interests</b> .....	832,527	2,019,672	2,951,216	463,110
<b>TOTAL EQUITY</b> .....	<u>6,059,747</u>	<u>9,270,072</u>	<u>10,832,028</u>	<u>1,699,782</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this exchange offer memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.*

*Our consolidated financial statements were prepared in accordance with IFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the exchange offer memorandum, references to "2019", "2020" and "2021" refer to our financial years ended December 31, 2019, 2020 and 2021, respectively.*

### OVERVIEW

We are a property developer with a leading market position among the Sichuan-based property developers and a nationwide presence. We were recognized as one of the "Top 50 Chinese Real Estate Brand Value in 2021 (2021中國房地產品牌價值Top 50)" by China Index Academy (中國指數研究院) and "Real Estate Enterprises of Growth in 2021 (2021年度成長力地產企業)" by Guandian Index Academy (觀點指數研究院). In addition, we were also among "China (Sichuan) Top 10 Real Estate Brands in 2021 (2021年度中國(四川)房地產品牌十強)" and "China (Sichuan) Influential Commercial Real Estate Operators in 2021 (2021年度中國(四川)影響力商業地產運營商)" by thecover.cn (封面新聞). Over the past 20 years, we have established our nationwide presence focusing on Chengdu-Chongqing Economic Zone (成渝經濟帶) and Sichuan province, Central China (華中), Beijing-Tianjin-Hebei Region (京津冀地區) and Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區), with projects located in 37 cities in China.

We primarily focus on providing quality residential properties to home upgraders. In addition to residential properties, we also develop commercial properties, including office buildings, shopping blocks, commercial complexes and apartments, and operate hotels. We have developed a diversified product portfolio of 11 series as of December 31, 2020, namely: Landmark series (中心系), which offers premium commercial properties typically located in the central business area of provincial capitals or sub-provincial cities, Guan series (觀字系) typically located on scenic sites, Lan series (蘭字系) and Tian series (天字系), both of which offer premium residential properties, Kaixuan series (凱旋系), typically located in locations which are expected to become city centers in the near future, Cultural series (文旅系), which offers vacation homes located on scenic sites, Yue series (悅字系), which offers modern designs to cater to young property purchasers who wish to upgrade their living environment, Commerce series (商業系), which features thematic commercial streets, pedestrian zones and catering places, Condo series (公寓系), which features smart home systems and housekeeping services, Industry series (產城系), which features a community developed by us typically involving office buildings, shopping malls, healthcare facilities, urban parks and K12 international school(s), and Harmony series (特色小鎮) which offer historical and cultural resort(s) located in ancient towns. Our product design capabilities have brought us various awards. Our Leading • Tianfu Lantai (領地•天府蘭台) was awarded the Gold Winner for residential properties in Muse Design Awards in 2022. Our Leading • Yuefu (領地•悅府) was awarded Excellence Award in Landscape Design (景觀設計優秀獎) by China Real Estate & Design Award (CREDAWARD 地產設計大獎•中國) in 2021.

We adopt flexible acquisition methods to maintain a sustainable land reserve. Our land parcels are typically located in city centers, or areas which are expected to become city centers in the near future. As of December 31, 2021, the total land bank attributable to us was approximately 15.8 million sq.m., including saleable GFA unsold and GFA sold but not yet delivered attributable to us of approximately 0.9 million sq.m., properties under development with an aggregate planned GFA attributable to us of approximately 9.7 million sq.m., and properties held for future development with an aggregate estimated GFA attributable to us of approximately 5.3 million sq.m. The contracted sales attributable us increased by 44.8% from approximately RMB15,285.6 million in 2019 to approximately RMB22,134.3 million in 2020 and further increased by 4.0% to RMB23,014.9 million (US\$3,611.5 million) in 2021, with total GFA for contracted sales attributable to us increasing from approximately 2.0 million sq.m. in 2019 to 2.7 million sq.m. in 2020 and remaining stable at 2.7 million sq.m. in 2021.

For the years ended December 31, 2019, 2020 and 2021, our revenue amounted to RMB7,568.2 million, RMB13,158.1 million and RMB15,054.7 million (US\$2,362.4 million), respectively. Our net profit amounted to RMB672.3 million, RMB1,060.6 million and RMB636.7 million (US\$99.9 million) for the years ended December 31, 2019, 2020 and 2021, respectively.

## **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

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

### **Economic Growth and the State of Real Estate Market in the PRC**

Economic growth, urbanization and rising disposable income in China have been the key drivers behind increasing market demand for residential and commercial properties. Currently, the real estate industry is regarded by the PRC government as one of the country's pillar industries, it is significant dependent on overall economic growth, in particular, the cities and regions where we operate and intend to operate are especially important to our sales and profitability. As such, this factor will continue to have a significant impact on our business and results of operations. In addition, our results of operations are primarily subject to the performance of the PRC's real estate market, in particular, the supply and demand for residential and commercial properties and pricing trends of mid to high-end residential properties as well as residential properties for first-time purchasers in the cities and regions where we operate. Any general economic downturn or downturn in the real estate market, particular in the cities and regions where we operate, could adversely affect our business, results of operations and financial position. See "Risk Factors—Risks Relating to Doing Business in China—We are vulnerable to adverse changes in economic, political and social conditions and government policies in China."

### **Regulatory Environment and Measures Affecting the Real Estate Industry in China**

Our business has been, and will continue to be, affected by the regulatory environment in China, including, specifically, policies and measures adopted by the PRC government on the property development and related industries. In recent years, the PRC government has implemented a series of measures to contain the pace of economic growth, particularly the perceived over-heating in the real estate market. While the PRC government may still regard the real estate industry as important, it has taken restrictive measures to discourage speculation and increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic policies to encourage or restrict development in the property sector through regulating, among others, land grants, pre-sales of properties, bank and other financing, mortgage and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business. The PRC government may introduce initiatives, which may affect our access to capital and the means through which we finance our property developments.

Since the first half of 2010, in response to the and "Regulations" rising property prices across the country, the PRC government announced new policies, adopted new measures to curtail speculation in the property market, and imposed more stringent requirements on the payment of land premiums by property developers. These policies include the abolishment of certain preferential treatment in respect of business tax payable upon transfer of residential properties, increased minimum down-payment for mortgage loans, more stringent requirements on the payment of land premium, further limits on the number of residential properties one household can buy, a trial property tax scheme in Shanghai and Chongqing and a 20% capital gains tax on residential property re-sales. More recently, the property market in the PRC witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales, and many local government have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. PRC regulatory measures in the real estate industry will continue to affect our business. See "Risk Factors—Risks Relating to the Property Industry in China."

### **Revenue and Change in Product Mix**

We derive our revenue principally from the sale of properties that we developed, including residential, commercial properties, and car parks. As we recognize revenue from sale of properties upon their delivery when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and



the laws that apply to the contract, control of the asset may transfer over time or at a point in time, our revenue primarily depends on the volume of properties we sell, the prices at which we make the sales and the timing of delivery of sold properties to purchasers. The volume of properties we sell and the timing of delivery of sold properties depend on the progress on the construction of our properties and the market response we obtain when we launch our property sales. Revenue from sale of properties fluctuate based on the levels of actual completion of construction and delivery of our properties and therefore may vary significantly from period to period. Our revenue may fluctuate because of the mix of our projects and the timing of recognition of revenue from pre-sales of units in our development properties. While we generally are involved in a number of projects at any given time and those projects may be at varying stages of completion, many of our projects are large and thus necessarily require substantial time to complete. Accordingly, even assuming a constant level of market demand for our properties, the number of properties that we have available for sale can vary significantly from period to period.

The average selling prices per sq.m. and the gross profit margin of our property products vary by the type of properties we develop and sell. Our product mix varies from period to period based on a number of factors, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time but may nonetheless be unable to maintain or increase the average selling prices or gross profit margin, which would materially and adversely affect our profitability.

### **Pre-sale**

Our ability to sell properties prior to completion, known as the pre-sale of properties, constitutes the most important source of our operating cash inflow during project development. The relevant pre-sale requirements vary from city to city and pre-sale proceeds of a project are required to be used to finance its development. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sale imposed by the PRC government, market demand for our properties subject to pre-sale and the number of properties we have available for pre-sale. Timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. See “Risk Factors—Risks Relating to Our Business—We are exposed to contractual and legal risks related to pre-sales.” In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our projects. As a result of the time differences between costs incurred, cash received from pre-sales and revenue recognition, our results of operation have fluctuated in the past and are likely to continue to fluctuate in the future.

### **Construction Costs**

A key component of our cost of sales is construction costs. Construction costs are affected by the price of certain key construction materials, such as steel and cement, as well as labor costs. Most building construction materials, including steel and cement, are procured by our contractors. We typically designate the brands and quality requirements of these construction materials in our construction agreements. In most of our construction agreements, the contract price will be adjusted if the market price of such materials fluctuates beyond a certain threshold, and we, as a result, will bear the risks or enjoy the benefits associated with such price increases or decreases outside this range. We can pass the increases in construction material costs to our customers only to the extent that we are able to increase the prices of our properties and therefore bear the risk of price fluctuations in raw materials to the extent that we are unable to increase our prices to fully cover any increases in costs.

In addition, our results of operations are affected by labor costs, directly on our staff cost and indirectly on our contractors’ staff cost. In general, labor costs in the PRC have been increasing in recent years. Increases in labor costs will continue to have an impact on our results of operations.

### **Availability and Cost of Financing**

Financing is an important source of funding for property development. In 2019, 2020 and 2021, we financed our operations primarily through internally generated cash flow from the pre-sale of our properties,

as well as external financings, such as borrowings from banks, as well as trust and other financing arrangements. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those that restrict the ability of real estate developers to obtain bank financing. As commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, we expect that any increase in the benchmark lending rates will increase our borrowing costs. In addition, as of December 31, 2021, we had approximately RMB3,478.8 million (US\$545.9 million) outstanding financing arrangements with trust financing providers, asset management companies and other financial institutions which usually have a greater flexibility in terms of fund availability and repayment. While trust financing providers, asset management companies and other financial institutions generally do not link their interest rates to the PBOC benchmark lending rates, they typically charge higher interest rates than those charged by commercial banks. The PRC government may implement more stringent measures to control risks in loan growth, which may include more stringent review procedures that trust financing providers, asset management companies and other financial institutions are required to adopt when considering applications for trust financing and remedial actions that they are required to take in the event of any non-compliance with applicable laws and regulations. Any such further measures that the PRC government may implement could limit the amount that trust financing providers, asset management companies and other financial institutions can make available for the PRC property development industry as a whole and to us. As such, any increase in interest rates offered to us and the general credit availability may significantly impact our real estate development business.

As of December 31, 2019, 2020 and 2021, our total outstanding bank and other borrowings (including trust and other financing) amounted to RMB11,755.2 million, RMB14,257.4 million and RMB11,017.7 million (US\$1,728.9 million), respectively, and the weighted average effective interest rates on our outstanding bank and other borrowings as of the same dates was 9.9%, 9.2% and 9.3%, respectively. We may from time to time in the future obtain further funding by accessing both the international and domestic capital markets, including but not limited to the issuance of corporate bonds, asset-backed securities programs and debt offerings, to diversify our financing sources, secure sufficient working capital and to support our business expansion. In addition, a significant portion of our finance costs are capitalized at the time it is incurred to the extent such costs are directly attributable to the land acquisition and project construction. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

## **LAT**

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, which is calculated by deducting from the gross sales proceeds the cost associated with the property development and certain other deductibles. For each of this period, we assessed the difference between the amount we prepaid and our estimated LAT liability. In 2019, 2020 and 2021, we recorded LAT expenses in the amount of RMB218.3 million, RMB493.2 million and RMB221.3 million (US\$34.7 million), respectively. The provision for LAT requires our management to use a significant amount of judgment and estimates and we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Under such circumstances, our results of operations and cash flows may be materially and adversely affected.

## **SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial statements in conformity with IFRS requires us to adopt accounting policies and make judgments, estimates and assumptions that affect amounts reported in our financial statements. In applying these accounting policies, we make subjective judgments, based on experience and other factors that may be complex and frequently require estimates about matters that are inherently

uncertain. Many of these policies, estimates and related judgments are common in the real estate industry, while others are specific to our business and operations. Actual results may differ from those estimates and assumptions. The following section discusses the accounting policies applied in preparing our financial statements that we believe are most dependent on the application of these judgments and estimates and certain other significant accounting policies. No material deviation of our estimates as compared to our actual results were noted in the past, no material changes were made to our estimates in the past and no material changes will likely be made to our estimates in the future.

When reviewing our financial results, you should consider: (i) our selection of significant accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

## **Revenue recognition**

### ***Revenue from contracts with customers***

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expect to be entitled in exchange for those goods or services.

Revenue is recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if our performance (i) provides all of the benefits received and consumed simultaneously by the customer; (ii) creates and enhances an asset that the customer controls as we perform; or (iii) does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

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

### ***Sale of properties***

Revenue from sale of properties is recognized over time when our performance under the sales contract does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date; otherwise revenue from sale of properties is recognized at point in time.

The progress towards complete satisfaction of the performance obligation is measured based on our efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each contract.

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

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

### ***Project Management***

We provide management services to our customers at a fixed or variable amount. If the consideration is variable, revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Revenue from management services is recognized over a period of time where the customer

simultaneously receives and consumes the benefits provided by us or we have an enforceable right to payments for performance completed to date and the performance does not create an asset with an alternative use.

#### *Hotel operations*

Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognised at the point in time when the services are rendered.

#### ***Revenue from other sources***

##### *Rental income*

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

##### *Interest income*

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

##### *Dividend income*

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to our Group and the amount of the dividend can be measured reliably.

#### ***Revenue from commercial property operations***

Revenue from commercial property operations is recognized on a time proportion basis over the lease terms.

#### **Investment properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn revenue and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each of the periods in 2019, 2020 and 2021.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of the retirement or disposal.

#### **Properties under development**

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realizable value.

Properties under development are classified as current assets unless those will not be realized in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

### **Completed properties held for sale**

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value takes into account the price ultimately expected to be realized, less estimated costs to be incurred in selling the properties.

### **Investments and other financial assets**

#### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, and at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient, we initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

#### ***Subsequent measurement***

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

##### *Financial assets at amortized cost (debt instruments)*

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

##### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the statement of profit or loss.

##### *Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to our Group and the amount of the dividend can be measured reliably, except

when our Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and equity investments which our Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to our Group and the amount of the dividend can be measured reliably.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

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

We recognized an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### **Contract liabilities**

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfer control of the related goods or services to the customer).

#### **Financial liabilities**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that



are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

#### *Financial liabilities at amortized cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

#### **Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires.

When 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. The difference between the respective carrying amount is recognized in profit or loss.

#### **DESCRIPTION OF CERTAIN LINE ITEMS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

##### **Revenue**

Our revenue in 2019, 2020 and 2021 was primarily generated from sale of properties, with a relatively small portion from commercial property operations and, to a lesser extent, hotel operations and project management. The following table sets forth a breakdown of our revenue by business line for the periods indicated.

	Year ended December 31,						
	2019		2020		2021		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US\$'000)	%
						(unaudited)	
Sale of properties . . . . .	7,452,435	98.5	13,027,945	99.0	14,896,948	2,337,656	99.0
Commercial property operations . . . .	70,876	0.9	84,396	0.6	104,446	16,390	0.6
Hotel operations . . . . .	37,102	0.5	41,194	0.3	49,202	7,721	0.3
Project management . . . . .	7,751	0.1	4,548	0.1	4,097	643	0.1
<b>Total . . . . .</b>	<b><u>7,568,164</u></b>	<b><u>100.0</u></b>	<b><u>13,158,083</u></b>	<b><u>100.0</u></b>	<b><u>15,054,693</u></b>	<b><u>2,362,410</u></b>	<b><u>100.0</u></b>

## Sale of properties

Revenue from sale of properties has constituted, and is expected to continue to constitute, a substantial majority of our total revenue. Our revenue from sale of properties for any given period are dependent upon the recognized GFA and the ASP thereof during such period. See “—Significant Factors Affecting Our Results of Operations—Revenue and Change in Product Mix.” Most of our revenue from sale of properties is recognized upon delivery of the relevant property. In 2019, 2020 and 2021, the fluctuation of our GFA recognized was primarily as a result of our construction schedule and the size of each project we developed. The fluctuation of the ASP of the GFA recognized was primarily as a result of condition of the local markets where we developed the projects, which was in turn affected by the level of local economic development and local demands. The ASP of the GFA recognized was also affected by the types of the properties. In general, the ASP of the commercial properties was higher than the ASP of the residential properties we developed in 2019, 2020 and 2021.

The following table sets forth the revenue from sale of properties, GFA recognized and ASP by key regions for the years indicated.

	For the year ended December 31,									
	2019			2020			2021			
	Revenue	GFA recognized	ASP	Revenue	GFA recognized	ASP	Revenue	GFA recognized	ASP	
	(RMB'000)	(sq.m.)	(RMB per sq.m.)	(RMB'000)	(sq.m.)	(RMB per sq.m.)	(RMB'000)	(US\$'000)	(sq.m.)	(RMB per sq.m.)
Beijing-Tianjin-Hebei Region (京津冀地區)	74,900	8,036	9,321	516,259	61,807	8,353	45,778	7,184	5,193	8,815
Central China (華中)	147,835	21,900	6,750	152,518	21,110	7,225	1,818,366	285,341	273,934	6,638
Chengdu-Chongqing Economic Zone (成渝經濟帶) and Sichuan province	5,593,151	604,908	9,246	11,252,160	1,365,548	8,240	10,029,128	1,573,789	1,217,099	8,240
Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區)	132,765	17,002	7,809	181,723	21,446	8,474	1,608,296	252,377	208,884	7,699
Others <sup>(1)</sup>	1,503,785	233,995	6,427	925,285	133,873	6,912	1,395,380	218,966	233,371	5,979
<b>Total</b>	<b>7,452,435</b>	<b>885,841</b>	<b>8,413</b>	<b>13,027,945</b>	<b>1,603,784</b>	<b>8,123</b>	<b>14,896,948</b>	<b>2,337,656</b>	<b>1,938,482</b>	<b>7,685</b>

Note:

- (1) Others include Changchun of Jilin province, Urumqi and Korla of Xinjiang Uyghur Autonomous Region, Zunyi and Kaili of Guizhou province and Xuzhou of Jiangsu province, which are not in our key regions.

## Commercial property operations

Commercial properties we hold for commercial property operations comprise (i) investment properties, which contribute a significant portion of our revenue from commercial property operations and are held for investment purposes only, and (ii) saleable commercial properties unsold, which are leased out for rental income and held for sale as well.

Our revenue from commercial property operations was primarily generated from the commercial and office buildings we operated and managed. We charge most of the tenants of our commercial properties rents at a fixed rate with a fixed yearly increase and, for some tenants, we are entitled to charge the rents based on their operating income. Our revenue from commercial property operations is recognized on a time proportion basis over the lease terms. In 2019, 2020 and 2021, the fluctuation of our revenue from commercial property operations was primarily due to the GFA of the commercial properties that we leased out.

## Hotel operations

We generated a small portion of revenue from hotel operations in 2019, 2020 and 2021. We operated three hotels, namely Juzi Hotel Select (Xichang Leading Qionghai) (桔子酒店•精選(西昌領地邛海店)),

Canopy by Hilton, Leading Center, Chengdu (成都領地希爾頓嘉悅裡酒店) and Xichang Yinju Qionghai Vacation Hotel (西昌隱居邛海度假酒店), in 2019, 2020 and 2021. We have been operating Juzi Hotel Select (Xichang Leading Qionghai) since January 2017. In January 2019, we started operating Canopy by Hilton, Leading Center, Chengdu, which contributed to the significant increase to our revenue from hotel operations for the year ended December 31, 2019. In July 2019, we started operating Xichang Yinju Qionghai Vacation Hotel, which also contributed to the increase to our revenue from hotel operations for the year ended December 31, 2019. The fluctuation of our revenue from hotel operations was also subject to the fluctuation of the hotel occupancy rate.

### ***Project Management***

We started to provide project management services in November 2018. In 2019, 2020 and 2021, we provided project management services to three customers, which were third-party property developers who held land parcels and engaged us to manage property development projects on such land parcels. We generated a small portion of revenue from project management in 2019, 2020 and 2021.

### **Cost of sales**

Our cost of sales primarily represents the costs it incurs directly for the property development activities as well as its commercial property, hotel and project management operations. The principal components of cost of sales for property development include cost of properties sold, which represents direct construction costs, land acquisition costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

### **Other income and gains**

Our other income and gains primarily consist of interest income, management consulting service fees, commercial compensation and others. Interest income primarily consists of interest income on bank deposits. Commercial compensation primarily represents (i) liquidated damages we received from property purchasers who defaulted on the payments due pursuant to their purchase agreements with us; and (ii) liquidated damages we received from our property-developer business partners who breached their contracts with us.

### **Selling and marketing expenses**

Our selling and marketing expenses primarily consist of advertising and marketing fees that we incur in connection with our pre-sales of properties, including the commission fees paid to third-party sales agents, as well as advertising and marketing fees incurred in relation to the leasing of the commercial properties we operate and manage.

### **Administrative expenses**

Our administrative expenses primarily include costs for management and administrative staff.

### **Fair value gains/losses on investment properties**

We develop and hold certain commercial areas in our properties on a long-term basis for rental, operating income or capital appreciation. Our investment properties are recorded as non-current assets in our consolidated statements of financial position at fair value as of each balance sheet date as determined by independent valuations. Fair value gain on investment properties represents the changes in the fair value of our investment properties which are accounted for as gains or losses under our profit and loss. The valuation of property involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may be higher or lower if a different set of bases or assumption is used. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow for our

operations. The amounts of fair value adjustments have been, and may continue to change based on property market conditions in China. Our investment properties are appraised annually by our independent property valuer.

### **Finance costs**

Our finance costs mainly represents our interest expenses on bank and other borrowing as well as interest from a significant financing component of contract liabilities, which is related to the pre-sale deposits we received from our customers, less capitalized interest relating to properties under development.

### **Income tax expense**

Our income tax expense mainly comprises PRC corporate income tax and LAT expenses made by our PRC subsidiaries, net of deferred tax. No provision for the Cayman Islands taxation and Hong Kong taxation has been made as the majority of our income neither arises in, nor is derived from those jurisdictions. The provision for corporate income tax for our PRC subsidiaries in 2019, 2020 and 2021 was mainly based on the prevailing rate of 25%.

Our effective tax rate, being the income tax divided by profit before tax, was 42.7%, 47.4% and 48.5%, respectively, in 2019, 2020 and 2021. Our effective tax rate, when excluding the effect of LAT, was 22.6%, 25.8% and 30.5% for 2019, 2020 and 2021.

As of the date of this exchange offer memorandum, we had paid all relevant taxes when due and there are no matters in dispute or unresolved with the relevant tax authorities.

### **Discontinued operations**

Our Group disposed of equity interests in certain of our subsidiaries, and accordingly discontinued our relevant operations, in 2019, mainly because we believed that the pertinent operations were not core to our business. In May 2019, we disposed of our entire equity interest in Meishan Gaokang at nil consideration as the registered capital of Meishan Gaokang was not paid up at the time of such transfer. In June 2019, we disposed of our 69% equity interest in Meishan Dongpo in consideration of RMB69 million to an independent third party. In July 2019, we disposed of our entire equity interest in Lingyue Property to Rong Liang Group in consideration of approximately RMB5.7 million, and disposed of 55% and 45% equity interest in Jilin Junyi to Sichuan Linghui and Nuoruide International, respectively, at a consideration of approximately RMB0.43 million and approximately RMB0.35 million, respectively.

## CONSOLIDATED INCOME STATEMENTS

The following table sets forth a summary of our consolidated income statement for the years indicated.

	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
<b>Continuing Operations</b>				
<b>Revenue</b> .....	7,568,164	13,158,083	15,054,693	2,362,410
Cost of sales .....	(5,465,778)	(9,601,853)	(12,146,556)	(1,906,060)
<b>Gross profit</b> .....	2,102,386	3,556,230	2,908,137	456,350
Other income and gains .....	44,826	74,585	157,831	24,767
Selling and marketing expenses .....	(400,004)	(649,740)	(933,430)	(146,476)
Administrative expenses .....	(532,747)	(573,296)	(651,426)	(102,223)
Other expenses .....	(13,667)	(22,975)	2,000	314
Fair value gains on investment properties . . .	160,840	(49,276)	(62,315)	(9,779)
Finance costs .....	(230,381)	(306,540)	(295,189)	(46,322)
Share of profits and losses of:				
Joint ventures .....	3,758	(29,824)	104,945	16,468
Associates .....	(7,046)	17,196	5,597	878
<b>Profit before tax from continuing operations</b> .....	1,127,965	2,016,360	1,236,150	193,979
Income tax expense .....	(469,688)	(955,792)	(599,401)	(94,059)
<b>Profit/loss for the year from continuing operations</b> .....	<u>658,277</u>	<u>1,060,568</u>	<u>636,749</u>	<u>99,920</u>
Profit/(loss) for the year from discontinued operations .....	14,036	—	—	—
<b>Profit/loss for the year</b> .....	<u>672,313</u>	<u>1,060,568</u>	<u>636,749</u>	<u>99,920</u>
Other comprehensive income for the year . . .	—	—	—	—
<b>Total comprehensive income/loss for the year</b> .....	<u>672,313</u>	<u>1,060,568</u>	<u>636,749</u>	<u>99,920</u>
Attributable to:				
Owners of the parent .....	544,825	860,311	488,449	76,648
Non-controlling interests .....	<u>127,488</u>	<u>200,257</u>	<u>148,300</u>	<u>23,272</u>

## RESULTS OF OPERATIONS FROM CONTINUING OPERATIONS

Year ended December 31, 2021 compared to year ended December 31, 2020

### Revenue

	Year ended December 31,				
	2020		2021		
	Revenue		Revenue		
	(RMB'000)	%	(RMB'000)	(US\$'000)	%
				(unaudited)	
Sale of properties . . . . .	13,027,945	99.0	14,896,948	2,337,656	99.0
Commercial property operations . . . . .	84,396	0.6	104,446	16,390	0.6
Hotel operations . . . . .	41,194	0.3	49,202	7,721	0.3
Project management . . . . .	4,548	0.1	4,097	643	0.1
<b>Total . . . . .</b>	<b>13,158,083</b>	<b>100.0</b>	<b>15,054,693</b>	<b>2,362,410</b>	<b>100.0</b>

Our revenue increased by 14.4% RMB15,054.7 million (US\$2,362.4 million) for the year ended December 31, 2021 from RMB13,158.1 million for the year ended December 31, 2020, primarily due to the increase in the revenue from sale of properties.

Revenue from sale of properties increased by 14.3% to RMB14,896.9 million (US\$2,337.7 million) for the year ended December 31, 2021 from RMB13,027.9 million for the year ended December 31, 2020, primarily due to the increase in the aggregate GFA recognized from 1,603,784 sq.m. for the year ended December 31, 2020 to 1,938,482 sq.m. for the year ended 31 December 2021. The increase of the Group's GFA recognized was primarily contributed by increase in the number of completed and delivered property projects of the Group, particularly the increase in the Central China, Guangdong-Hong Kong-Macau Greater Bay Area and other regions. Revenue from commercial property operations increased by 23.8% to RMB104.5 million (US\$16.4 million) for the year ended December 31, 2021 from RMB84.4 million for the year ended December 31, 2020, primarily due to an increase in occupancy rates of our Group's investment properties during the year.

Revenue from hotel operation increased by 19.4% to RMB49.2 million (US\$7.7 million) for the year ended December 31, 2021 from RMB41.2 million for the year ended December 31, 2020, primarily due to an increase in the occupancy rates of the hotels managed by our Group.

Revenue from project management was relatively stable at RMB4.1 million (US\$0.6 million) for the year ended December 31, 2021 and RMB4.5 million for the year ended December 31, 2020.

### Cost of sales

Our cost of sales increased by 26.5% to RMB12,146.6 million (US\$1,906.1 million) for the year ended December 31, 2021 from RMB9,601.9 million for the year ended December 31, 2020. The increase in the cost of sales is higher than the increase in the revenue from sales, mainly due to the higher land acquisition costs of certain projects delivered during the year ended December 31, 2021.

### Gross profit and gross profit margin

As the result of the foregoing, our gross profit decreased by 18.2% to RMB2,908.1 million (US\$456.4 million) for the year ended December 31, 2021 from RMB3,556.2 million for the year ended December 31, 2020. Our gross profit margin decreased to 19.3% for the year ended December 31, 2021 from 27.0% for the year ended December 31, 2020. The decrease in the gross profit margin was mainly due to the increase in cost of sales as mentioned above.



### ***Other income and gains***

Our other income and gains increased by 66.5% to RMB157.8 (US\$24.8 million) for the year ended December 31, 2021 from RMB74.6 million for the year ended December 31, 2020, primarily due to the increase in bank interest income, exchange gain, commercial compensation and gain arising on disposal of investment properties. The increase in bank interest income and commercial compensation, which primarily included the liquidated damages paid by defaulting customers for our property purchases, was in line with the business expansion of our Group.

### ***Selling and marketing expenses***

Our selling and marketing expenses increased by 62.4% to RMB933.4 million (US\$146.5 million) for the year ended December 31, 2021 from RMB649.7 million for the year ended December 31, 2020, primarily due to the increase in the commission fees arising from the increase in the revenue attributable to third-party sales agents.

### ***Administrative expenses***

Our administrative expenses increased by 13.6% to RMB651.4 million (US\$102.2 million) for the year ended December 31, 2021 from RMB573.3 million for the year ended December 31, 2020, primarily attributable to the increase in service fees for the engagement of professional institutions for legal and consulting services.

### ***Fair value gains/losses on investment properties***

We recorded fair value gains on investment properties in the amount of approximately RMB2.0 million (US\$0.3 million) for the year ended December 31, 2021, while we recorded fair value losses on investment properties in the amount of RMB49.3 million for the year ended December 31, 2020. The change is primarily due to the relief of negative impact of COVID-19 on the valuation of investment properties during the year ended December 31, 2021.

### ***Finance costs***

Our finance costs decreased by 3.7% to RMB295.2 million (US\$46.3 million) for the year ended December 31, 2021 from RMB306.5 million for the year ended December 31, 2020, primarily due to the decrease in the interest on bank and other borrowings.

### ***Share of losses of joint ventures and associates***

We recorded share of profits of joint ventures and associates of RMB110.512.6 million (US\$17.3 million) for the year ended December 31, 2021, while we recorded share of losses of joint ventures and associates of RMB12.6 million for the year ended December 31, 2020. The change is primarily due to the increase in the number of properties delivered for joint ventures.

### ***Income tax expense***

Our income tax expenses decreased by 37.3% to RMB599.4 million (US\$94.1 million) for the year ended December 31, 2021 from RMB955.8 million for the year ended December 31, 2020, primarily due to the decrease in land value increment tax resulted from the decrease in increment amount on land value of our properties delivered this year and the decrease in our PRC corporate income tax resulted from the decrease in profit before taxation during the year ended December 31, 2021.

### ***Profit for the year***

As a result of the foregoing, we recorded a profit for the year of RMB636.7 million (US\$99.9 million) for the year ended December 31, 2021, as compared to a profit of RMB1,060.6 million for the year ended December 31, 2020.

## Year ended December 31, 2020 compared to year ended December 31, 2019

### Revenue

	Year ended December 31,			
	2019		2020	
	Revenue		Revenue	
	(RMB'000)	%	(RMB'000)	%
Sale of properties . . . . .	7,452,435	98.5	13,027,945	99.0
Commercial property operations . . . . .	70,876	0.9	84,396	0.6
Hotel operations . . . . .	37,102	0.5	41,194	0.3
Project management . . . . .	7,751	0.1	4,548	0.1
<b>Total . . . . .</b>	<b>7,568,164</b>	<b>100.0</b>	<b>13,158,083</b>	<b>100.0</b>

Our revenue increased by 73.9% to RMB13,158.1 million for the year ended December 31, 2020 from RMB7,568.2 million for the year ended December 31, 2019, primarily due to the increase in the revenue from sale of properties.

Revenue from sale of properties increased by 74.8% to RMB13,027.9 million for the year ended December 31, 2020 from RMB7,452.4 million for the year ended December 31, 2019, primarily due to the increase in the aggregate GFA recognized from 885,841 sq.m. for the year ended 31 December 2019 to 1,603,784 sq.m. for the year ended 31 December 2020.

Revenue from commercial property operations increased by 19.0% to RMB84.4 million for the year ended December 31, 2020 from RMB70.9 million for the year ended December 31, 2019, primarily due to an increase in occupancy rates of our Group's investment properties during the year.

Revenue from hotel operation increased by 11.1% to RMB41.2 million for the year ended December 31, 2020 from RMB37.1 million for the year ended December 31, 2019, primarily due to an increase in the occupancy rates of the hotels managed by our Group.

Revenue from project management decreased by 42.3% to RMB4.5 million for the year ended December 31, 2020 from RMB7.8 million for the year ended December 31, 2019, primarily due to completion of an existing residential property development project in Guang'an, Sichuan province.

### Cost of sales

Our cost of sales increased by 75.7% to RMB9,601.9 million for the year ended December 31, 2020 from RMB5,465.8 million for the year ended December 31, 2019, which was generally in line with the increase in our sale of properties.

### Gross profit and gross profit margin

As the result of the foregoing, our gross profit increased by 69.1% to RMB3,556.2 million for the year ended December 31, 2020 from RMB2,102.4 million for the year ended December 31, 2019. Our gross profit margin remained relatively stable at 27.0% for the year ended December 31, 2020 and 27.8% for the year ended December 31, 2019.

### ***Other income and gains***

Our other income and gains increased by 66.5% to RMB74.6 million for the year ended December 31, 2020 from RMB44.8 million for the year ended December 31, 2019, primarily attributable to the increase in bank interest income, compensation and government grants. The increase in bank interest income and compensation, which primarily included the liquidated damages from our property purchases, was in line with our business expansion. In addition, the local governments provided subsidies for employment stabilization to combat the COVID-19's adverse effects on the economy, which caused the increase in government grants.

### ***Selling and marketing expenses***

Our selling and marketing expenses increased by 62.4% to RMB649.7 million for the year ended December 31, 2020 from RMB400.0 million for the year ended December 31, 2019, primarily because of the increase in the commission fees arising from the increase in the revenue attributable to third-party sales agents.

### ***Administrative expenses***

Our administrative expenses increased by 7.6% to RMB573.3 million for the year ended December 31, 2020 from RMB532.7 million for the year ended December 31, 2019, primarily attributable to an increase in the management and administrative staff costs resulting from our business expansion. The number of our management and administrative staff increased from 1,088 in 2019 to 1,303 in 2020.

### ***Fair value gains/losses on investment properties***

We recorded fair value losses on investment properties in the amount of RMB49.3 million for the year ended December 31, 2020, primarily due to the COVID-19 pandemic's adverse effect on the valuation of our investment properties. We recorded fair value gains on investment properties in the amount of RMB160.8 million for the year ended December 31, 2019.

### ***Finance costs***

Our finance costs increased by 33.0% to RMB306.5 million for the year ended December 31, 2020 from RMB230.4 million for the year ended December 31, 2019, primarily due to the increase in the interest on bank and other borrowings in connection with our business expansion, partially offset by the increase in the capitalized interest.

### ***Share of losses of joint ventures and associates***

Our share of losses of joint ventures and associates increased by 284.1% to RMB12.6 million for the year ended December 31, 2020 from RMB3.3 million for the year ended December 31, 2019, primarily due to the decrease in the number of properties delivered for joint ventures.

### ***Income tax expense***

Our income tax expenses increased by 103.5% to RMB955.8 million for the year ended December 31, 2020 from RMB469.7 million for the year ended December 31, 2019, primarily due to the increase in PRC corporate income tax of our Group resulted from the increase in profits before tax of our Group, which was in line with the business expansion of our Group.

### ***Profit for the year***

As a result of the foregoing, we recorded a profit for the year of RMB1,060.6 million for the year ended December 31, 2020, as compared to a profit of RMB672.3 million for the year ended December 31, 2019.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flow

The following table sets forth a summary of our cash flows for the years indicated.

	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
Operating cash flow before changes in working capital . . . . .	1,245,171	2,385,611	1,391,273	218,321
Changes in working capital . . . . .	(2,500,350)	310,644	5,027,758	788,965
Interest received . . . . .	26,151	21,472	55,470	8,704
Interest paid <sup>(1)</sup> . . . . .	(812,862)	–	–	–
Tax paid . . . . .	(1,070,314)	(988,666)	(952,106)	(149,406)
Net cash flows generated from (used in) operating activities. . . . .	(3,112,204)	1,729,061	5,522,395	866,584
Net cash flows generated from (used in) investing activities. . . . .	(726,313)	(3,165,757)	(2,340,878)	(367,335)
Net cash flows generated from financing activities . . . . .	4,402,956	4,232,316	(3,060,799)	(480,306)
Net increase in cash and cash equivalents . . . . .	564,439	2,795,620	120,718	18,943
Cash and cash equivalents at beginning of year . . . . .	817,203	1,381,642	4,177,262	655,504
Cash and cash equivalents at end of year. . . . .	<u>1,381,642</u>	<u>4,177,262</u>	<u>4,297,980</u>	<u>674,447</u>

*Note:*

- (1) In 2021, we have changed our accounting policy for the classification of the interest paid in the consolidated statement of cash flows. In prior periods, interest paid was classified as cash flows from operating activities, whereas interest paid is now classified as cash flows from financing activities (the “Policy Change”). In the opinion of the directors of our Company, it is more appropriate to classify all cash flows in respect of our borrowings, as cash flows from financing activities in the consolidated statement of cash flows to reflect the nature of the cash flows associated with our borrowings, including the interest paid as a cost of financing, and it will provide more relevant information about the cash flows associated with the borrowings. The directors are also of the opinion that such classification and presentation will provide greater comparability with other industry peers of our Group. The comparative amounts for the year ended December 31, 2020 have been restated accordingly. The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss, comprehensive income, financial position and changes in equity. See note 2.2 to the financial statements for the year ended December 31, 2021 included elsewhere in this exchange offer memorandum.

### *Net cash generated from (used in) operating activities*

Our net cash used in operating activities principally comprises payments made in relation to our property development activities, including construction costs and land acquisitions. Our cash generated from operating activities is principally proceeds received from pre-sales and sale of our properties.

In 2021, our net cash flows generated from operating activities were RMB5,522.4 million (US\$866.6 million), which was the result of cash generated from operations of RMB6,419.0 million (US\$1,007.3 million) and interest received of RMB55.5 million (US\$8.7 million), partially offset by tax paid of RMB952.1 million (US\$149.4 million).

In 2020, our net cash flows generated from operating activities were RMB1,729.1 million, which was the result of cash generated from operations of RMB2,696.3 million and interest received of RMB21.5 million, partially offset by tax paid of RMB988.7 million.

In 2019, our net cash flows used in operating activities were RMB3,112.2 million, which was the result of cash used in operations of RMB1,255.2 million, tax paid of RMB1,070.3 million and interest paid of RMB813.5 million, partially offset by interest received of RMB26.2 million and interest element of finance lease rental payments of RMB0.6 million.

#### ***Net cash used in investing activities***

Our cash used in investing activities principally comprises of cash outflows in connection with our investment properties, investments in associates and joint ventures and purchase of property, plant and equipment as well as intangible assets.

In 2021, our net cash flows used in investing activities were RMB2,340.9 million (US\$367.3 million), which was primarily attributable to advances to third parties of RMB5,087.7 million (US\$798.4 million), partially offset by repayment of advances to third parties of RMB2,840.9 million (US\$445.8 million).

In 2020, our net cash flows used in investing activities were RMB3,165.8 million, which was primarily attributable to (i) advances to third parties of RMB3,084.7 million, (ii) advances to related companies of RMB2,935.4 million, and (iii) acquisition of subsidiaries that are not businesses of RMB1,433.1 million, partially offset by (i) repayment of advances to related companies of RMB2,935.4 million, and (ii) repayment of advances to third parties of RMB2,286.5 million.

In 2019, our net cash flows used in investing activities were RMB726.3 million, which was primarily attributable to (i) advances to related companies of RMB1,255.0 million, (ii) advances to third parties of RMB352.8 million, and (iii) acquisitions of subsidiaries that are not businesses of RMB269.7 million.

#### ***Net cash generated from financing activities***

Our cash used in financing activities principally comprises repayment of advance from related parties, advance to related parties and repayment of interest-bearing bank and other borrowings. Our cash generated from financing activities principally comprises proceeds from interest-bearing bank and other borrowings, repayment from related parties and repayment of advance to related parties.

In 2020, our net cash flows used in financing activities were RMB3,060.8 million (US\$480.3 million), which was primarily attributable to (i) repayment of interest-bearing bank and other borrowings of RMB7,319.5 million (US\$1,148.6 million), (ii) repayment of advances from third parties of RMB3,237.2 million (US\$508.0 million), and (iii) interest paid of RMB1,316.8 million (US\$206.6 million), partially offset by (i) new interest-bearing bank and other borrowings raised of RMB4,697.0 million (US\$737.1 million), (ii) advances from third parties of RMB2,247.0 million (US\$352.6 million), (iii) proceeds from issue of senior notes of RMB953.3 million (US\$149.6 million), and (iv) capital contribution by the non-controlling shareholders of RMB872.8 million (US\$137.0 million).

In 2020, our net cash flows generated from financing activities were RMB4,232.3 million, which was primarily attributable to (i) new interest-bearing bank and other borrowings raised of RMB9,316.2 million, (ii) advances from third parties of RMB3,679.4 million, (iii) proceeds from issue of shares of RMB1,202.1 million, and (iv) capital contribution by the non-controlling shareholders of RMB1,129.1 million, partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB7,997.9 million, (ii) interest paid of RMB1,360.2 million, and (iii) repayment of advances from third parties of RMB1,083.0 million.

In 2019, our net cash generated from financing activities were RMB4,403.0 million, which was primarily attributable to (i) proceeds from interest-bearing bank and other borrowings of RMB8,593.8 million, (ii) advances from related companies of RMB3,211.0 million, and (iii) advances from third parties of RMB1,659.4 million, partially offset by (i) repayment of advances from related companies of RMB3,030.0 million, (ii) repayment of interest-bearing bank and other borrowings of RMB4,677.6 million, and (iii) repayment of advances from third parties of RMB888.5 million.

## INDEBTEDNESS CONTINGENT LIABILITIES

### Indebtedness

The following table sets forth the components of our indebtedness as of the dates indicated:

	As of December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
<b>Non-current</b>				
Bank loans – secured . . . . .	2,608,097	6,530,220	5,454,927	855,997
Bank loans – unsecured . . . . .	–	800,803	–	–
Other loans – secured . . . . .	3,209,311	2,836,268	2,120,255	332,714
Other loans – unsecured . . . . .	174,612	–	209,990	32,952
Non-current portion of lease liabilities . . . . .	9,777	4,824	3,517	552
<b>Current</b>				
Bank loans – secured . . . . .	–	91,200	–	–
Bank loans – unsecured . . . . .	–	–	–	–
Other loans – secured . . . . .	1,484,800	–	–	–
Other loans – unsecured . . . . .	–	–	950,991	149,231
Current portion of lease liabilities . . . . .	4,512	6,220	2,703	424
Current portion of long term bank loans – secured . . . . .	3,158,230	764,477	2,083,953	327,018
Current portion of long term other loans – secured . . . . .	1,120,129	3,234,389	1,148,529	180,229
<b>Total indebtedness</b> . . . . .	<u>11,769,468</u>	<u>14,268,401</u>	<u>11,974,865</u>	<u>1,879,118</u>

Note:

- (1) Other loans include financing arrangements with trust companies, asset management companies, other financial institutions and other third-party companies.

The weighted average effective interest rates on our total borrowings, which represent actual borrowing cost incurred during the period divided by weighted average borrowings that are outstanding in 2019, 2020 and 2021 were 9.9%, 9.2% and 9.3%, respectively.

Subsequent to December 31, 2021, we have, from time to time, in the ordinary course of business, entered into additional bank borrowings to finance our property developments or for general corporate purposes. See “Description of Material Indebtedness and Other Obligations.”

### Trust and other financing arrangements

As with many other property developers in the PRC, we also enter into financing and other arrangements with trust companies, asset management companies and their financing vehicles, as well as other financial institutions in the ordinary course of business to finance our property development and other related operations. Compared with bank borrowings, such financing arrangements usually offer greater flexibility in terms of availability, approval schedule and repayment requirements, which constitute an effective alternative source of funding for some of our project developments, particularly during the tightened banking credit environments. These financing arrangements can be categorized into trust financing and other financing arrangements. Trust financing arrangements refer to the financing arrangements with trust companies, asset management companies and their financing vehicles.



## Commitments

Our capital commitments mainly related to investment properties and acquisition of properties. The table below sets forth our capital commitments as of the dates indicated.

	As of December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
Contracted, but not provided for:				
Property development activities . . . . .	12,227,258	22,456,963	12,991,323	2,038,622
Acquisition of land use rights . . . . .	77,947	—	—	—
Property, plant and equipment . . . . .	—	—	—	—
Capital contributions for the				
acquisition of subsidiaries . . . . .	1,016,570	508,195	26,000	4,080
Capital contributions to subsidiaries . . . . .	927,750	1,233,250	2,084,360	327,082
Capital contributions to associates . . . . .	44,600	15,000	203,309	31,904
<b>Total . . . . .</b>	<b>14,294,125</b>	<b>24,213,408</b>	<b>15,304,992</b>	<b>2,401,687</b>

## Contingent liabilities

We provide mortgage guarantees to banks in respect of the mortgage loans they provided to our customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, we are typically required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks.

## Lease liabilities

Our lease liabilities represent our obligation to make lease payments for our certain office buildings. Terms of the leases range from one to five years. The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Generally, we use incremental borrowing rate as the discount rate. Our lease liabilities was RMB14.3 million, RMB11.0 million and RMB6.2 million (US\$1.0 million) as of December 31, 2019, 2020 and 2021, respectively.

## MARKET RISK

The main risks arising from our financial instruments are interest rate risk, credit risk and liquidity risk. Our exposure to these risks and the financial risk management policies and practices used by us to manage these risks are described below.

### Credit risk

We are exposed to credit risk in relation to our trade and other receivables and cash deposits with banks. The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets. To manage this risk, deposits are mainly placed with licensed banks which are all high-credit-quality financial institutions.

We have no significant concentrations of credit risk in view of our large number of customers. We did not record any significant bad debts losses in 2019, 2020 and 2021. The credit risk of our other financial

assets, which mainly comprise restricted cash and pledged deposits, other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

### **Liquidity risk**

We aim to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet our operation needs and commitments in respect of property projects. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. We review our liquidity position on an ongoing basis, including review of the expected cash inflows and outflows, pre-sales/sales results, maturity of our borrowings and the progress of the planned property development projects in order to monitor our liquidity requirements in the short and long terms.

We have established a set of liquidity risk management measures, including budgeting, prudent land acquisition decisions, stringent cost control and alternative financing channels. Through these liquidity risk management measures, we aim to maintain sufficient reserves of, and adequate committed lines of funding from, financial institutions to meet our liquidity requirements in the short and long term.

### **Foreign exchange risk**

We mainly operate our business in the PRC, and substantial all of our revenue and expenses are denominated in Renminbi, while the net proceeds from the listing of the issued shares (the “**Listing**”) of our Company (the “**Shares**”) is payable in Hong Kong dollars. As of December 31, 2021, among our cash at bank and on hand, RMB3.5 million and RMB25.2 million was denominated in Hong Kong dollars and US dollars, respectively, such amount was subject to the exchange rate fluctuation. We do not have any policy to hedge against foreign exchange risk. However, we will closely monitor its foreign exchange exposure, and strive to maintain the value of our cash.

### **Interest rate risk**

Our exposure to changes in market interest rate relates primarily to our interest-bearing bank and other borrowings. We do not use financial derivatives to hedge interest rate risk, and use variable rate bank borrowings and other borrowings to manage our interest cost.

## **NON-GAAP FINANCIAL MEASURES**

We use EBITDA and EBITDA margin to provide additional information about our operating performance. EBITDA refers to our profit for the year plus interests, income tax, depreciation and amortization.

EBITDA is not a standard measure under IFRS. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

As a measure of our operating performance, we believe that the most directly comparable IFRS measure to EBITDA is operating profit. We operate in a capital intensive industry. We use EBITDA in addition to operating profit because operating profit includes many accounting items associated with capital expenditures, such as depreciation of property, plant and equipment and investment property, as well as non-operating items, such as amortization of intangible assets. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as land use rights amortization,

EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

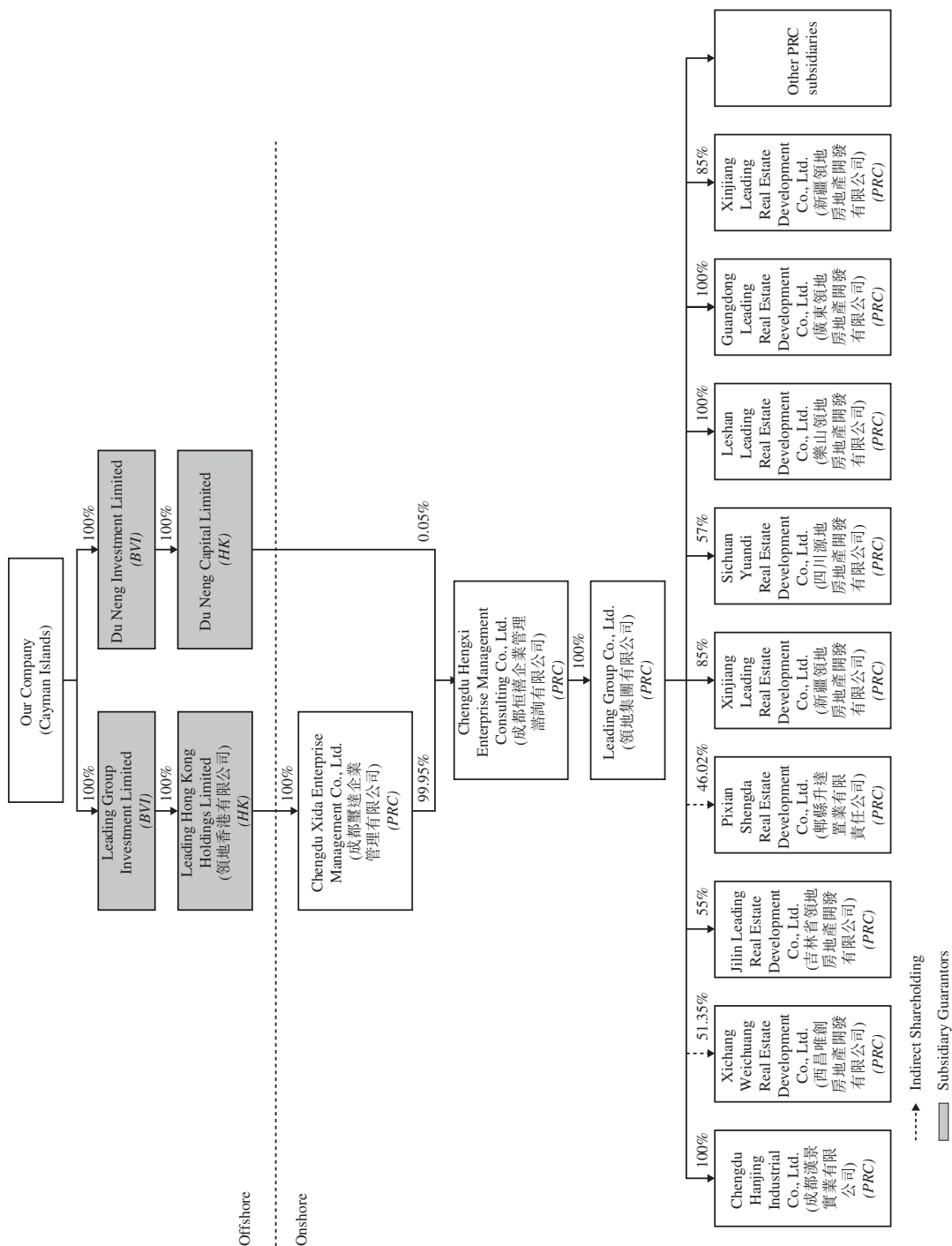
The following table reconciles our profit for the year under IFRS to our definition of EBITDA for the years indicated:

	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(Unaudited)
Profit for the year . . . . .	672,313	1,060,568	636,749	99,920
<b>Adjustment</b>				
Interests . . . . .	1,520,303	2,192,758	2,209,007	346,641
Income tax . . . . .	469,688	955,792	599,401	94,059
Depreciation and amortization . . . . .	50,304	40,720	44,786	7,028
<b>EBITDA</b> . . . . .	<u>2,712,608</u>	<u>4,249,838</u>	<u>3,489,943</u>	<u>547,648</u>

You should not consider our definition of EBITDA in isolation or construe it as an alternative to operating profit or as an indicator of operating performance or any other standard measure under IFRS. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA measure may not be comparable to similarly titled measures used by other companies. You should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the New Notes. See "Description of the New Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the New Notes.

## CORPORATE STRUCTURE

The following chart sets forth our simplified corporate structure as of the date of this exchange offer memorandum.



## BUSINESS

### OVERVIEW

We are a property developer with a leading market position among the Sichuan-based property developers and a nationwide presence. We were recognized as one of the “Top 50 Chinese Real Estate Brand Value in 2021 (2021中國房地產品牌價值Top 50)” by China Index Academy (中國指數研究院) and “Real Estate Enterprises of Growth in 2021 (2021年度成長力地產企業)” by Guandian Index Academy (觀點指數研究院). In addition, we were also among “China (Sichuan) Top 10 Real Estate Brands in 2021 (2021年度中國(四川)房地產品牌十強)” and “China (Sichuan) Influential Commercial Real Estate Operators in 2021 (2021年度中國(四川)影響力商業地產運營商)” by thecover.cn (封面新聞). Over the past 20 years, we have established our nationwide presence focusing on Chengdu-Chongqing Economic Zone (成渝經濟帶) and Sichuan province, Central China (華中), Beijing-Tianjin-Hebei Region (京津冀地區) and Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區), with projects located in 37 cities in China.

We primarily focus on providing quality residential properties to home upgraders. In addition to residential properties, we also develop commercial properties, including office buildings, shopping blocks, commercial complexes and apartments, and operate hotels. We have developed a diversified product portfolio of 11 series as of December 31, 2020, namely: Landmark series (中心系), which offers premium commercial properties typically located in the central business area of provincial capitals or sub-provincial cities, Guan series (觀字系) typically located on scenic sites, Lan series (蘭字系) and Tian series (天字系), both of which offer premium residential properties, Kaixuan series (凱旋系), typically located in locations which are expected to become city centers in the near future, Cultural series (文旅系), which offers vacation homes located on scenic sites, Yue series (悅字系), which offers modern designs to cater to young property purchasers who wish to upgrade their living environment, Commerce series (商業系), which features thematic commercial streets, pedestrian zones and catering places, Condo series (公寓系), which features smart home systems and housekeeping services, Industry series (產城系), which features a community developed by us typically involving office buildings, shopping malls, healthcare facilities, urban parks and K12 international school(s), and Harmony series (特色小鎮) which offer historical and cultural resort(s) located in ancient towns. Our product design capabilities have brought us various awards. Our Leading • Tianfu Lantai (領地•天府蘭台) was awarded the Gold Winner for residential properties in Muse Design Awards in 2022. Our Leading • Yuefu (領地•悅府) was awarded Excellence Award in Landscape Design (景觀設計優秀獎) by China Real Estate & Design Award (CREDAWARD 地產設計大獎•中國) in 2021.

We adopt flexible acquisition methods to maintain a sustainable land reserve. Our land parcels are typically located in city centers, or areas which are expected to become city centers in the near future. As of December 31, 2021, the total land bank attributable to us was approximately 15.8 million sq.m., including saleable GFA unsold and GFA sold but not yet delivered attributable to us of approximately 0.9 million sq.m., properties under development with an aggregate planned GFA attributable to us of approximately 9.7 million sq.m., and properties held for future development with an aggregate estimated GFA attributable to us of approximately 5.3 million sq.m. The contracted sales attributable us increased by 44.8% from approximately RMB15,285.6 million in 2019 to approximately RMB22,134.3 million in 2020 and further increased by 4.0% to RMB23,014.9 million (US\$3,611.5 million) in 2021, with total GFA for contracted sales attributable to us increasing from approximately 2.0 million sq.m. in 2019 to 2.7 million sq.m. in 2020 and remaining stable at 2.7 million sq.m. in 2021.

For the years ended December 31, 2019, 2020 and 2021, our revenue amounted to RMB7,568.2 million, RMB13,158.1 million and RMB15,054.7 million (US\$2,362.4 million), respectively. Our net profit amounted to RMB672.3 million, RMB1,060.6 million and RMB636.7 million (US\$99.9 million) for the years ended December 31, 2019, 2020 and 2021, respectively.

## RECENT DEVELOPMENTS

### COVID-19 Pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. The outbreak is however far from over, and in different countries, is showing signs of resurgence and further waves of infections are recorded everyday. Since late 2021, cities including Xi'an, Changchun, Shenzhen, Shanghai and others have been placed under lockdown due to COVID-19 cases of different variants. Some of such lockdown measures and travel restrictions may not have been lifted on the date of this exchange offer memorandum. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See "Risk Factors—Risks Relating to Doing Business in China—Our business operations may be affected by the outbreak of COVID-19."

### OUR BUSINESS

We are a property developer with a leading market position among the Sichuan-based property developers, with a nationwide presence and a premium brand. We primarily focus on the development and sale of residential and commercial properties. In addition, we hold a portion of commercial properties developed by us for further investment and operations purpose and are engaged in hotel management business. We also provide project management services, which contributed a small portion of our revenue. The following table sets forth the breakdown of our revenue by business line during the periods indicated:

	Year ended December 31,				
	2019	2020	2021		
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	%
				(unaudited)	
Sale of properties. . . . .	7,452,435	13,027,945	14,896,948	2,337,656	99.0
Commercial property operations . . . .	70,876	84,396	104,446	16,390	0.6
Hotel operations . . . . .	37,102	41,194	49,202	7,721	0.3
Project management . . . . .	7,751	4,548	4,097	643	0.1
<b>Total . . . . .</b>	<b>7,568,164</b>	<b>13,158,083</b>	<b>15,054,693</b>	<b>2,362,410</b>	<b>100.0</b>



## OUR PROPERTY DEVELOPMENT BUSINESS

We develop a variety of residential and commercial properties. Our properties were primarily delivered under 11 series. Below are the 11 series launched prior to December 31, 2021:

- **Landmark series (中心系):** Our properties under Landmark series are primarily premium commercial properties, such as office buildings, shopping malls, shopping blocks and apartments, which are typically located in central business districts in a city. Our commercial properties under this series include Chengdu Leading Center (成都領地中心), Chengdu International Finance Center (成都環球金融中心) and Jilin International Trade Center (吉林環球貿易中心).
- **Guan series (觀字系):** Our properties under Guan series are typically located on scenic sites, such as sites in a mountain or by a river, and feature modern designs. They target customers who wish to further upgrade their living environment. Our properties under this series include Ya'an Guanjiang House (雅安觀江府), Chongqing Leading Guanyun House (重慶領地•觀雲府), Mianyang Guanjiang House (綿陽觀江府) and Meishan Guanjiang House (眉山觀江府).
- **Lan series (蘭字系):** Our properties under Lan series are premium residential properties, targeting customers who are looking to upgrade their living environment. The properties under this series are typically located in suburban areas which we expect to become city centers in the near future. This series features neo-Chinese style design, combined with modern architecture techniques. It is a flagship series we offer. Our properties under this series include Chengdu Jinxiang Lantai (成都錦巷蘭台), Xichang Leading Lantai House (西昌領地蘭台府), Xichang Lantai House (Qingyun) (西昌蘭台府•青雲), Chengdu Tianfu Lantai (Xinlong) (成都天府蘭台•新隆), Chengde Lantai House (承德蘭台府), Ya'an Lantai House (雅安蘭台府) and Leshan Lantai House (樂山蘭台府).
- **Tian series (天字系):** Our properties under Tian series are premium residential properties, targeting customers who are looking to upgrade their living environment. The properties under this series are typically located in central areas in a city. It is another flagship series we offer. Our properties under this series include Ya'an Tianyu (雅安天嶼), Mianyang Tianyu (綿陽天嶼) and Leshan Tianyu (樂山天嶼).
- **Kaixuan series (凱旋系):** Our properties under Kaixuan series are typically located in developing areas in a city which we expect to become city centers in the near future. They target customers who wish to upgrade their living environment. Our properties under this series include Xichang Leading Kaixuan International Mansion (西昌領地•凱旋國際公館), Korla Leading Kaixuan Mansion (庫爾勒領地•凱旋公館), Jilin Kaixuan Mansion (吉林凱旋公館), Meishan Kaixuan International Mansion (眉山凱旋國際公館), Meishan Kaixuan Square (眉山凱旋廣場) and Meishan Kaixuan International Mansion Phase II (眉山凱旋國際公館二期).
- **Cultural series (文旅系):** Our properties under Cultural series are typically located in scenic areas and serve as vacation homes. Our properties under this series include Leshan Emei Guanding (樂山峨眉觀頂), Xichang Leading Haiyueli (西昌領地•海月裡) and Panzhihua Leading Yangguang Huacheng (攀枝花領地陽光花城).
- **Yue series (悅字系):** Our properties under Yue series offer modern designs to cater to young property purchasers who wish to upgrade their living environment. The properties under this series are typically located in city centers. Our properties under this series include Chengdu Xinduyue House (成都新都悅府) and Nanchong Jinwei Leading Yuecheng (南充金為領地悅城).
- **Commerce series (商業系):** Our Commerce series features thematic commercial streets, pedestrian zones and catering places, thus to meet local residents' demands for leisure while also serving as tourist attractions. Commerce series was newly launched in early 2020, and as of December 31, 2021, we did not hold any property projects under this series.

- Condo series (公寓系): Our Condo series offer commercial properties which may serve as gathering places for the young, and feature smart home systems and housekeeping services. Condo series was newly launched in early 2020, and as of December 31, 2021, we did not hold any property projects under this series.
- Industry series (產城系): Our properties developed under the Industry series may together evolve into a company town which features office buildings, shopping malls, healthcare facilities, urban parks and K12 international school(s) so as to serve people of all age groups in the community. Our properties under this series include Chengdu Tianfu Kangcheng (Yuandi) (成都天府康城•源地), Guangyuan Leading Town (廣元領地城) and Chengdu Tianfu Leading Town (成都天府領地城).
- Harmony series (特色小鎮): Our properties under the Harmony series offer historical and cultural resort(s) located in ancient towns. Our properties under this series include EMei Lianhua Lake (峨眉蓮花湖).

In addition to the above-mentioned, we delivered properties under Haina series (海納系). It primarily targeted first-time property purchasers. We do not plan to develop new properties under this series as we have developed other series with updates to product designs in responses to the market's changing demands.

Our commercial properties primarily include office buildings, commercial complexes and hotels, which are integrated with or in the vicinity of the residential properties, as well as apartments. As of December 31, 2021, we had 118 property development projects at various stages of development by our subsidiaries, joint ventures and associates. As of December 31, 2021, the total land bank attributable to us was approximately 15.8 million sq.m., including saleable GFA unsold and GFA sold but not yet delivered attributable to us of approximately 0.9 million sq.m., properties under development with an aggregate GFA attributable to us of approximately 9.7 million sq.m., and properties held for future development with an aggregate GFA attributable to us of approximately 5.3 million sq.m.

The following map indicates the locations of our projects and our geographic focuses as of December 31, 2021:



## Our Property Projects

As of December 31, 2021, the total land bank attributable to us was approximately 15.8 million sq.m. The following table sets forth a summary of our property interests as of December 31, 2021:

No.	Project Names	City	Interest Attributable to the Group	Primary Intended Use	Site Area (sq.m.)	Actual/ Estimated Completion Date	Land Bank ( <sup>(1)</sup> ) (sq.m.)	Address
<b>Properties developed by the Group and its subsidiaries</b>								
1	Chengdu Yipin Center	Chengdu	100%	Commercial/ Carpark/Others	20,534	June-2025	141,509	Within the planned red line of Chadianzi Yipintianxia Street, Jinniu District, Chengdu City, Sichuan
2	Chengdu Global Financial Center	Chengdu	100%	Office/Commercial/ Carpark/Ancillary	18,514	July-2017	1,037	No. 151, Tianfu Second Street, No. 750, Jitai Road, High-tech Zone, Chengdu, Sichuan
3	Chengdu Xishan Lantai	Chengdu	100%	Residential/Carpark/ Ancillary/Others	34,756	May-2021	25,804	No. 988, Huaxin Avenue, Baihe Town, Longquanyi District, Chengdu City, Sichuan
4	Chengdu Yue Center	Chengdu	100%	Residential/Commercial/ Carpark/Ancillary/ Others	27,400	December-2021	75,044	No. 521, East Section of Industrial Avenue, Xindu District, Chengdu City, Sichuan Province
5	Chongqing Leading Guanyun House	Chongqing	100%	Residential/Carpark/ Ancillary/Others	40,372	November-2021	25,692	No. N23/03, N District, Jieshizutuan, Banan, Chongqing
6	Chengdu Jinxiang Lantai Mansion	Chengdu	55%	Residential/Office/ Commercial/Carpark/ Ancillary/Others	46,473	May-2019	23,814	No. 1-1, Jinxi Garden, Middle Section of Hengshan Avenue, Xipu Town, Pi County, Chengdu City, Sichuan Province
7	Chengdu Tianfu Lantai Mansion (Xinlong)	Chengdu	100%	Residential/Commercial/ Carpark/Ancillary/ Others	159,963	March-2022	147,824	Group 2, 5, 6, Yangliu Village and Group 2, Liuhe Village, Huayuan Town, Xinjin County, Chengdu City, Sichuan Province
8	Chengdu Tianfu Lantai Mansion (Jingyang)	Chengdu	100%	Residential/Carpark/ Ancillary/Others	38,967	June-2021	25,095	Group 2, 3, Yangliu Village, Huayuan Town, Xinjin County, Chengdu City, Sichuan Province
9	Chengdu Haina Shidai	Chengdu	100%	Residential/Commercial/ Carpark/Ancillary/ Others	41,822	February-2017	16,285	Zhili Road and Zhixinger Road, Chengdu City, Sichuan Province
10	Chengdu Lantai House	Chengdu	70%	Residential/Carpark/ Others	40,897	October-2020	17,858	No. 1555, Guoning West Road, Hongguang Town, Pidu District, Chengdu City, Sichuan Province
11	Chengdu Leading Tianyu	Meishan	100%	Residential/Commercial/ Carpark/Ancillary/ Others	57,523	March-2022	186,878	Diagonally opposite to Volkswagen 4S Store, Renshou Avenue, Renshou County, Chengdu City, Sichuan Province
12	Pengshan Guanjiang Mansion	Meishan	80%	Residential/Commercial/ Carpark/Ancillary/ Others	71,770	March-2023	181,180	Binjiang Avenue, Pengshan District, Meishan City, Sichuan Province
13	Panzhihua Leading Yangguang Flower City	Panzhihua	100%	Residential/Commercial/ Carpark/Ancillary/ Others	-	December-2022	386,524	Ganbatang Area, Huacheng New District, Panzhihua City, Sichuan Province
14	Xichang Leading Lantai House	Xichang	51%	Residential/Commercial/ Carpark/Ancillary/ Others	99,752	May-2019	25,653	Xijiao Yaoshan Village, North of Nanshan Avenue, South of Haihe Road, Xichang City, Sichuan Province
15	Xichang Leading Haiyueli	Xichang	52%	Commercial/Carpark/ Ancillary/Others	41,652	March-2021	1,874	Lianhe Village, Wangjia Village and Zhanglin Village, Gaojian Township, Xichang City, Sichuan Province
16	Xichang Leading Triumph International Mansion	Xichang	83%	Residential/Commercial/ Carpark/Ancillary/ Others	33,287	January-2017	2,724	No. 599, Section 5, East Extension Line of Hangtai Road, Xichang City, Sichuan Province
17	Xichang Leading Jinxiu Lantai Mansion	Xichang	80%	Residential/Commercial/ Carpark/Ancillary/ Others	62,578	May-2024	145,981	Near Zhonghang East Road, West New City, Xichang City, Sichuan Province

No.	Project Names	City	Interest Attributable to the Group	Primary Intended Use	Site Area (sq.m.)	Actual/ Estimated Completion Date	Land Bank ( <sup>1</sup> ) (sq.m.)	Address
18	Urumchi Leading Lantai House	Urumchi	95%	Residential/Commercial/ Carpark/Ancillary/ Others	103,928	June-2022	139,595	No. 616, Junggar Street, East of Suzhou Road, Urumqi City, Xinjiang Uygur Autonomous Region
19	Urumchi Leading Tianyu	Urumchi	100%	Residential/Commercial/ Carpark/Ancillary/ Others	115,428	June-2022	260,338	South of Hongguangshan Road, Shuimogou District, Urumqi City, Xinjiang Uygur Autonomous Region
20	Korla Leading Lantai House	Korla	100%	Residential/Commercial/ Carpark/Ancillary/ Others	63,624	October-2020	19,036	Leading Triumph Mansion, near southwest No. 6 Shihua Avenue, No. 5 Community, Construction Area, Korla City, Bazhou, Xinjiang Uygur Autonomous Region
21	Korla Leading Triumph Mansion	Korla	85%	Residential/Commercial/ Carpark/Ancillary/ Others	87,933	October-2021	100,036	(Next to Peacock Park) No. 6 Shihua Avenue, Korla, Xinjiang Uygur Autonomous Region
22	Chengteh Lantai House	Chengteh	40%	Residential/Commercial/ Carpark/Ancillary/ Others	53,279	July-2020	4,822	Yuanbao Mountain, Shuangtashan Town, Shuangluan District, Chengde City, Hebei Province
23	Chengteh Lantai House Yunshang	Chengteh	51%	Residential/Commercial/ Ancillary/Others	62,969	December-2022	119,952	Sicaigou B, Dayuanbao Mountain, Shuangtashan Town, Shuangluan District, Chengde City, Hebei Province
24	Chengteh Lantai House Yueshan	Chengteh	51%	Residential/Commercial/ Carpark/Ancillary/ Others	34,981	July-2022	52,466	Yuanbao Mountain, Shuangluan District, Chengde City, Hebei Province
25	Jilin Triumph Mansion	Changchun	55%	Residential/Commercial/ Carpark/Ancillary/ Others	132,188	May-2020	6,765	Xincheng West Street, Jingyue Development Zone, Changchun City, Jilin Province
26	Xingyang Leading Tianyu	Xingyang	70%	Residential/Commercial/ Carpark/Ancillary/ Others	29,396	December-2021	80,193	Northwest of the intersection of Jingcheng Road and Gongye East Road, Xingyang City, Zhengzhou City, Henan Province
27	Shangqiu Leading Lantai House	Shangqiu	51%	Residential/Commercial/ Carpark/Ancillary/ Others	59,698	December-2025	193,849	North of Xiwang Road, south of Nanjing Road, west of Shangqiu City Road (Planning), East of Zhenxing Road, Henan Province
28	Zhumadian Royal Lantai Mansion Phase I	Zhumadian	70%	Residential/Commercial/ Carpark/Ancillary/ Others	182,936	April-2022	333,816	Northwest of the intersection of Tianzhongshan Avenue and Jianshe Avenue, Zhumadian City, Henan Province
29	Zhumadian Royal Lantai Mansion Phase II	Zhumadian	70%	Residential/Carpark/ Ancillary/Others	70,590	August-2024	200,882	Northeast of the intersection of Zhangtai Avenue and Jianshe Avenue, Zhumadian City, Henan Province
30	Zhumadian Royal Lantai Mansion Phase III	Zhumadian	70%	Residential/Carpark/ Ancillary/Others	75,863	September-2025	50,811	Southwest of the intersection of Lizhuang Road and Chunliu Road, Zhumadian City, Henan Province
31	Zhumadian Royal Lantai Mansion Phase IV	Zhumadian	70%	Residential/Carpark/ Ancillary/Others	168,489	September-2024	253,479	Northeast corner of the intersection of Tongshan Avenue and Jianshe Avenue, Zhumadian City, Henan Province
32	Zhumadian Royal Lantai Mansion Phase V	Zhumadian	70%	Residential/Commercial/ Carpark/Ancillary/ Others	156,270	September-2023	181,271	The southeast side of the intersection of Lizhuang Road and Chunliu Road, and the northwest side of the intersection of Zhangtai Road and Jianshe, Zhumadian City, Henan Province
33	Jingzhou Leading Lantai House	Jingzhou	100%	Residential/Commercial/ Carpark/Ancillary/ Others	54,070	December-2021	33,324	Northwest of the intersection of Chutian Road and Dongqiao Road, Jingbei New District, Jingzhou District, Jingzhou City, Hubei Province

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34	Jingzhou Leading Fengming Lantai Mansion	Jingzhou	100%	Residential/Commercial/ Carpark/Ancillary/ Others	48,399	August-2022	119,603	No. 66, Fengming Avenue, Jingzhou District, Jingzhou City, Hubei Province
35	Leshan Amazon	Leshan	100%	Residential/Commercial/ Carpark/Ancillary	91,900	October-2014	2,482	No. 418 and No. 424, North Section of Longyou Road, Shizhong District, Leshan City, Sichuan Province
36	Leshan Haina Mansion	Leshan	51%	Residential/Commercial/ Carpark/Ancillary/ Others	36,200	January-2016	2,157	No. 1589 Muyuan Road, Muchuan County, Leshan City, Sichuan Province
37	Leshan Lantai House	Leshan	60%	Residential/Commercial/ Carpark/Ancillary/ Others	88,108	December-2021	38,683	East of the intersection of Sansu Road and Ruixiang Road, Qingjiang New District, Shizhong District, Leshan City, Sichuan Province
38	Leshan Tianyu	Leshan	51%	Residential/Commercial/ Carpark/Ancillary	29,796	March-2020	9,485	Intersection of Hanlin Road and Fenghuang Road, Tongjiang District, Leshan City, Sichuan Province
39	Leshan Lanshan	Leshan	100%	Residential/Commercial/ Carpark/Ancillary/ Others	89,630	October-2021	8,324	No. 881, Section 1, Ruixiang Road, Leshan City, Sichuan Province
40	Leshan International Mansion	Leshan	100%	Residential/Commercial/ Carpark/Ancillary/ Others	127,204	May-2019	2,574	Taoyuan New Village, Mouzi Town, Shizhong District, Leshan City, Sichuan Province
41	Zunyi Lantai House	Zunyi	55%	Residential/Commercial/ Carpark/Ancillary/ Others	39,759	November-2022	130,977	Intersection of Shanghai Road and Ningbo Road, Huichuan District, Zunyi City, Guizhou Province
42	Meishan Triumph International Mansion	Meishan	100%	Residential/Commercial/ Carpark/Ancillary/ Others	256,303	November-2020	29,951	Southwest corner of the intersection of Hubin Road and Meizhou Avenue, Meishan City, Sichuan Province
43	Meishan Triumph Square	Meishan	79%	Residential/Commercial/ Carpark/Ancillary	73,976	May-2015	3,554	Northeast of the intersection of Suyuan Road and Dongpo Avenue, Dongpo District, Meishan City, Sichuan Province
44	Meishan Huayu Phase II	Meishan	100%	Residential/Commercial/ Carpark/Ancillary/ Others	9,102	June-2020	2,985	Southeast corner of the intersection of Suyuan Road and Chongguang Street, Meishan City, Sichuan Province
45	Meishan Triumph International Mansion Phase II	Meishan	57%	Residential/Commercial/ Carpark/Ancillary/ Others	39,838	July-2019	6,413	Northeast of the intersection of Jiangxiang Road and Qingyihang, Dongpo District, Meishan City, Sichuan Province
46	Meishan Lantai House	Meishan	55%	Residential/Commercial/ Carpark/Ancillary/ Others	109,814	December-2022	183,630	Northwest corner of the intersection of Fucheng Road and Shuangfeng Street, Dongpo District, Meishan City, Sichuan Province
47	Meishan Guanjiang Mansion	Meishan	55%	Residential/Commercial/ Carpark/Ancillary/ Others	65,695	March-2022	170,221	Southwest corner of the intersection of Binjiang Avenue and Qitong Road, Meishan City, Sichuan Province
48	Haifeng Tianyu	Shanwei	100%	Residential/Commercial/ Carpark/Ancillary/ Others	35,774	August-2023	48,933	Plot KJC-B07, Ecological Technology City, Haifeng County, Shanwei City, Guangdong Province
49	Huizhou Lantai House	Huizhou	100%	Residential/Commercial/ Carpark/Ancillary/ Others	83,840	March-2023	169,408	West of Jinquan Road, Xincheng, North Railway Station, Huicheng District, Huizhou City, Guangdong Province
50	Foshan Haina Longting	Foshan	51%	Residential/Commercial/ Carpark/Others	36,943	August-2017	2,882	the north side of Qinggong Road and the east side of Dayong, North and South, Chancheng District, Foshan, Guangdong Province



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51	Foshan Haina Junting	Foshan	51%	Residential/Commercial/ Carpark/Ancillary/ Others	20,536	April-2017	656	West Guangyun Chantan Cross Road, Zhenli, Dali, Nanhai District, Guangdong Province
52	Foshan Haina Mansion	Foshan	51%	Residential/Commercial/ Carpark/Others	46,812	December-2014	1,362	No. 5, Lishui Avenue Middle, Nanhai District, Foshan City, Guangdong Province
53	Foshan Haina Haoting	Foshan	51%	Residential/Commercial/ Carpark/Ancillary/ Others	37,276	January-2016	3,641	No. 139, Lishui Avenue Middle, Lishui Town, Nanhai District, Foshan City, Guangdong Province
54	Foshan Haina Haoyuan	Foshan	51%	Residential/Commercial/ Carpark/Others	21,192	March-2017	49	Jianxing Villagers Group Section, Ganjiao Village, Lishui Town, Nanhai District, Foshan City, Guangdong Province
55	Mianyang Tianyu	Mianyang	65%	Residential/Commercial/ Carpark/Ancillary/ Others	26,140	March-2020	7,923	No. 2, Hongqiao Road, Chengnan New District, Mianyang City, Sichuan Province
56	Mianyang Lantai House	Mianyang	62%	Residential/Commercial/ Carpark/Ancillary/ Others	56,060	August-2020	17,843	No. 94, Sanxing Road, Youxian District, Mianyang City, Sichuan Province
57	Nanchong Lantai House	Nanchong	82%	Residential/Carpark/ Ancillary/Others	59,774	April-2022	247,245	No. 118, Maoyuan South Road, Shunqing District, Nanchong City, Sichuan Province
58	Nanchong Tianyu	Nanchong	51%	Residential/Commercial/ Carpark/Ancillary/ Others	25,053	November-2020	2,145	No. 561, Jinyuling Road, Shunqing District, Nanchong City, Sichuan Province
59	Ya'an Yunjing	Ya'an	100%	Residential/Commercial/ Carpark/Ancillary	30,184	November-2020	16,026	Daxing Town, Yucheng District, Ya'an City, Sichuan Province
60	Ya'an Guanjiang Mansion	Ya'an	100%	Residential/Commercial/ Carpark/Ancillary	39,149	November-2020	21,447	Qianjin Village, Daxing Town, Yucheng District, Ya'an City, Sichuan Province
61	Ya'an Tianyu	Ya'an	53%	Residential/Commercial/ Carpark/Ancillary	18,253	September-2019	9,599	Yazhou Avenue, Yucheng District, Ya'an City, Sichuan Province
62	Ya'an Lantai House	Ya'an	51%	Residential/Commercial/ Carpark/Ancillary	43,790	February-2021	32,138	No. 6, Ankang Road, Yucheng District, Ya'an City, Sichuan Province
63	Ya'an Lantai House Phase III	Ya'an	100%	Residential/Commercial/ Carpark/Ancillary/ Others	53,520	September-2021	48,389	Plot 212, Daxing District, Yucheng District, Ya'an City, Sichuan Province
64	Mianyang Guanjiang Mansion	Mianyang	100%	Residential/Commercial/ Carpark/Others	144,705	November-2023	554,138	Putisi Village, Ningxiang Temple Neighborhood Committee, Hightech Zone, Mianyang City, Sichuan Province
65	Mianyang Leading Dongyuan Yue Town	Mianyang	50%	Residential/Commercial/ Carpark/Ancillary/ Others	116,755	June-2023	472,291	C, Dengta Community, Qingyi Town, Fucheng District, Mianyang City, Sichuan Province
66	Ya'an Yuejiangting	Ya'an	51%	Residential/Commercial/ Carpark/Ancillary/ Others	16,674	October-2021	43,561	Daxing Area, Yucheng District, Ya'an
67	Xichang Tianyu	Xichang	100%	Residential/Commercial/ Carpark/Ancillary/ Others	26,935	August-2022	112,331	Near Section 1 of Linhuanhai Road, Chengdongchuanxing, Xichang City, Sichuan Province
68	Kaili Leading Tianyu	Kaili	100%	Residential/Commercial/ Carpark/Ancillary/ Others	251,148	May-2025	942,162	Daxing Area, Yucheng District, Ya'an City, Sichuan Province
69	Chengdu Xindu Yue House	Chengdu	100%	Residential/Commercial/ Carpark/Ancillary/ Others	310,866	November-2024	582,496	No. 600, East Section of Xueyuan Road, Xindu District, Chengdu City, Sichuan Province
70	Luzhou Lantai House	Luzhou	54%	Residential/Commercial/ Carpark/Ancillary/ Others	52,767	November-2022	180,443	East side of Changjiang Primary School, Shawan District, Luzhou City, Sichuan Province
71	Chengdu Tianfu Kangcheng (Duneng)	Chengdu	91%	Residential/Commercial/ Carpark/Ancillary	132,479	March-2025	378,432	East of Huanhu East Road, Shigao Town, Renshou County

No.	Project Names	City	Interest Attributable to the Group	Primary Intended Use	Site Area (sq.m.)	Actual/ Estimated Completion Date	Land Bank ( <sup>1</sup> ) (sq.m.)	Address
72	Chengdu Tianfu Kangcheng (Shengyu)	Chengdu	100%	Residential/Commercial/ Carpark/Ancillary/ Others	60,638	June-2028	271,425	East of Huanhu East Road, Shigao Town, Renshou County
73	Chengdu Tianfu Kangcheng (Yuandi)	Chengdu	91%	Residential/Commercial/ Carpark/Ancillary	85,773	September-2022	356,594	East of Huanhu East Road, Shigao Town, Renshou County
74	Urumqi Jinshang Lantai Mansion	Urumchi	60%	Residential/Commercial/ Carpark/Ancillary/ Others	25,371	October-2022	69,961	East of Liyushan Road, High-tech Zone, Urumqi City
75	Urumchi Tianjing Yunzhu	Urumchi	100%	Residential/Commercial/ Carpark/Ancillary/ Others	30,178	December-2023	108,083	Main Road, Changchun Middle Road, Urumqi City
76	Yibin Guanjiang House	Yibin	55%	Residential/Commercial/ Carpark/Ancillary	132,479	December-2024	336,980	Yibin Lingang Economic and Technological Development Zone
77	Nanchong Jinwei Leading Yue Town	Nanchong	45%	Residential/Commercial/ Carpark/Ancillary/ Others	90,142	August-2024	289,099	Plot 2 on the east side of Financial Avenue, North New City, Shunqing District, Nanchong City
78	Guangyuan Leading City	Guangyuan	100%	Residential/Commercial/ Carpark/Ancillary	290,480	December-2024	600,536	Located on the east side of Kangyang Avenue in Heishipo Forest Park and the north side of Qiaoge Road in Xuefeng Office, Lizhou District, Guangyuan City
79	Panzhuhua Ruxiang Flower City	Panzhuhua	51%	Commercial/Carpark/ Ancillary	10,562	October-2022	39,173	Ganbatang Area, Huacheng New District, Panzihua City
80	Chengdu Leading Guanjiang House	Dujiangyan	100%	Residential/Commercial/ Carpark/Ancillary/ Others	78,475	November-2022	238,073	North of Baishui East Road, East of Shangshan East Road, Dujiangyan City, Sichuan Province
81	Suining Taoli County	Suining	34%	Residential/Commercial/ Carpark/Ancillary/ Others	30,808	March-2023	124,436	East of Suizhou North Road, North of Hongqiao East Street, Suining Economic Development Zone, Sichuan Province
82	Xichang Leading Guanyuan	Xichang	70%	Residential/Commercial/ Carpark/Ancillary/ Others	90,531	February-2023	122,385	The southeast area of the downtown, Xichang City, Sichuan Province
83	Luohe Lishang Lantai	Luohe	51%	Residential/Commercial/ Carpark/Ancillary/ Others	106,858	July-2024	336,507	West of High-speed Railway Bridge, on the north side of Shali Industry Cluster, South of Lihe, Luohe City, Henan Province
84	Huili Xuefu No. 1	Huili	32%	Residential/Commercial/ Carpark/Ancillary/ Others	33,459	November-2022	131,083	Yingding Community of Huili No. 1 Middle School, Sichuan Province
85	Zhangjiajie Xinsong Leading Robot Happy Town	Zhangjiajie	35%	Residential/Commercial/ Carpark/Ancillary	77,783	December-2024	278,740	On the east side of Huatian Phase I, on the south side of Binhe Road, on the north side of Indigo Plaza, on the west side of Yingbin Road, Guanliping Office, Yongding District, Zhangjiajie City
86	Chengdu Tianfu Leading Town	Chengdu	50%	Residential/Commercial/ Carpark/Ancillary/ Others	271,501	September-2023	766,198	(No. 18, Section 2, Shengwu Cheng Middle Road, Shuangliu District) Tianfu International Biological City, Chengdu City, Sichuan Province
87	Chengdu Leading Hexing Lifu Lantai Mansion	Pengzhou	51%	Residential/Commercial/ Carpark/Ancillary/ Others	64,309	May-2023	167,988	Qingyang Village, Zhihe Town, Pengzhou City, Sichuan Province
88	Chengdu Huguang Heyue	Pengzhou	51%	Residential/Commercial/ Carpark/Ancillary	41,343	September-2023	140,955	South side of Section 1, Huanhu Road, West side of Kaixuan Avenue, Zhihe Street, Pengzhou City, Sichuan Province
89	Leshan Biguiyuan Leading Tangyue Lantai	Leshan	50%	Residential/Commercial/ Carpark/Ancillary	56,197	July-2023	187,354	South side of Tanmu South Street, Central District, Leshan City, Sichuan Province
90	Ya'an Feicui Garden	Ya'an	50%	Residential/Commercial/ Carpark/Ancillary/	35,652	March-2023	168,229	Daxing Town, Yucheng District, Ya'an City, Sichuan Province

No.	Project Names	City	Interest Attributable to the Group	Primary Intended Use	Site Area (sq.m.)	Actual/ Estimated Completion Date	Land Bank (1) (sq.m.)	Address
91	Mianyang Leading City	Mianyang	51%	Residential/Commercial/ Carpark/Ancillary/ Others	532,682	January-2030	1,236,887	Longmen Town, Fucheng District, Mianyang City, Sichuan Province
92	Leshan Lanshan Yue	Leshan	100%	Residential/Commercial/ Carpark/Ancillary	25,560	September-2023	76,077	North side of Changqing Road, west side of Ruixiang Road, Qingjiang Area, Leshan, Sichuan Province
93	Meishan Leading Jiangyue Lantai	Meishan	55%	Residential/Office/ Commercial/ Carpark/Ancillary/ Others	60,201	September-2024	190,180	East of Dongpo No. 5 Kindergarten and Wen'an East Road; south of Qitong Road; west of reserved land; north of Kegongyuan 2nd Road, Meishan City, Sichuan Province
94	Meishan Leading Yueyuan	Meishan	55%	Residential/Office/ Commercial/Carpark/ Ancillary/Others	54,667	September-2024	129,814	North New Town Plate, near Suti Park, Sichuan Province
95	Wuhan Leading Yinbao City	Wuhan	51%	Residential/Commercial/ Carpark/Ancillary	22,131	April-2024	110,233	Fangcao Road, Wuhan City
96	Mianyang Yue Garden	Mianyang	100%	Residential/Commercial/ Carpark/Ancillary	36,411	December-2025	108,921	Science and Innovation Park, Mianyang City, Sichuan Province
97	Pengzhou Jinxiu Tianchen	Chengdu	51%	Residential/Commercial/ Carpark/Ancillary	23,217	September-2024	64,877	East of Binhe North Road, Tianpeng Street, north of North Section of Mudan Avenue, Pengzhou City
98	Chengdu Yueyintai	Chengdu	51%	Residential/Commercial/ Carpark/Ancillary/ Others	35,238	September-2024	158,474	Xiaolin Village, Xindu Town
	Subtotal						<u>14,877,252</u>	

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<b>Properties developed by the Associates and Joint Ventures</b>								
1	Chengdu Bocuiling Lake	Chengdu	49%	Residential/Carpark/ Others	29,995	December-2019	1,891	Group 6, Garden Community, Dongsheng Street, Shuangliu District, Chengdu City, Sichuan Province
2	Leshan Emei the Grand Sight	Leshan	61%	Commercial/Ancillary	50,302	January-2021	19,641	North of Exiu Lake, Emeishan City, Sichuan Province
3	Xuzhou Dongchen Hua House	Xuzhou	47%	Residential/Commercial/ Carpark/Ancillary/ Others	31,251	January-2022	33,686	Rongchuangchen Mansion, North of Laohu Mountain, Yangguang Road, Dahuangshan Town, Economic Development Zone, Xuzhou City, Jiangsu Province
4	Xuzhou Fengming Taoyuan Fengyasong	Xuzhou	47%	Residential/Commercial/ Carpark/Ancillary	141,979	June-2022	76,741	The southern plot of Xuzhou City, Jiangsu Province is located on: Taihe South Road, west of Fengming Road, and north of Shanshui Avenue, Jiawang District The northern plot is located on: The north side of Taihe Road, south of Fuhong Road, and west of Fengming Road, Jiawang District
5	Xuzhou Fengming Taoyuan	Xuzhou	47%	Residential/Commercial/ Carpark/Ancillary/ Others	234,196	December-2019	4,403	Fengming East Road, West of Paihonggou, Yancun, South of Jiabian Road, Jiawang District, Xuzhou City, Jiangsu Province
6	Zhangjiakou Yuanjun Manting Fangyuan	Zhangjiakou	34%	Residential/Commercial/ Carpark/Ancillary/ Others	170,592	December-2026	98,535	Shalingzi Town, Xuanhua District, Zhangjiakou City, Hebei Province
7	Leshan Qingjiang Lantai Mansion	Leshan	40%	Residential/Commercial/ Carpark/Ancillary/ Others	50,000	December-2020	6,031	No. 533 Ruihan Road, Shizhong District, No. 1065 Taibai Road, Shizhong District, Leshan City, Sichuan Province
8	Ya'an Tianrun	Ya'an	51%	Residential/Commercial/ Carpark/Ancillary	15,530	May-2020	6,081	Chenghou Road, Yucheng District, Ya'an City, Sichuan Province
9	Ya'an Tianlu Bay	Ya'an	34%	Residential/Commercial/ Carpark/Ancillary/ Others	70,140	September-2023	76,758	Daxing Town, Yucheng District, Ya'an City, Sichuan Province
10	Shenzhen Tianyu Garden	Shenzhen	50%	Residential/Commercial/ Carpark/Ancillary	20,652	September-2023	66,746	Northwest of the intersection of Pingan Road and Zhanggui Road, Guanlan Street, Longhua District, Shenzhen City
11	Leshan Hengbang Shuanglin Global Center	Leshan	48%	Residential/Office/ Commercial/Carpark/ Ancillary	31,632	June-2021	26,987	The junction of Fenghuang Road and Boyang Road, Central District, Leshan City, Sichuan Province
12	Leshan Qingjiang House	Leshan	35%	Residential/Commercial/ Carpark/Ancillary	113,204	October-2023	160,350	Intersection of Fengzhou Road and Zhile Road, Qingjiang District, Leshan City, Sichuan Province
13	Jiangyou Shidaizhiguang	Jiangyou	35%	Residential/Commercial/ Carpark/Ancillary/ Others	94,359	November-2022	116,475	Libai Avenue, Jiangyou City, Mianyang City, Sichuan Province
14	Xichang Nanshan House	Xichang	2%	Residential/Commercial/ Carpark/Ancillary/ Others	66,322	December-2022	4,156	Zhangjiatun Village, Xijiao Township, Xichang City, Sichuan Province
15	Emei Lotus Lake	Leshan	40%	Residential/Commercial/ Carpark/Ancillary/ Others	247,377	November-2025	167,830	Shili Village, Shengli Town, Emeishan City; Penggui Village, Guihuaqiao Town, Emeishan City, Sichuan Province
16	Nantong Longteng Hua House	Nantong	3%	Residential/Commercial/ Carpark/Ancillary/ Others	125,950	November-2024	8,268	North of Dongxinghu Avenue, Longteng Road, Nantong City, Jiangsu Province
17	Nanchong Tianjing No. 1 District	Nanchong	33%	Residential/Carpark/ Ancillary	51,155	October-2023	48,703	Yan'er's Nest Area, Shunqing District, Nanchong City, Sichuan Province

No.	Project Names	City	Interest Attributable to the Group	Primary Intended Use	Site Area (sq.m.)	Actual/ Estimated Completion Date	Land Bank (1) (sq.m.)	Address
18	Nanchong Tianjing No. 2 District	Nanchong	33%	Residential/Commercial/ Carpark/Ancillary/ Others	45,567	February-2024	35,730	No. 2021-b-9 Yan'er's Nest Area, Shunqing District, Nanchong City, Sichuan Province
19	Xichang Yueqionghai	Xichang	6%	Residential/Commercial/ Carpark/Ancillary/ Others	65,968	June-2022	10,464	Beside Jianchang Water Town, East Extension Line of Hangtai Road, Xichang City, Sichuan Province
20	Xichang Lantai House Qingyun	Xichang	6%	Residential/Commercial/ Carpark/Ancillary	16,896	October-2019	101	Chensuo Village, Gaojian Township, Xichang City, Sichuan Province
	Subtotal						969,577	
	Total						15,846,829	

*Note:*

- (1) Total GFA of the Group's land bank includes (i) GFA available for sale and total leasable GFA for completed properties, (ii) GFA for properties under development and (iii) GFA for properties held for future development. For non wholly-owned properties, the total GFA will be adjusted by our equity interest in the respective project.

The site area information in this exchange offer memorandum is derived on the following basis:

- when we have received the land use rights certificates/real estate title certificates (Land), as specified in such land use rights certificates/real estate title certificates (Land); and
- before we have received the land use rights certificates/real estate title certificates (Land), as specified in the relevant land grant contracts related to the projects excluding, however, areas earmarked for public infrastructure such as roads and community recreation zones.

The GFA information in this exchange offer memorandum is derived on the following basis:

- for completed projects, if we have obtained records of acceptance examination upon project completion, as specified in such records of acceptance examination upon project completion or, where such records are not yet available, based on house property survey and mapping reports, our internal records and estimates;
- for projects under development or held for future development,
  - if we have obtained the construction work commencement permits, as specified in such permits;
  - if we have not yet obtained the construction work commencement permits, but have obtained the construction work planning permits, as specified in such construction work planning permits; and
  - if none of the above permits is otherwise available, as specified in land grant contracts and master investment agreements we entered into with regulatory authorities in the PRC or based on our internal records and estimates.
- if we have obtained the pre-sale permit for commodity property for the projects, the saleable GFA information refers to the saleable GFA in these permits;

Total GFA as used in this exchange offer memorandum is comprised of saleable GFA and non-saleable GFA. Non-saleable GFA as used in this exchange offer memorandum refers to certain ancillary facilities, such as greenery area and spaces designed as civil air defense properties, for which pre-sale permits will not be issued. Saleable GFA as used in this exchange offer memorandum refers to the gross floor areas exclusive

of non-saleable GFA. Saleable GFA is further divided into saleable GFA pre-sold/sold and saleable GFA unsold. A property is pre-sold when we have executed the purchase contract but yet delivered the property to the customer. A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer.

Total saleable GFA is calculated as follows:

- for properties that are completed, based on the relevant property ownership certificate or property inspection report;
- for properties under development, based upon the relevant pre-sale permit, or based on the construction work planning permit if the pre-sale permit is not available, or based upon other documentation issued by relevant government authorities if the construction work planning permit is not available; and
- for properties that are held for future development, based upon our internal records and development plans. The total GFA we intend to sell does not exceed the multiple of site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project.

## COMMERCIAL PROPERTY OPERATIONS

We generate revenue from commercial property operations. In 2019, 2020 and 2021, we retained and leased a portion of the commercial properties we developed, mainly commercial and office buildings, for revenue as well as capital appreciation. Specifically, revenue from our investment properties contributes a significant portion of our revenue from commercial property operations. As of December 31, 2021, we had seven investment properties with an aggregate GFA of 341,547 sq.m. The following table sets forth our investment properties as of December 31, 2021.

City	Project	Total GFA held for investment (sq.m.)
Chengdu . . . .	Chengdu Leading Center (成都領地中心)	147,264
Chengdu . . . .	Chengdu International Finance Center (成都環球金融中心)	62,060
Changchun . . .	Jilin International Trade Center (吉林環球貿易中心)	76,322
Leshan . . . . .	Leshan Amazon (樂山亞馬遜)	3,191
Leshan . . . . .	Leshan Time Square (樂山時代廣場)	35,295
Leshan . . . . .	Leshan Amazon and Part of Times Square (樂山亞馬遜及 時代廣場部分物業)	12,177
Xindu . . . . .	Gangji Hanxiangfu Preschool (港基•翰香府幼兒園)	5,237
	Gangji Farmer's Market in Diexiang Manor (港基•疊香莊園農貿市場)	
	<b>Total</b>	<b>341,547</b>

## OUR HOTEL OPERATIONS BUSINESS

### Hotels in Operation

In 2019, 2020 and 2021, we operated three hotels, namely (i) Juzi Hotel Select (Xichang Leading Qionghai) (桔子酒店 • 精選(西昌領地邛海酒店)), (ii) Canopy by Hilton, Leading Center, Chengdu (成都領地希爾頓嘉悅裡酒店) and (iii) Xichang Yinju Qionghai Vacation Hotel (西昌隱居邛海度假酒店). We developed all the three hotels, and engaged third party hotel management companies to manage the daily operations of the hotels.

## ***Business Models***

In 2019, 2020 and 2021, we held these hotels under two models:

- *Owned by our Group.* We own and hold Canopy by Hilton, Leading Center, Chengdu.
- *Owned by individual owners and leased by our Group.* We developed Juzi Hotel Select and Xichang Yinju Qionghai Vacation Hotel. We sold the hotel rooms to individual owners after we completed the construction of these two hotels. All of these individual owners have entered into agreements with us and entrusted us to operate each of the hotels as a whole. The terms of such agreements were typically five years. The fee rate is predetermined and fixed for each year and we pay rents to such individual owners on a quarterly basis. Such asset-light model allows us to make profits from operating these hotel projects and to avoid the fair value fluctuation risk and other risks that would exist if we choose to hold these hotel projects as investment properties. Individual owners can also enjoy the potential appreciation of the hotel rooms and stable rent incomes from their respective unit. As all of the individual owners entrust us to operate each of their properties, we may form a unified operation plan for each hotel project, which offers economies of scale and other benefits that individual owners and we could not enjoy should each individual room be operated separately.

## **Cooperation with Hotel Management Companies**

We entered into agreements with three different hotel management companies to manage our hotels. The agreement for Canopy by Hilton, Leading Center, Chengdu (成都領地希爾頓嘉悅裡酒店) is for a period of 15 years. The agreement for Juzi Hotel Select (Xichang Leading Qionghai) (桔子酒店•精選(西昌領地邛海店)) is for a period of five years. The agreement for Xichang Yinju Qionghai Vacation Hotel (西昌隱居邛海度假酒店) is for a period of five years. The salient terms of these agreements primarily stipulates that (i) the hotel management companies shall provide hotel management and marketing services, among others, and (ii) we, as the owner of the hotels, shall pay the hotel management companies management fees on a monthly basis, either at a fixed rate, or at a floating rate based on the gross profit margin of the relevant hotel. In addition, some of the hotel management companies also requires us to pay a license fee in relation to our use of their brand names.

## **OUR PROJECT MANAGEMENT BUSINESS**

We commenced to provide project management services in November 2018. In 2019, 2020 and 2021, we provided project management services to three customers. The customers for our project management services are third-party property developers who held land parcels and engaged us to manage property development projects on such land parcels. Leveraging our experience in project development, we provide project management services to them.

We entered into an agreement with each of the customers for our project management services. The project management services we provided in 2019, 2020 and 2021 primarily included (i) project planning and design; (ii) construction and procurement; (iii) sales and marketing; and (iv) construction completion and delivery. We help to select suppliers for the project development process. Our customers were entitled to make final decisions during the project development process with respect to selection of suppliers, approval of budgets and approval of material changes to the construction designs or schedules. We charge management service fees for our project management services on a monthly basis. We also expect to charge a commission for the properties we sell on behalf of our customers as well as a bonus if the sales prices exceed a pre-determined price level. We grant a credit term of no more than 30 days to our customers.



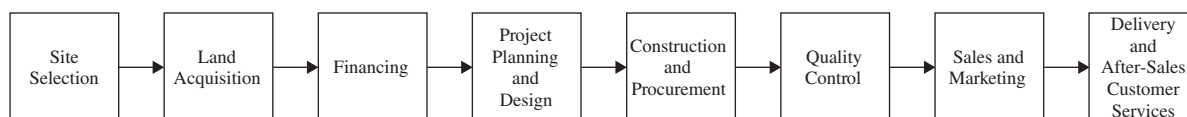
We provided project management services when there were opportunities we considered commercially viable. The factors we consider when we evaluate an opportunity include the financial condition and reputation of the potential customer and the projected profit margin. We had not identified new opportunities to provide such services as of December 31, 2021.

## OUR PROPERTY DEVELOPMENT MANAGEMENT

### Overview

We endeavor to develop high-quality residential properties to customers who are either first time home purchasers or those purchasing to upgrade their existing living condition. We have established a rapid turnover model operated by our functional centers or departments. In addition, we established local project companies to manage our local projects directly.

The diagram below summarizes the major stages of our property development process:



### Site Selection

We undergo a careful examination and selection process for our property sites. To minimize costs and to ensure a high turnover rate, we primarily focus on property development in second-tier and major third-tier cities.

The factors we consider in assessing whether a site is suitable for development include, but are not limited to:

- prospects of the city's economic development and population growth;
- prospects of financial returns, indicated by factors such as sales cycle, average market price, profit margin, payback period and internal rate of return for investment;
- the economic environment and the physical and geological characteristics of the site;
- transportation infrastructure;
- estimated development costs;
- access to public infrastructure and commercial facilities;
- the local government's zoning plans;
- scale and price of the land;
- the potential for value appreciation;
- historical features and natural resources;
- the central and local governments' industry policy and development strategies;
- the policy and current status of the regional real estate market;
- the layout, amount and price of the regional real estate market; and

- potential customers' needs and preferences.

We intend to adopt flexible land acquisition strategies. In addition to public tenders, auctions and listings-for-sale and acquisition of equity from third-party companies that possess land parcels, we also establish joint ventures and associates with other reputable property developers to acquire land.

Our site selection is typically proposed by regional investment managers (區域投資經辦人), and approved by our investment committee (投委會) and investment board (投資董事會), comprising of our directors and senior management team members. Our site selection process is led by our experienced site selection team and sales team consisting of key members of our senior management. Our regional investment managers are responsible for identifying a potential project, conducting market research and performing preliminary screening. Our sales team is responsible for determining the preliminary sales price and the upper limit of land cost for the potential projects. Thereafter, the site selection team and sales team will provide a comprehensive score of the potential project and submit to the investment committee for approval. If the score passes threshold requirement, the committee will approve the site on the condition that the land price does not exceed the upper limit of land cost. Benefitting from our standardized process to manage our investment decisions, we are typically able to complete the preparatory work and start a property development project within seven days after we obtain a land parcel.

## **Land Acquisition**

In 2019, 2020 and 2021, we obtained our land reserves through the following methods:

- participation in public tenders, auctions and listings-for-sale;
- acquisition of equity interest from third-party companies which possess land parcels; and
- establishing joint ventures and associates with other property developers.

We adjust our land acquisition methods to adapt to the local economics and policies of the cities that we intend to expand into. We intend to adopt flexible land acquisition methods in order to meet our investment return and capital turnover requirements, to control investment risks and to align the investment risks with the expected returns.

We adopt standardized procedures with respect to our land acquisition work. For instance, we have established operating manuals that specify the detailed procedures and process to follow for each of the acquisition methods we choose to adopt. Guided by the procedures set out in our operating manuals, our project company teams, among others, prepare and complete required studies, analysis or application materials in accordance with specified timetable and detailed information requirements. Our standardized operating procedures provide an effective and consistent guidance on our project approval steps and help to ensure that we complete our internal evaluation process in an efficient manner.

## **Financing**

We finance our projects primarily through capital contributions from our shareholders, internal cash flows including proceeds from the pre-sale of our properties, bank loans, trust financing and other borrowings, and may also issue corporate bonds and asset-backed securities to lower our debt level and reduce our finance costs. PBOC and CBRC have issued respective guidelines in relation to granting loans to real estate developers. See “Regulations—Real Estate Financing—Loans to real estate development enterprises.” We intend to finance our property developments with internal resources to the extent practicable so as to reduce the level of external funding required.

According to our projected construction schedule, we seek financings to fund our constructions. We consider the amount and repayment schedule of our project loans, as well as the expected expenditure and construction schedule of the relevant projects so as to ensure that our project loans will be properly covered by our proceeds from pre-sales and sales.

## **Project Planning and Design**

In order to provide our customers with distinctive designs and to achieve operating efficiency, we outsource the design of a majority of our property development projects to third-party architecture and design firms through an open tender or bidding process. We have maintained a pool of top third party designers from China and abroad. Our product development department supervises and provides the third-party architecture and design firms with directions and design criteria on which we aim to market our projects. Our project engineering department monitors closely the work of the architecture and design firms to ensure that the project designs meet our specifications and works together with our supervision department to ensure that any problems encountered with the proposed design during construction are resolved in a timely manner.

## **Construction and Procurement**

### ***Project management***

We have a property development project management team consisting of engineers and technicians. These employees are deployed in our headquarters, regional companies and project sites. They are responsible for communicating with our construction contractors and specialized contractors and performing quality inspection and control.

### ***Appointment of construction contractors***

We do not maintain a construction capacity and outsource construction works of all our property development projects to qualified third-party general construction contractors. Such construction works include, among other things, foundation digging, general construction and installation of equipment. The general contractors of our property developments are selected through an open tender process. The tender process is managed by the bidding and purchase department at the headquarters of our Company and the costs and bidding departments of our pertinent subsidiaries. We conduct due diligence procedures on our potential contractors, such as inspecting their credentials and on-site supervision on their offices and property projects, and only those contractors who have passed such due diligence procedures are invited to participate in the tender. In selecting the winning bid, we typically consider the contractors' professional qualifications, technical capabilities, industry reputation, track record and prices tendered. We also maintain an information system on general contractors we have worked with and take relevant information from the system into account when evaluating the bids. We also involve the work of specialized contractors in specific areas, such as project design. The specialized contractors are typically selected through a tender process and will typically enter into contracts with us. In 2019, 2020 and 2021, we had engaged and maintained stable business relationships with a number of general construction contractors and specialized contractors.

Certain risks, such as the risk of injuries, labor disputes and quality deficiency, are borne by the contractors, as provided in our contracts with them. However, our strict quality control measures require our contractors to comply with the relevant rules and regulations including environmental, labor, social and safety regulations to minimize our risks and liabilities.

Under typical agreements with our contractors, we make payments to contractors in stages according to progress of construction works. We generally do not make advance payments. The percentage of each stage payment varies from project to project according to the terms stipulated in the relevant contract. Our construction costs department (工程成本部門) and finance department (財務部門) will make payment plans in accordance with contract terms and construction progress to ensure punctual payment and to monitor cash flow.

## ***Procurement***

Our procurement activities fall into two categories: construction raw materials and equipment. Our construction contractors are responsible for procuring raw materials, notably steel and concrete. With respect to construction contracts of substantial value and long duration, our cost control department carefully records and monitors the costs throughout all stages of procurements. Our suppliers are selected through an open tender process. We select the lowest bid as the winner bid among all bids that meet our technical standards. In 2019, 2020 and 2021, fluctuations in the construction raw materials rarely exceeded the relevant materiality threshold in the relevant contracts we had with our construction contractors and we therefore rarely incurred additional costs to compensate our construction contractors. Nonetheless, as we typically pre-sell our properties prior to their completion, we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. See “Risk Factors—Risks Relating to Our Business—We may experience fluctuations in our construction costs.”

## **Quality Control**

We place significant emphasis on quality control in the management of our projects. We have a number of employees engaged in our stringent quality control with an average of six years of experience in the construction industry. We have adopted various procedures and guidelines in furtherance of this goal, such as project management procedures, project inspection procedures and project quality control procedures, as well as detailed guidelines for foundation work, anti-leakage in main structure and interior decoration in decorated apartment.

## **Sales and Marketing**

### ***Sales and marketing plan***

The sales and marketing teams study local market information and formulate pre-marketing, sales and pricing plans and procedures for approval by the sales and marketing department at the city level before submitting for approval to our headquarters. We determine our per unit sales price with reference to the sales price of project location and our development costs. Our sales and marketing personnel are incentivized by performance-based compensation packages. Throughout and subsequent to the project development and pre-sale period, we provide comprehensive assistance to our customers, coordinate internally to address queries raised by, and collect feedback from, our customers and potential customers for us to evaluate our products and devise modifications to designs of our future properties as appropriate to address any change in market demand.

Our promotion channels primarily include advertising through social media, newspapers, radio, and internet. We generally engage advertising design agencies in China to assist us in our sales campaigns. We also engage third-party agents to assist with our sales and marketing, including (i) third-party sales agents, who assists us with every step of a property sale and earns commission fees based on the contract prices upon the customer signing the sales contract; and (ii) third-party marketing agents, who advertises and markets the property products to prospective customers through traditional and new media channels. We pay fixed advertising and marketing fees to such third-party marketing agents. We hold promotional and sales events at our property development project premises and invite potential customers to visit exhibit units. Customers of some of our property development projects are entitled to referral bonuses. Under our current referral bonus scheme, each existing customer is qualified to receive a bonus if she or he introduces a new customer who eventually signs a sales contract with us and makes the required payments subsequently. The referral bonus scheme is limited to existing customers who have purchased properties from us previously and each property sold only qualifies one individual customer for one-off bonus. The amount of each bonus varies with our policies for different projects in different locations.

## ***Pre-sale***

In line with market practice in the PRC, we normally commence pre-sales of our property development project before completion of the entire project. Our pre-sales typically comprise multiple phases in accordance with our marketing strategies and plans which are drawn up as early as the acquisition of the relevant land. We launch pre-sale upon the receipt of pre-sale permits according to the PRC laws and regulations. Relevant PRC laws and regulations require property developers to fulfill certain conditions, including but not limited to:

- payment of the land grant premium in full and receipt of the relevant land use rights certificates/real estate title certificates (Land);
- receipt of construction work planning permit;
- receipt of construction work commencement permit;
- injection of at least 25% of the total investment into the development of the properties for pre-sale; and
- receipt of pre-sale permit.

See “Regulations—Real Estate Transactions—Pre-sale of commodity properties.” We generally time the launch of our pre-sale campaigns according to the progress of construction, market conditions and any general holidays.

Properties developers are required to use a standard pre-sale contract prescribed by the relevant local government. Purchasers are typically required to make a down-payment according to the schedule stipulated in the sales contract. The amount of down-payment to be paid and the circumstances in which deposits may be forfeited are stipulated in relevant pre-sales contracts. In accordance with the requirements of applicable PRC laws and regulations, we register such pre-sale with the relevant local authorities and provide warranties on the quality of properties we construct or sell to our customers for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts, being approximately two to five years. See “Risk Factors—Risks Relating to Our Business—We are exposed to contractual and legal risks related to pre-sales.”

## ***Pricing Policies***

Prior to the launch of our sales efforts for a project, we set the overall marketing budget and strategy, overall sales targets and timeline for each project and targeted ASPs based on our total costs incurred, market price of comparable properties and our targeted probability levels. For some of our property development projects where the land parcels are comparatively small and circumstances allow us to develop, sell and deliver the properties within a short time frame, we may elect to set comparatively lower prices for such properties to attract customers, and so as to generate positive cash flows within a short time frame. Total costs incurred include all costs incurred in relation to the construction of the property development project, including land costs, construction costs, marketing costs and capitalized finance costs. A premium will be added based on our target rate of return, overall sales target for each project and the competitive landscape.

As part of our overall goal and strategic plan, we set annual targets for total sales price and revenue for all of our property projects, which are based on our development plan, estimated cash flow, market prospects, estimated costs and profit target. In accordance with such targets, we manage our property inventory position on the basis of their realizable market value. Accordingly, we establish additional or adjust our investment plans and product positioning, design, sales price and marketing approach in view of such estimated realizable market value. Due to the highly competitive and evolving nature of the real estate industry in China, we continually monitor the changing market condition and adjust the sales prices of our projects as

appropriate. In particular, although sales targets are approved at our headquarters, we authorize senior management teams in each regional company to adjust sales price for our projects based on changing market conditions since they are more familiar with the local property markets. Our ability to adjust our sales price at the local management level to proactively respond to trends in local property markets has enabled us to maintain profitability.

### ***Payment arrangement***

Our customers may choose to pay the purchase price of our properties by one lump sum payment, by installments, or by mortgage financing. Customers choosing to settle the purchase price by one lump sum payment will be required to fully settle the purchase price when the sales contract executed. Customers choosing to settle the purchase price of residential properties by mortgage financing shall, according to the terms stipulated in the relevant sales contract, normally pay a down-payment of 30% to 70% of the purchase price upon the execution of the sales contract in accordance with the applicable PRC laws and regulations. Depending on the processing time required by mortgagee banks, the balance of the purchase prices will typically be paid by the mortgagee banks shortly after the date of execution of the sales contracts.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and where required, provide our customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until (i) we complete the relevant properties and the property ownership certificates and the mortgage are registered in favor of the mortgagee bank or (ii) the settlement of mortgage loans between the mortgagee bank and the purchaser, whichever is earlier. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan and have the right to claim such amount from the defaulting purchaser.

As of December 31, 2019, 2020 and 2021, our outstanding guarantees in respect of the mortgages for purchasers of our properties amounted to RMB8,882.0 million, RMB11,594.3 million and RMB17,686.6 million (US\$2,775.4 million), respectively. In 2019, 2020 and 2021, we had encountered incidents where we were jointly and severally liable for a purchaser's default under his mortgage loan. See "Risk Factors—Risks Relating to Our Business—We guarantee the mortgage loans provided by financial institutions to our customers and consequently, we are liable to the mortgagees if our customers default." In the case of a purchaser default, we are entitled to forfeit the deposits the purchaser has made with us and foreclose on the relevant property.

## **Delivery of Properties and After-Sale Customer Service**

### ***Delivery of completed properties***

We endeavor to deliver completed properties to our customers on a timely basis in accordance with the terms of the sales contracts. Prior to delivery of the properties, we are required to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) in accordance with local laws and regulations. It typically takes approximately 20 to 24 months from the commencement of pre-sale to the receipt of acceptance and compliance form of construction completion. In 2019, 2020 and 2021, we did not experience any significant delays in the completion of our projects or delivery of relevant title documents after sales.

We closely monitor the progress of construction work at our projects under development. If we fail to deliver the completed properties within the stipulated timeframe due to our default, we may be liable to pay penalties per day at progressive rates, typically ranging from 0.005% to 0.01% depending on the length of delay, of the purchase price of the pertinent property in accordance with the terms of the relevant sales contracts. Such progressive rates stipulated in our sales contracts may vary depending on the local regulatory authorities' policies.



After a property development project has passed the requisite completion and acceptance inspections, we will notify our customers before the delivery date stipulated in the sales contracts, to arrange the delivery procedures. Our customers will then come to our designated locations to conduct the delivery procedure with us. We may also be liable to compensate our customers for any delay in the delivery of properties.

According to our accounting policies, our revenue is recognized when the properties are delivered to our customers when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and applicable laws, control of the asset may transfer over time or at a point in time. The recognition of our revenue from sale of properties is not subject to the grant of the property ownership certificates or real estate certificates to our customers.

### *After-sale services*

Our after-sale customer service department provide after-sale assistance to our customers, including property maintenance, customer complaint management, customer data management and analysis, customer satisfaction survey, and property deficiency solution and improvement. In addition, we also provide mandatory warranties to our customers as required by relevant regulations. In 2019, 2020 and 2021, we were not aware of any material customers' complaints or product liability claims, nor did we incur any material warranty expense. Our customers may also participate in our activities and obtain first-handed information regarding our new property development projects.

To better understand our customers' needs, we conduct customer surveys regularly since 2014. We also work with third parties to conduct customer surveys on a yearly basis. Through the surveys, we collect our customers' comments and concerns. The surveys typically cover more than 80% of the customers of our residential properties each year, and more than 95% of such customers provide us with their feedbacks. In 2020, our customer satisfaction level reached 78.4 out of 100, according to the surveys.

## **COMPETITION**

The PRC real estate industry is highly fragmented and competitive. As a real estate developer in China, we primarily compete with other Chinese real estate developers and, to a lesser extent, foreign developers focusing on the development of residential properties in the PRC. We compete on many fronts, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors. Some of these competitors may have better track records, greater financial, human capital and other resource.

In the cities where we have been operating for a long time, such as Chengdu, Leshan, Meishan, Xichang and Ya'an, we have a competitive advantage when comparing to the well-known national real estate developers. We offer quality residential projects and maintain high customer loyalty, and our sales performance is among the best in these cities. However, competition in the cities where we have operations or plan to operate, such as Chengdu, Chongqing and Foshan, has been intensified in recent years. An increasing number of PRC national property developers and overseas have entered the property development markets in these cities, resulting in increased competition for land available for development. Moreover, the PRC government has implemented a series of policies to control the growth and curtail the overheating of, and foreign investment in, the PRC property sector. These factors have increased competition and land grant premiums in relation to land made available for development.

We believe major entry barriers into the PRC property development industry include a potential entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. We believe that the PRC real estate industry still has large growth potential. We believe that, with our prudent site selection, proven property development capabilities, and long lasting customer recognition, we will continue to compete in our target project development market.



## **RISK MANAGEMENT**

We believe that risk management is crucial to the success of any property developer in the PRC. Key operational risks that we face include changes in PRC political and economic conditions, changes in the PRC regulatory environment, availability of suitable land sites for developments at reasonable prices, availability of financing to support our developments, ability to complete our development projects on time and competition from other property developers. See “Risk Factors.” In addition, we also face various financial risks. In particular, we are exposed to interest rate, credit and liquidity risks that arise in the ordinary course of our business. See “Risk Factors—Risks Relating to the Property Industry in China—The real estate industry is closely monitored by the PRC Government and we may fail to adapt to new laws and regulations in ways that are profitable to our business.” In order to meet these challenges, we have established the following structures and measures to manage our risks:

- Our board of directors and senior management team are responsible for determining our business and investment plans, preparing our annual financial budgets and final reports and formulating proposals for profit distributions, and is in charge of the overall risk control of our Group. Any significant business decisions involving material risks are revised by our board of directors. See “Management—Directors.”
- Our management team at headquarters level is in charge of the daily business operations and risk monitoring of local projects, and is responsible for the supervision of different aspects of local operations on a daily basis as well as the supervision and approval of any material business decisions of respective project companies. We have formulated clear reporting lines between the management at our city company level and our group level.
- Our final site selection decisions are made by site selection committee. This committee was specifically formed to review and approve such business development and consists of directors, managers of sales and market department and other managers of relevant department at the headquarters level.
- Our internal audit and risk control department is responsible for monitoring the implementation of our internal control measures.
- Our legal department is responsible for legal matters at the Group’s headquarter level and for our local subsidiaries. The legal department supervises the legal compliance of production, operation, employment, financing, material transactions and acquisitions.

## **INTELLECTUAL PROPERTY**

We believe our brand Leading (領地) is well known and widely recognized in Sichuan province. We have built up our brand primarily through consistent delivery of high-quality properties with convenient location and facilities to our customers. We will use all reasonable and proper measures to protect our proprietary rights with regard to intellectual property developed in the process of our business development. We conduct our business using several trademarks and domain names which were registered in the PRC. We rely to a significant extent on our brand name, Leading (領地), in marketing our properties but our business is otherwise not materially dependent on any intellectual property rights. In 2019, 2020 and 2021, we did not suffer any material infringement of our intellectual property rights by third parties. We believe that we did not violate any intellectual property rights of third parties in 2019, 2020 and 2021.

## **INSURANCE**

According to applicable PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. We typically require the construction contractors of our property development projects to purchase construction-in-progress insurance for our

projects under development. We have not maintained insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group, as such is not required under the applicable PRC laws and regulations. Our practice is in line with the industry norm. There is a risk that we may incur uninsured losses, damage or liabilities. See “Risk Factors—Risks Relating to Our Business—Our insurance coverage may not sufficiently cover the risks related to our business.”

## EMPLOYEES

As of December 31, 2021, we had a total of 1,249 employees. A breakdown of our employees by function as of December 31, 2021 is set forth below:

Function	Number of employees	Percentage of total employees
Management . . . . .	23	1.8%
Investment . . . . .	22	1.8%
Financing . . . . .	17	1.4%
Legal . . . . .	28	2.2%
Finance and audit . . . . .	126	10.1%
Administrative and human resources . . . . .	105	8.4%
Sales and marketing . . . . .	149	11.9%
Market research . . . . .	64	5.1%
Public relationship . . . . .	4	0.3%
Engineering . . . . .	338	27.1%
Design . . . . .	85	6.8%
Operation . . . . .	156	12.5%
Cost control . . . . .	95	7.6%
Procurement . . . . .	37	3.0%
Total . . . . .	1,249	100.0%

We believe that the successful implementation of our growth and business strategies relies on a team of experienced, motivated and well-trained managers and employees at all levels. We recruit employees from well-known universities, top property developer companies and large corporations in the PRC.

We continue to provide professional training to our employees. We have founded “Leading College (領地學院)” to provide various training sessions nurturing core skill sets including but not limited to operation management skills, customized for our employees with different professional experience. We engage experts in the industry from China and abroad to offer classes in our Leading College. Through training and education, we continue to optimize our workforce. We use commissions, bonuses and to motivate our employees. We believe that such measures can effectively attract and retain talents and enhance the performance of our employees.

We enter into individual employment contracts with our employees to cover matters such as wages, salaries, benefits and terms for termination. We generally formulate our employees’ remuneration package to include a salary, bonus and various allowances. For the years ended December 31, 2019, 2020 and 2021, we incurred employee benefit expense (including directors’ and chief executives’ remuneration) of RMB309.8 million, RMB377.0 million and RMB411.6 million (US\$64.6 million), respectively, representing approximately 4.1%, 2.9% and 2.7% of our revenue, respectively. In general, we determine employee salaries based on each employee’s qualification, position and seniority. We have designed a periodic review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. As of the date of this memorandum, no labor dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on our operations.

## **ENVIRONMENTAL MATTERS**

We are subject to a number of environmental and safety laws and regulations in the PRC including the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). See “Regulations—Environmental Protection.” Pursuant to these laws and regulations, we have engaged licensed independent third-party environmental consultants to conduct environmental impact assessments at all of our construction projects, and such environmental impact assessments were submitted to relevant governmental authorities for approval before commencement of development. Upon completion of construction works, the constructor should make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

Under our typical construction contracts, we require our contractors to strictly comply with relevant environmental laws and regulations. We inspect the construction sites regularly and require our contractors to immediately rectify any breach or non-compliance identified.

As of the date of this exchange offer memorandum, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our property development projects. In 2019, 2020 and 2021, no material fines or penalties were imposed on us for non-compliance of PRC environmental laws and regulations. In addition, we had obtained all required approvals in relation to the environmental impact reports, where applicable, for our projects under development.

## **LEGAL PROCEEDINGS AND COMPLIANCE**

We have been involved in disputes with various parties involved in the construction, development and the sale of our properties, including contractors, suppliers, construction workers, joint venture partners and property purchasers, in the ordinary course of business. We are not engaged in any litigation, arbitration, claims, disputes, penalties or liabilities of material importance is known to us to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

## REGULATIONS

Set out below is a summary of the PRC laws and regulations in relation to the business and operation of our Company, including the establishment of real estate development enterprises, acquisition of land use rights, property development, sales/pre-sales of commodity buildings, environmental protection, and intellectual property etc.

### ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISES

#### General provisions

In accordance with the Law of the People's Republic of China on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the “**Urban Real Estate Law**”) (promulgated on July 5, 1994, revised on August 30, 2007 and amended on August 27, 2009) and August 26, 2019, real estate development enterprises are defined as the enterprises that engage in real estate development and operation for the purpose of seeking profits. In accordance with the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) (the “**Development Regulations**”) (promulgated and implemented on July 20, 1998 by the State Council, revised on January 8, 2011 amended on March 19, 2018, and further amended on March 24, 2019), March 27, 2020 and November 29, 2020, the establishment of a real estate development enterprise shall, in addition to the conditions for the enterprise establishment prescribed by relevant laws and administrative regulations, fulfill the following conditions: (i) the registered capital shall be RMB1 million or above; (ii) the enterprise shall employ no less than 4 full-time technical personnel with certificates of qualifications of real estate specialty and construction engineering specialty and no less than 2 full-time accountants with certificates of qualifications. People's governments of provinces, autonomous regions and centrally-administered municipalities may, based on the actual conditions of the locality, set out more stringent requirements in respect of registered capital and technical professionals.

#### Foreign investment in real estate development

Under the Catalogue of Industries for Encouraged Foreign Investment (2020 Edition) (《鼓勵外商投資產業目錄(2020年版)》) (the “**Catalogue**”), the real estate development does not fall within the category of industries in which foreign investment is encouraged and the real estate development also does not fall within the category of industries list in the Special Administrative Measure for Access of Foreign Investments (Negative List) (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) and thus management shall be conducted under the principle of consistency for domestic and foreign investment.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the People's Bank Of China (the “**PBOC**”), the State Administration for Industry and Commerce (the “**SAIC**”) and the State Administration of Foreign Exchange (the “**SAFE**”) jointly issued the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》), amended on August 19, 2015, which provides that: (i) foreign organizations and individuals who have established foreign-invested enterprises are allowed to invest in and purchase non-owner-occupied real estate in China; while branches of foreign organizations established in China are eligible to purchase commercial houses which match their actual needs for self-use under their names; (ii) the registered capital of foreign-invested real estate enterprises with the total investment amount exceeding or equal to US\$10 million shall be no less than 50% of their total investment; (iii) foreign-invested real estate enterprises can apply for renewing the official foreign-invested enterprise approval certificate and business license with an operation term of one year only. After they have paid back all the land premium the enterprises shall apply to the land administration department for the state-owned land use right certificate; (iv) with respect to equity transfer and project transfer of a foreign-invested real estate enterprise and the merger and acquisition of a domestic real estate enterprise by an overseas investor, the department in charge of commerce and other departments shall conduct examination and approval in strict compliance with the provisions of the relevant

laws, regulations, and policies. The investor concerned shall submit a letter of guarantee on its promise to perform the Contract on the Transfer of State-owned Land Use Right (國有土地使用權出讓合同), the License for the Planning of Construction Land (建設用地規劃許可證), the License for the Planning of Construction Projects (建設工程規劃許可證) etc., and shall submit the Certificate for the Use of State-owned Land (國有土地使用證), the documents certifying that the change of registration has been filed with the relevant department in charge of construction (real estate) for record, and the certification materials issued by the relevant taxation authority on the tax payment in relevance; (v) foreign investors shall pay off all considerations for the transfer in a lump sum with their own funds if they acquire Chinese real estate enterprises or any equity interest held by Chinese parties in Sino-foreign Equity Joint Venture engaged in real estate industry.

The Opinion on Standardizing the Admittance and Administration of Foreign Capital in Property Market (《關於規範房地產市場外資准入和管理的意見》) (Jianzhufang [2006] No. 171) enforced by MOFCOM, the Ministry of Housing and Urban-rural Development (the “**MOHURD**”) and the NDRC on July 11, 2006 and partly amended by the Notice on the Adjusting Policies on the Admittance and Administration of Foreign Capital in the Property Market (《關於調整房地產市場外資准入和管理有關政策的通知》) (Jianfang [2015] No. 122) jointly issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), MOFCOM, the NDRC, the PBOC, SAIC and SAFE on August 19, 2015 provides:

- an overseas investor that has not obtained an approval certificate of foreign-invested enterprises or a business license shall not engage in any development or operation of property;
- where any foreign-invested enterprise fails to obtain the land use rights certificate or fails to make its project development capital reach 35% of the total project investment amount, it shall not deal with any domestic or overseas loan and the administrative department of foreign exchange shall not approve the settlement of the foreign exchange loan thereof; and
- the Chinese or foreign party in a foreign-invested property enterprise shall not stipulate any term on fixed return or disguised fixed return in any contract, constitution, equity transfer agreement or any other document in any form.

The Notice Concerning Further Strengthening and Regulating the Examination, Approval and Supervision of Direct Foreign Investment in Property (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (Shangzihan [2007] No. 50) jointly issued and implemented by MOFCOM and SAFE on May 23, 2007, and partly amended by the Decision of the Ministry of Commerce on Amending Some Rules and Regulatory Documents (《商務部關於修改部分規章和規範性文件的決定》) MOFCOM [2015] No. 2) issued by MOFCOM on October 28, 2015, provides stricter control measures, among other things, as follows:

- foreign investment in the property sector in the PRC relating to upscale properties should be strictly controlled;
- an applicant for establishing a property company shall acquire the land use right or the ownership of real property or building, or conclude a contract on the advance assignment/purchase of the land use right or building property right with the relevant administrative department of land, land developer or owner of the building property right. The examining and approving organ may not approve the application of any applicant that fails to satisfy the above-mentioned requirement;
- where an established foreign-invested enterprise intends to enter the property development or operation business or where a foreign-invested property enterprise intends to engage in a new property development or operation project, it shall apply to the examining and approving organ for extending its business scope or enlarging its business scale in accordance with the relevant laws and regulations governing foreign investment;

- the merger of or investment in domestic property enterprises by way of return on investment (including the same actual controller) shall be placed under strict control. No overseas investor may avoid subjecting its foreign investment in the property industry to examination and approval by means of changing the actual controller of any domestic property enterprise. Where the administrative department of foreign exchange discovers that any foreign-invested property enterprise is illegally established through illegal means as malicious evasion or false statement, the department shall investigate its activities involving the illegal outward remittance of capital and income therefrom and subject it to the liabilities for obtaining foreign currency under false pretenses and not turning over foreign currency owed to the government;
- overseas investors engaging in the property development or operation business in China shall observe the principle of commercial presence, apply for establishing foreign-invested property enterprises according to law and engage in the relevant business within the authorized business scope. Neither the Chinese party nor the foreign party of any foreign invested property enterprise may enter into any clause directly or indirectly ensuring a fixed return for either party;
- local examining and approving organs shall file the approval of the establishment of foreign invested property enterprises with MOFCOM for record in a timely manner according to law;
- no administrative department of foreign exchange or designated bank of foreign exchange may handle formalities for the sales and settlement of foreign exchange under the capital account for any foreign-invested property enterprise that fails to go through the formalities for filing with the MOFCOM for record; and
- where any local examining and approving department illegally approves the establishment of any foreign-invested property enterprise, the MOFCOM shall find out the violation and give punishment accordingly to correct it. No administrative department of foreign exchange may handle formalities for foreign exchange registration for any illegally established foreign-invested property enterprise.

## QUALIFICATIONS OF REAL ESTATE DEVELOPERS

In accordance with the Development Regulations, a real estate development enterprise shall, within 30 days starting from the date of receipt of the business license, file the relevant documents for record to the real estate development authorities located at its place of registration. The real estate development authorities shall, on the basis of the assets, specialized technical personnel and business achievements, verify the class of qualification of the real estate development enterprise in question. The real estate development enterprise shall undertake real estate development projects in compliance with the verified class of qualification. Relevant detailed rules shall be formulated by the department of the construction administrative of the State Council.

Pursuant to the Regulations on Administration of Qualification of Real Estate Development Enterprises (《房地產開發企業資質管理規定》) (the “**Circular 77**”) which was promulgated on March 29, 2000 and amended on May 4, 2015 and March 2, 2022, an enterprises engaged in real estate development shall apply for the approval in accordance with the provisions of application for the enterprise qualification classification. Enterprises that fail to obtain certificates of real estate investments shall not engage in the real estate development business. Enterprises engaged in real estate development are classified into two qualification classes: Class I and Class II on the basis of their financial conditions, experience of real estate development business, construction quality, the professional personnel and quality control system etc.

Pursuant to the Circular 77, enterprises of various qualification classes shall engage in real estate development and management projects within the approved scope of business and shall not undertake any tasks which fall outside the approved scope of their own qualification classes.



## LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. Where land in rural areas and suburban areas are legally owned by the State, the State holds ownership rights. The State has the right to take its ownership of land or the land use rights in accordance with laws for the reasons of public interest protection. In that event, compensation shall be paid by the State.

Although all land in the PRC is either state-owned or collectively-owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important ways are obtaining land grants from local land authorities and land which is transferred from land users who have already obtained land use rights.

### Land grants

#### *National legislation*

In April 1988, the National People's Congress (the "NPC") passed an amendment to the Constitution of the PRC (《中華人民共和國憲法》). The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the Standing Committee of the NPC also amended the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) to permit the transfer of land use rights for value.

In May 1990, the State Council enacted the Provisional Regulations of the People's Republic of China Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), which was amended on November 29, 2020. These regulations, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights for value.

Pursuant to the Civil Code of the People's Republic of China, which was promulgated by the National People's Congress on May 28, 2020 and took effective on January 1, 2021, the land use right to residential property shall be automatically renewed upon expiration. The payment or reduction or exemption of renewal fees shall be handled in accordance with the relevant provisions of laws and administrative regulations. The renewal of the land use right to non-residential properties shall be handled in accordance with the law. If there is an agreement, the ownership of the buildings and other real estate on the land shall be handled in accordance with the agreement; if there is no agreement or the agreement is not clear, it shall be handled in accordance with the relevant provisions of laws and administrative regulations.

### Ways of land grant

Pursuant to PRC laws and the stipulations of the State Council, except for land use rights which may be obtained through allocation, land use rights for property development are obtained through the grant from government. There are two ways by which land use rights may be granted, namely by private agreement or competitive processes (i.e., tender, auction or listing at a land exchange administered by the local government).

As of July 1, 2002, the grant of land use rights by way of competitive processes is governed by the Regulations on the Grant of Use Right of State-Owned Land by Bidding, Auction or Listing (《招標拍賣掛牌出讓國有土地使用權規定》), issued by the Ministry of Land and Resources of the People's Republic of China on May 9, 2002 and revised as of September 28, 2007 with the name of Regulations on Granting State-Owned Construction Land Use Right through Bidding, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》) (the "**Land Grant Regulations**") which became effective on November 1, 2007. Following the above Regulations, the Ministry of Land and Resources issued the Notice on Continuing the Review of the Implementation of the Grant of Land use Rights for Commercial Uses by Invitation of Bids Auction or Listing on a Land Exchange (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察



工作的通知) on March 31, 2004, requiring all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the Ministry of Land and Resources required that with effect from August 31, 2004, the grant of land use rights must be made pursuant to auctions or listing at a land exchange and that no land use rights for commercial uses may be granted by way of agreement. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land (關於深入開展土地市場治理整頓嚴格土地管理的緊急通知) issued by the General Office of the State Council on April 29, 2004, the development of agricultural land was suspended for a period of six months for rectification by the PRC government of irregularities in land development in China. On September 28, 2007, the Ministry of Land and Resources promulgated the Regulations on Granting State-Owned Construction Land Use Right through Bidding, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》) (the “**Land Grant Regulations**”) which became effective on November 1, 2007. The Land Grant Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for the certain piece of land, shall be granted by way of competitive processes. A number of measures are provided by the Land Grant Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly.

On May 11, 2011, the Ministry of Land and Resources promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Bidding, Auction and Listing (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》), which provides stipulations to improve policies on the supply of land through public bidding, auction and listing, and strengthen the active role of land transfer policy in the control of the real estate market.

In June 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-Owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》) (the “**2003 Regulations**”), to regulate granting of land use rights by agreement when there is only one land use applicant and the designated uses of which are other than for commercial purposes as described above.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (《關於印發〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知》) promulgated by the Ministry of Land and Resources and NDRC in May 2012, the granted area of the residential housing projects shall not exceed (i) 7 hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) 20 hectares for large cities and plot ratio which shall not be lower than 1.0.

### **Land transfer from current land users**

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract with such land users.

For real estate development projects, the Urban Real Estate Law requires that at least 25% of total amount of investment or development must have been carried out before assignment can be realized. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee. Relevant local governments may acquire the land use rights from a land user in the event of a readjustment of the use of land for renovating the old urban area according to city planning. The land user will then be compensated for the loss of land use rights.

## **DEVELOPMENT OF REAL ESTATE PROJECTS**

### **Commencement of real estate development projects**

According to the Urban Real Estate Law, those who have obtained the right of land use by the way of grant for real estate development must develop the land in accordance with the land use and within the construction period as prescribed in the grant contract. When the land user fails to commence development after one year since the date of starting the development as prescribed by the grant contract, an idle land fee no more than 20% of the land grant premium may be collected and when the land user fails to commence development after two years, the right to use the land may be confiscated without any compensation, except that the delays are caused by force majeure, the activities of government, or the delay in the necessary preliminary work for starting the development.

Pursuant to the Measures on Disposal of Idle Land (《閒置土地處置辦法》), which was promulgated on April 28, 1999 by the Ministry of Land and Resources and revised on June 1, 2012, land can be defined as idle land under any of the following circumstances:

- development and construction of the state-owned idle land is not commenced after one year of the prescribed time prescribed in the land use right grant contract or allocation decision; or
- the development and construction of the state-owned idle land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval.

Where the delay of commencement of development is caused by the government's behavior or due to the force majeure of natural disasters, the land administrative authorities shall discuss with the holder of state-owned construction land use rights and select the methods for disposal in accordance with the Measures on Disposal of Idle Land.

### **Planning of real estate projects**

Under the Regulations on Planning Administration regarding Granting and Transfer of State-Owned Land Use Right in Urban Area (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992 and amended in January 2011, a real estate developer shall apply for a License for the Planning of Construction Land (建設用地規劃許可證) from the municipal planning authority. After obtaining the License for the Planning of Construction Land, the real estate developer shall conduct all necessary planning and design works in accordance with relevant planning and design requirements. A planning and design proposal in respect of the real estate project shall be submitted to the municipal planning authority in compliance with the requirements and procedures under the Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》), which was issued on October 28, 2007 and latest amended on April 23, 2019, and a License for the Planning of Construction Projects (建設工程規劃許可證) from the municipal planning authority should be obtained by the real estate developer.

### **Construction Work Commencement License**

The real estate developer shall apply for a Construction Work Commencement License (建築工程施工許可證) from the relevant construction authority in accordance with the Regulations on Administration Regarding Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction on October 15, 1999 and amended on July 4, 2001 and June 25, 2014, September 28, 2018 and newly amended on March 20, 2021 by the MOHURD.

## Acceptance and examination upon completion of real estate projects

Pursuant to the Development Regulations, the Administrative Measures for the Registration Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction on April 4, 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of real estate development project, the real estate development enterprise shall apply to the competent department of real estate development of local government at or above the county level, where the project is located, for examination upon completion of building and for filing purposes; and to obtain the Filing Form for Acceptance and Examination upon Completion of Construction Project. A real estate project shall not be delivered before passing the acceptance examination.

## INSURANCE OF REAL ESTATE PROJECTS

At present, there are no nationwide mandatory requirements in the PRC laws, regulations and other normative legal documents requiring a real estate developer to maintain insurance for its real estate projects. According to the Construction Law of the People's Republic of China (《中華人民共和國建築法》) promulgated by the Standing Committee of the NPC on November 1, 1997 and became effective on March 1, 1998 and amended on April 22, 2011 and April 23, 2019, construction enterprises shall maintain work injury insurance and pay the insurance premium, while enterprises are encouraged to take up accident liability insurance for employees engaged in dangerous operations and pay the insurance premium. In the Opinions of the Ministry of Opinions on Strengthening the Insurance of Accidental Injury in the Construction Work (《建設部關於加強建築意外傷害保險工作的指導意見》) promulgated by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

## REAL ESTATE TRANSACTIONS

### Sale of commodity properties

Under the Measures for Administration of Sale of Commercial Properties (《商品房銷售管理辦法》) (the “**Sale Measures**”) promulgated by the Ministry of Construction on April 4, 2001 and became effective on June 1, 2001, the sale of commercial properties includes both sales prior to and after the completion of the properties.

### Pre-sale of commodity properties

In accordance with the Measures for Administration of Pre-sales of Commodity Properties (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction on November 15, 1994, as subsequently amended on August 15, 2001 and July 20, 2004 (the “**Pre-sales Measures**”), any pre-sales of commodity buildings is subject to specified procedures. If a real estate developer intends to sell commodity buildings in advance, it shall apply to the real estate administrative authority to obtain a pre-sales permit. Under the Pre-sales Measures and the Urban Real Estate Law, the pre-sales proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects. Further, in some cities we operate, the use of pre-sales proceeds is specifically restricted, where the pre-sale proceeds of our pre-sales proceeds of our properties must be deposited in escrow accounts and can only be used to purchase the necessary construction materials and equipment, make construction stage payment, pay statutory taxes for the relevant development projects subject to prior consent from the relevant local government authorities. Under the Pre-sales Measures, if the property development does not use the pre-sales proceeds in accordance with the regulations, it shall be ordered to make corrections within a time limit and may be ordered to pay a fine of not more than three times the illegal income but no more than RMB30,000.

On April 13, 2010, the MOHURD promulgated the Circular on Issues Concerning Further Strengthening the Supervision and Administration of the Real Estate Market and Improving the Pre-Sale System of

Commodity Housing (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》). The Circular requires to improve monitoring systems of pre-sale payment. Improvement of commodity housing pre-sale capital supervision system shall be accelerated. Regions that have not established the supervision system shall accelerate the formulation of local supervision measures of commodity housing pre-sale capitals. All commodity housing pre-sale capitals shall be put into the supervision accounts to be subject to the supervision by supervisory authorities so as to ensure that pre-sale capitals to be used on construction of commodity premise projects; pre-sale capital will be allocated in line with construction progresses, provided that enough capitals shall be reserved to ensure completion and delivery of the projects. According to the actual situation, each region has formulated its own measures on supervision and administration of commodity housing pre-sale funds.

The governments of Chengdu, Panzhihua, Leshan, Ya'an, Meishan, Mianyang, Xichang, Nanchong, Urumqi, Chengde, Zhumadian, Shangqiu, Huizhou, Foshan, Jingzhou, Korla, Haifeng and other cities and counties have promulgated regulations on the management of commodity housing pre-sale revenues. Buyers shall make payment directly into escrow accounts when purchasing pre-sale commodity housing. Real estate development enterprises are prohibited from receiving commodity housing pre-sale revenues directly. Commodity housing pre-sale revenues deposited into escrow accounts shall be comprised of key funds in escrow and general funds in escrow. In general, the amount of key funds in escrow refers to amount of capitals required for the construction of the project. Real estate development enterprises shall apply for the utilization of such key funds in escrow in stages according to the construction progress of the commodity housing project. General funds in escrow refer to the commodity housing pre-sale revenues deposited in escrow accounts in excess of the key funds in escrow. Real estate development enterprises may apply to supervising banks for withdrawing the general funds in escrow.

Real estate development enterprises are allowed to use the general funds when the commodity housing pre-sale revenues deposited in escrow accounts are in excess of the key funds in escrow. The restrictions of the use of general funds will be depend on local regulations. According to some local regulations (such as Chengde, Urumqi, Foshan), property developers are allowed to apply for the use of the general funds and the general funds shall be priority for the construction of the relevant projects. According to some local regulations (such as Panzhihua, Chengdu, Ya'an, Xichang, Nanchong, Jingzhou and Shangqiu), the regulatory stipulate that under the condition of ensuring the use of construction project funds, when the pre-sale funds of commercial housing in the supervision account of pre-sale funds exceed the key funds, the development enterprises can be allowed to use the excess part for loan repayment or other purposes, such as payment for architectural design, management and marketing. According to some local regulations (such as Korla, Mianyang, Zhumadian, Meishan), development enterprises are allowed to apply for the use of general funds for the construction of the relevant projects. In some places (such as Leshan and Huizhou) the local regulation has no specific provision in respect of the use of general funds.

The maximums of key funds in escrow vary from region to region. The municipal governments of Foshan determined that the key funds in escrow shall equal to the total budget for project construction. The municipal governments of Chengdu, Xichang, Ya'an, Mianyang and Panzhihua allowed that the key funds in escrow shall equal to 1.1 times the total budget for project construction. Shangqiu municipal government determined that the key funds in escrow shall equal to the total construction costs of the project (including costs of construction, infrastructures and public facilities) plus 20% contingent expenses. Nanchong municipal government stipulated that 70% of payments into the escrow accounts should be subject to key supervision. Chengde municipal government determined that the key funds in escrow shall equal to 35% of the commodity housing pre-sale revenues. Zhumadian municipal government determined that the amount of key funds in escrow shall equal to the size of the construction area granted under the construction land planning licenses multiplied by the predetermined selling prices per sq.m., plus 15% costs of construction and 20% contingent expenses. Leshan municipal government determined that funds in escrow shall be subject to a maximum which is the total construction cost calculated on the basis of estimated unit construction cost for the year (subject to a minimum of RMB2,700 per sq.m.). The application and approval for withdrawal of the funds shall be determined on the progress of the project. Jingzhou municipal government stipulated that the funds to be used in project construction shall be subject to key supervision. Regulatory authorities shall

determine the maximum of fund for project construction which is subject to key supervision based on the approval of project construction and budget for project construction provided by the real estate development enterprise with reference to the local average construction cost of projects and conditions for delivery and usage of the project. Urumqi municipal government, Korla stipulated that real estate development enterprises are divided into four categories in accordance with the latest annual general ranking of top 500 real estate development enterprises in China jointly issued by the China Real Estate Association and China Real Estate Evaluation Center. Real estate development enterprises shall be subject to supervision according to their categories. For the first-class enterprises and second-class enterprises, 5% and 10% of commodity housing pre-sale revenues shall be set aside as key funds in escrow, respectively. For the third-class enterprises and fourth-class enterprises, 20% and 30% of commodity housing pre-sale revenues shall be set aside as key funds in escrow, respectively. For Meishan, Huizhou and Haifeng County, there is no specific requirement on the calculation of key funds in escrow in regulations on commodity housing pre-sale revenues.

Requirements on the application for the utilization of key funds in escrow and corresponding timing and amount also vary from region to region. Leshan municipal government stipulated that the utilization of key funds in escrow shall be flexibly managed based on the credit rating of enterprises, i.e. more fund allowance for enterprise of higher rating. For enterprises with “good” credit rating or above, the maximum of pre-sale revenues available for withdrawal shall be increased by 10% to 20%. For enterprises with a credit rating below “good”, the maximum of pre-sale revenues available for withdrawal shall be decreased by 10% to 20%. In respect of timing of withdrawal of pre-sale revenues, enterprises may apply for the utilization of pre-sale revenues upon the completion of every four floors according to the planned progress of the project construction generally. From the topping out of the main structure to the completion of acceptance examination, enterprises may withdraw the pre-sale revenues in two to three stages. Development enterprises shall reasonably determine the capitals utilized in each stage. The capital withdrew before the topping out of the main structure shall not exceed 60% of the total funds in escrow and the capitals deposited in the special account shall not less than 5% of the total funds in escrow upon the completion of acceptance examination. Zhumadian municipal government stipulated 10 project stages including 10 days after obtaining the pre-sale permits and after the completion of construction of one-fourth of the total planned number of floors where the real estate development enterprises shall apply for the utilization of key funds in escrow according to the construction progress of the commodity housing project. The Huizhou municipal government stipulated that, after the completion of project pre-sale and after obtaining the records of acceptance examination upon project completion, 10% and 5% of the total pre-sale contract amount shall be retained in special account, respectively. Chengde municipal government stipulated that, where the real estate development enterprises apply for the utilization of capitals, the maximum of capitals available for withdrawal shall not exceed 30%, 50%, 75%, 90% and 95% of the total key funds in escrow after the completion of construction of two-thirds of the total planned number of floors of the project, the topping out of the main structure, the completion of construction of secondary structure, the completion of acceptance examination of project and completion of filing of acceptance examination of project, respectively. Real estate development enterprises may withdraw the remaining key funds in escrow after the completion of initial registration of the project. The government of Haifeng County stipulated that, after obtaining commodity housing pre-sales permit, after the topping out of the main structure, before the acceptance examination of commodity housing, after the completion of the acceptance examination of commodity housing and before the delivery of commodity housing, the maximum of capitals available for utilization shall not exceed 15%, 80%, 85% and 95% of the total prepayment for commodity housing, respectively. Urumqi municipal government, Korla promulgated different regulations on the withdrawal of capitals on buildings of six stories or below, buildings of seven stories to 17 stories, buildings of 18 stories to 29 stories and buildings of 30 stories or above. For buildings of six stories or below, enterprises shall retain 70%, 35%, 30%, 25%, 20%, 15%, 10% and 5% of the key funds in escrow after reaching  $\pm 0.000$  level, the topping out of the main structure, the completion of the construction of the main structure, obtaining approval of five parties for the construction of main structure, the completion of the half of exterior decoration, the completion of exterior decoration, obtaining approval of five parties for the project completion and filing of acceptance examination upon project completion, respectively. Supervision shall be lifted after the initial registration of the project. Foshan municipal government stipulated that real estate development enterprises may apply for the utilization of pre-sale revenues if the pre-sale revenues reach 10% of the total sales the project. Before the topping out of the main structure, the capitals retained in the special



account of the real estate development enterprises shall be based on their credit scores. Such credit scores shall be calculated based on the Administrative Measures on the Credit of Real Estate Industry of Bureau of Housing and Construction of Urban and rural Management of Foshan Municipality (《佛山市住房和城鄉建設管理局房地產行業誠信管理辦法》). Enterprises score 100 or above shall retain 10% of the total sales the project in their special accounts. Enterprises score 90 to 100 shall retain 15% of the total sales the project in their special accounts while enterprises score below 90 shall retain 20% of the total sales the project in their special accounts. Before the completion of acceptance examination, the capitals retained in the special account shall not be less than 5% of the total sales the project. Before the completion of initial registration and conditions for buyers to unilaterally complete the transfer registration have been fulfilled, the capitals retained in the special account shall not be less than 2% of the total sales the project. Jingzhou municipal government stipulated that prior to the initial registration, the key funds in escrow shall not be less than 10% of the total budget for the project construction. For Chengdu, Panzhihua, Meishan, Ya'an, Mianyang, Xichang, Shangqiu, and Nanchong, there is no specific requirement on the utilization and key funds in escrow in regulations on commodity housing pre-sale revenues.

In addition, coping with the outbreak of novel coronavirus, measures have been imposed by local governments to support the development of enterprises. Certain local governments have introduced supportive measures relating to the utilization and withdrawal by pre-sale revenues of real estate development enterprises. Urumqi municipal government stipulated that, in order to further reduce the capital pressure of development enterprises, with effect from January 1, 2020 to August 31, 2020, the supervisory ratio of the pre-sale key funds in escrow of new commodity housing shall be halved and 50% of retained key funds in escrow shall be granted to development enterprises in a lump sum. Panzhihua municipal government stipulated that real estate enterprises may apply for withdrawal of 20% of pre-sale revenues deposited in the escrow account in advance, provided that such capitals shall be used in prevention of the outbreak of pandemic and resuming of operation and production. Meishan municipal government stipulated that not more than 40% of pre-sale revenues of commodity housing may be used in financing the outstanding land premiums. Jingzhou municipal government moderately reduced the amount of commodity housing pre-sale revenues under supervision and the balance of pre-sale revenues retained in the escrow account shall not be less than 2.5% of the audited sales amount in general but the proportion of retained capitals in the account may be zero for credit-worthy enterprises. Enterprises that strictly comply with the capital requirements may apply for withdrawal of key funds in escrow one stage in advance to enhance the efficiency of capital use. Supervising banks are urged to complete the withdrawal and transfer of capitals within eight hours. Nanchong municipal government adjusted the policies on withdrawal of commodity housing pre-sale revenues and guaranteeing wage payment for migrant workers. With effect from January 24, 2020 to December 31, 2020, for enterprises that have obtained commodity housing pre-sale permit for their buildings, the withdrawal of commodity housing pre-sale revenues shall not be subject to restriction of timing and credit rating of enterprises temporarily. Before the topping out of the building, real estate development enterprises may withdraw commodity housing pre-sale revenues based on the actual construction progress of the project immediately. Upon the topping out of the building, completion for delivery and completion of initial registration, all pre-sale revenues shall be available for withdrawal. With effect from January 24, 2020 to December 31, 2020, for real estate development enterprises applying for withdrawal of commodity housing pre-sale revenues (after tax and fees), the proportion of capitals reserved in special account for wage payment for migrant workers may be reduced from 15% to 10%. Zunyi municipal government has relaxed conditions for issuing pre-sale permit and withdrawal of pre-sale revenues. With the consent of banks and written commitment on the guaranteed funding for project construction, real estate development enterprises may withdraw pre-sale revenues in advance. Chengde municipal government has relaxed the standards for the supervision of pre-sale revenues, changing the percentage required to be deposited into the key funds in escrow from 35% to 30% at the pre-sale stage. It also added one more stage to the original five stages for the utilization of such key funds in escrow. In this newly-added stage for completion of exterior decoration, the required amount of key funds in escrow is at 15%. Meanwhile, when records of acceptance examination upon project completion have been obtained, the required amount of key funds in escrow is RMB150 per sq.m., and when the acceptance and compliance forms of construction completion have been obtained, the required amount is RMB80 per sq.m.

### **Sales after completion of commodity properties**

Under the Sale Measures, commodity properties may be put to post-completion sale only when the following conditions have been satisfied: (1) the real estate development enterprise offering to sell the

post-completion buildings shall have an enterprise legal person business license and a qualification certificate of real estate development; (2) the enterprise has obtained land use right certificates or other approval documents of land use; (3) the enterprise has obtained the construction project planning license and the construction work commencement license; (4) the commercial properties have been completed and been inspected and accepted as qualified; (5) the relocation of the original residents has been well settled; (6) the supplementary essential facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; and (7) the property management proposal has been completed.

The Provisions on Sales of Commodity Properties at Clearly Marked Price (《商品房銷售明碼標價規定》) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency is required to mark the selling price explicitly and clearly for both newly-built and second-hand commercial properties.

On February 26, 2013, the General Office of the State Council issued the Notice on Continuing the Regulation of Real Estate Market (《關於繼續做好房地產市場調控工作的通知》) which is intended to cool down the property market and emphasize the government's determination to strictly enforce regulatory and macro-economic measures, which include, among other things, (i) restrictions on purchasing the real estate, (ii) increased down payment requirement for second residential properties purchase, (iii) suspending mortgage financing for second or more residential-properties purchase and (iv) 20% individual income tax rate applied to the gain from the sale of properties.

### **Mortgage of properties**

The mortgage of real estate in the PRC is mainly governed by the Civil Code of the People's Republic of China (《中華人民共和國民法典》), and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》). According to these laws and regulations, land use rights, the buildings and other real fixtures may be mortgaged. When a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the use right of the land on which the building is located. The mortgagor and the mortgagee shall enter into a mortgage contract in writing. A system has been adopted to register the mortgages of real estate. After a real estate mortgage contract has been signed, the contract parties shall register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and issue a Certificate of Third Party Rights to a Building (房屋他項權證) to the mortgagee.

### **Lease of properties**

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. On December 1, 2010, MOHURD promulgated the Administrative Measures for Commercial House Leasing (《商品房屋租賃管理辦法》) (the "**New Lease Measures**"), which became effective on February 1, 2011, and replaces the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after entering into the lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB1,000 (individuals) and RMB1,000 to 10,000 (enterprises) provided that they fail to rectify within required time limits. According to the Urban Real Estate Law, rental income derived from any building situated on allocated land where the land use rights have been obtained through allocation, shall be turned over to the State.

## **REAL ESTATE REGISTRATION**

The Interim Regulations on Real Estate Registration (Revised in 2019) (《不動產登記暫行條例》(2019年修訂)), promulgated by the State Council and effective on March 24, 2019, and the Implementing Rules of



the Interim Regulations on Real Estate Registration (Revised in 2019) (《不動產登記暫行條例實施細則》(2019年修訂)) promulgated by the Ministry of Natural Resources on July 24, 2019, provide that, among other things, the State implements a uniform real estate registration system and the registration of real estate shall be strictly managed and shall be carried out in a stable and continuous manner that provides convenience for the people.

## **REAL ESTATE FINANCING**

### **Loans to real estate development enterprises**

On August 30, 2004, the CBRC issued a Guideline for Commercial Banks on Risks of Real Estate Loans (《商業銀行房地產貸款風險管理指引》). According to this guideline, no loans shall be granted to projects which have not obtained requisite land use right certificates, construction land planning licenses, construction work planning permits and construction work commencement permits. The guideline also stipulates that bank loans shall only be extended to real estate developer who applied for loans and contributed not less than 35% of the total investment of the property development project by its own capital. In addition, the guideline provides that commercial banks shall set up strict approval systems for granting loans.

On July 29, 2008, the PBOC and the CBRC issued the Notice on Financially Promoting the Land Saving and Efficient Use (《關於金融促進節約集約用地的通知》), which, among other things,

- restricts from granting loans to real estate developers for the purpose of paying land grant premiums;
- provides that, for secured loans for land reserve, legal land use right certificates shall be obtained and the loan on mortgage shall not exceed 70% of the appraised value of the collateral, and the term of loan shall be no more than two years in principle;
- provides that for the real estate developer who (i) delays the commencement of development date specified in the land grant agreement for more than one year, (ii) has not completed one-third of the intended project, or (iii) has not invested one-fourth of the intended total project investment, loans shall be granted or extended prudently;
- restricts granting loans to the real estate developer whose land has been idle for more than two years; and
- prohibits taking idle land as a security for loans.

On September 29, 2010, the PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), which restricts the grant of new project bank loans or extension of credit facilities for all property companies with non-compliance records regarding, among other things, holding idle land, changing land use and nature of land, postponing construction commencement or completion, or hoarding properties.

## Trust and asset management financing

On March 1, 2007, The Measures for Administration of Trust Companies (《信託公司管理辦法》), which was promulgated by the CBRC on January 23, 2007, came into effect. For the purposes of these measures, “**Trust Company**” shall mean any financial institution established pursuant to the PRC Company Law and the Measures for Administration of Trust Companies, and that primarily engages in trust activities.

From October 2008 to November 2010, the CBRC issued several regulatory notices in relation to real estate activities conducted by Trust Companies, including a Circular on Relevant Matters Regarding Strengthening the Supervision of the Real Estate and Securities Businesses of Trust Companies (《關於加強信託公司房地產、證券業務監管有關問題的通知》), promulgated by the CBRC on October 28, 2008 and became effective on the same date, pursuant to which Trust Companies are restricted from providing trust loans, in form or in nature, to property projects that have not obtained the requisite land use right certificates, construction land planning licenses, construction work planning licenses and construction work commencement licenses and the property projects of which less than 35% of the total investment is funded by the real estate developers’ own capital (the 35% requirement was changed to 20% for affordable housing and ordinary commodity apartments, and to 30% for other property projects as provided by the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》) issued by the State Council on May 25, 2009), then the 30% requirement was changed to 25% for other property projects as provided by the Notice of the State Council on Adjusting and Improving the Capital System for Fixed Assets Investment Projects (《國務院關於調整和完善固定資產投資項目資本金制度的通知》) issued by the State Council and became effective on September 9, 2015.

On April 27, 2018, the Opinions on Regulating Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) jointly issued by the PBOC, CBIRC, CSRC and SAFE, require that, financial institutions including Trust Companies, banks, fund management companies and financial asset management companies should comply with applicable regulations regarding the types of asset management business and issuance of asset management products. In addition, such financial institutions should adhere to the fundamental objective of serving the real economy, prevent funds from leaving the real economy for the virtual economy to circulate within the financial system, prevent excessively complicated products from intensifying the transmission of the risks among industries, markets, and regions, and develop unified standards and rules directed in priority at problems in asset management business, such as multi-layered nesting, unclear leverage, serious arbitrage, and frequent speculation.

On May 8, 2019, the CBIRC issued the Circular on Carrying out the Work of Consolidating the Achievements on Rectification of Chaos and Promoting Compliance Construction (《中國銀保監會關於開展“鞏固治亂象成果促進合規建設”工作的通知》), which emphasizes that trust company shall not directly provide financing to real estate development projects which have incomplete “Four Certificates” (i.e. the Certificate of Land Use Right, Planning License for Construction-land-use, Planning License for Construction Works and Construction License), whose developers or their controlling shareholders are unqualified and whose capital funds are not fully paid, or provide financing in disguised form through equity investment + shareholder borrowing, equity investment + creditors’ right subscription posterior, accounts receivable, right to returns from specific assets and so on; provide financing directly or in disguised form for the payment of land-transferring fees by real estate enterprises, and issuance of working capital loans to real estate enterprises directly or in disguised form; provide financing to local governments in breach of the laws or rules; rule-breaching requirement for or acceptance of the provide all kinds of guarantees by local governments or their affiliated departments; rule-breaching direct or indirect investment of on- and off-balance sheet funds in the “Two-high and One excess” (i.e. high energy consumption, high pollution and excess capacity) industries or other restrictive or prohibited fields.

## Housing loans to individual buyers

On April 17, 2010, the State Council issued the Notice on Strictly Restraining the Excessive Growth of the Property Prices in Some Cities (《關於堅決遏制部分城市房價過快上漲的通知》), pursuant to which, a stricter differential housing credit policy shall be enforced. It provides that, among other things, (i) for a family member who is a first-time house buyer (including the debtors, their spouses and their juvenile children, similarly hereinafter) of the apartment with a GFA more than 90 sq.m., a minimum 30% down payment shall be paid; (ii) for a family who applies loans for its second house, the down payment requirement is raised to at least 50% from 30% and also provides that the applicable interest rate must be at least 1.1 times of that of the corresponding benchmark interest rate over the same corresponding period published by the PBOC; and (iii) for those who purchase three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks may suspend housing loans to third or more home buyers in places where house prices rise excessively, the prices are rapidly high and housing supply is insufficient.

The Notice on Certain Matters Concerning Individual Housing Loan Policies (《關於個人住房貸款政策有關問題的通知》) promulgated by PBOC, MOHURD and CBRC on March 30, 2015 and became effective on the same date provides that where a household, which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 40% of the property price. The actual down payment ratio and loan interest rate should be determined by the banking financial institution concerned based on the borrower's credit record and financial condition. For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first house, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30% of the property price.

The Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Differentiated Housing Credit Lending Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》) issued by PBOC and CBRC on September 24, 2015, provides that in cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase his/her first ordinary housing property, the minimum down payment shall be adjusted to 25% of the house price. The minimum down payment ratio for the commercial personal housing loan of each city will be independently determined by each provincial pricing self-disciplinary mechanism of market interest based on the actual situation of each city under the guidance of PBOC and the CBRC local office.

The Notice on Adjustments in Respect of Certain Matters Concerning Individual Housing Loan Policies (《關於調整個人住房貸款政策有關問題的通知》), promulgated by PBOC and CBRC on February 1, 2016, provides that in the cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase its first ordinary housing property, the minimum down payment, in principle, shall be 25% of the property price and each city could adjust such ratio downwards by 5%; and where a household which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 30% of the property price. In the cities that control measures on property purchase are imposed, the individual housing loan policies shall be adopted in accordance with the original regulations. The actual down payment ratio and loan interest rate shall be determined reasonably by the banking financial institutions based on the requirements of minimum down payment ratio determined by provincial pricing self-disciplinary mechanism of market interest, the loan-issuance policies and the risk control for commercial personal housing loan adopted by such banking financial institutions and other factors such as the borrower's credit record and capacity of repayment.

## **ENVIRONMENTAL PROTECTION**

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law of the People's Republic of China (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form shall be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

## **INTELLECTUAL PROPERTY**

### **Trademark Law**

Trademarks are protected by the Trademark Law of the People's Republic of China (Decree No. 29 of the President of the People's Republic of China) promulgated by the Standing Committee of the National People's Congress on 23 August 1982, effective on 1 March 1983 and last amended on 24 April 2019, and the Regulations on the Implementation of the Trademark Law of the People's Republic of China promulgated by the State Council on 29 April 2014 and effective on 1 May 2014 (Decree No. 651 of the State Council of the People's Republic of China). The Trademark Office of the State Intellectual Property Office is in charge of trademark registration. The validity period of a registered trademark is ten years. If a registered trademark needs to continue to be used after the expiration of its validity period, the validity period of each renewal of registration shall be ten years. A trademark registrant may license others to use its registered trademark by entering into a trademark license contract. The licensor shall submit a copy of the trademark license contract to the Trademark Office for record.

### **Copyright**

In accordance with the Copyright Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress on 7 September 1990, implemented on 1 June 1991 and last amended on 11 November 2020 (Decree No. 62 of the President of the People's Republic of China, the latest amended version of which will enter into force on 1 June 2021), and the Regulations on the Implementation of the Copyright Law of the People's Republic of China promulgated by the State Council on 2 August 2002, implemented on 15 September 2002 and last amended on 30 January 2013 (Decree No. 633 of the State Council), the works of Chinese citizens, legal persons or unincorporated organizations are entitled to copyright in accordance with the law, regardless of whether they are published or not. The works of foreigners and stateless persons are entitled to copyright in accordance with the law if they are first published in China. The copyright of the works of foreigners or stateless persons shall be protected by the Copyright Law in accordance with the agreements signed between the country to which the author belongs or the country where he habitually resides and China or the international treaties to which he jointly participates. The copyright enjoyed by the works of foreigners and stateless persons in accordance with the agreements signed between the country to which the authors belong or the country where they habitually reside and China or the international treaties to which they are both parties shall be protected by the Copyright Law. The works of authors from countries that have not concluded agreements with China or jointly participated in international treaties, as well as works of stateless persons, which are published for the first time in a member state of an international treaty to which China is a party, or which are published simultaneously in a member state and a non-member state, are protected by the Copyright Law. Copyright holders enjoy a variety of personal and property rights, including the right of publication, authorship, reproduction and information network dissemination.

## Domain Names

According to the Measures for the Administration of Internet Domain Names (Order No. 43 of the Ministry of Industry and Information Technology of the People's Republic of China) promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and effective on 1 November 2017, the Ministry of Industry and Information Technology is responsible for the administration of domain names on the Internet in China. Domain name registration services follow the principle of "first to apply for, first to register". Applicants for domain name registration shall submit true, accurate and complete domain name registration information to the domain name authority and sign a registration agreement. Once the domain name registration is completed, the domain name registration applicant becomes the holder of the registered domain name.

## CIVIL AIR DEFENSE PROPERTY

Pursuant to the PRC Law on National Defense (《中華人民共和國國防法》) promulgated by the NPC on March 14, 1997, as latest amended on December 26, 2020, national defense assets are owned by the state. Pursuant to the PRC Law on Civil Air Defense (《中華人民共和國人民防空法》) (the "**Civil Air Defense Law**"), promulgated by the Standing Committee of NPC on October 29, 1996, as amended on August 27, 2009, civil air defense is an integral part of national defense. The Civil Air Defense Law encourages the public to invest in the construction of civil air defense property and investors in civil air defense are permitted to use, manage the civil air defense property in time of peace and profit therefrom. However, such use must not impair their functions as air defense property. The design, construction and quality of the civil air defense properties must conform to the protection and quality standards established by the State. On November 1, 2001, the National Civil Air Defense Office issued the Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (《人民防空工程平時開發利用管理辦法》) and the Administrative Measures for Maintaining the Civil Air Defense Property (《人民防空工程維護管理辦法》), which specify how to use, manage and maintain the civil air defense property.

## MEASURES ON STABILIZING HOUSING PRICES

The Notice on Adjusting the Business Tax Policies Concerning Transfer of Individual Housing (《關於調整個人住房轉讓營業稅政策的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation (the "**SAT**") on March 30, 2015 and became effective on March 31, 2015 provides that where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax.

The Notice of the Ministry of Finance, the State Administration of Taxation and the MOHURD on Adjusting the Preferential Policies on Deed Tax and Business Tax during Real Estate Transactions (《財政部、國家稅務總局、住房城鄉建設部關於調整房地產交易環節契稅、營業稅優惠政策的通知》) (the "**Notice**") promulgated on February 17, 2016 and became effective on February 22, 2016 provides that: (1). the purchase of a property by an individual as the only house for his/her family (covering the purchaser and the spouse and minor children thereof) is subject to deed tax at a reduced rate of 1% if the area of the house is 90 square meters or less, or 1.5% if the area is over 90 square meters; and (2). the purchase of a second house by an individual for making house improvements for his/her family is subject to deed tax at a reduced rate of 1% if the area of the house is 90 square meters or less, or 2% if the area is over 90 square meters. Meanwhile, the Notice specifies that the sale of a house that has been purchased by an individual for less than two years is subject to business tax at a full rate; and the sale of a house that has been purchased by an individual for two years or more is exempted from business tax. In addition, the Notice stresses that certain preferential business tax policies shall not apply to Beijing Municipality, Shanghai Municipality, Guangzhou City and Shenzhen City for the time being.



In accordance with Circular of the MOHURD and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (《住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》) (promulgated and implemented on April 1, 2017 by Ministry of Land and Resources and MOHURD), In cities featuring obvious contradiction between the supply of and demand for housing or under pressure due to increasing housing prices and more housing land, in particular the land for ordinary commercial houses, shall be supplied to a reasonable extent, and the housing land supply shall be reduced or even suspended in cities requiring a lot of destocking of real estate. All the local authorities shall build a land purchase money inspection system to ensure that the real estate developers use their own legal funds to purchase land.

## Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administrative Regulations (《外匯管理條例》) (the “SAFE Regulations”) which was promulgated by the State Council and last amended on August 5, 2008. Under the SAFE Regulations, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE is obtained.

Pursuant to the SAFE Circular No. 37, promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident (“**PRC Resident**”) shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Overseas SPV**”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), which was promulgated on February 13, 2015 and with effect from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

## TAXES

### Corporate Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which was promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007 and newly amended on April 23, 2019, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC laws, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the

PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

### **Value-added Tax**

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993, revised on November 10, 2008, February 6, 2016 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, the sale services, intangible assets, immovables, and the importation of goods are required to pay value-added tax.

Pursuant to the Announcement of the SAT on Promulgating the Interim Administrative Measures for the Collection of Value-added Tax on the Sale of Self-developed Real Estate Projects by Real Estate Developers (《國家稅務總局關於發佈〈房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法〉的公告》) which was promulgated on March 31, 2016 and amended on June 15, 2018, real estate developer shall pay value-added tax for the sales of its self-developed real estate project.

### **Land Appreciation Tax (LAT)**

Under the Interim Regulations on Land Appreciation Tax of the PRC (《中華人民共和國土地增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last amended on January 8, 2011 as well as its implementation rules issued on January 27, 1995 (《中華人民共和國土地增值稅暫行條例實施細則》), land appreciation tax is payable on the appreciation value derived from the transfer of State-owned land use rights and buildings or other facilities on such land, after deducting the deductible items.

### **Labor Protection**

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which were separately with effect from January 1, 1995 (amended on August 27, 2009, December 29, 2018) and January 1, 2008(amended on December 28, 2012), respectively, labor contracts shall be concluded if labor relationships are to be established between the employer and the employees.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011, and last amended on December 29, 2018, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and newly amended on March 24, 2019, employers shall undertake registration at the competent administrative center of housing provident fund and then, upon the examination by such administrative center of housing provident fund, undergo the procedures of opening the account of housing provident fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.



## PRC MERGER & ACQUISITION

Pursuant to the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the SAIC, the China Securities Regulatory Commission and the SAFE on August 8, 2006, and subsequently amended by the MOFCOM on June 22, 2009, acquisition of a domestic enterprise by a foreign investor refers to the purchase by foreign investors of the equity interests of the shareholders of non-foreign invested enterprises established within the territory of PRC or the subscription by foreign investors of the capital increase of domestic companies, thus converting and re-establishing such domestic companies as foreign-invested enterprises; or, and the purchase by agreement of the assets of domestic enterprises and operation of such assets through the foreign-invested enterprises established by foreign investors for the purpose of merging and acquiring domestic enterprises, or, the purchase of the assets of domestic enterprises through agreement by foreign investors who then use such purchased assets to establish a foreign-invested enterprise which operates such assets.

## MANAGEMENT

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our Board:

<u>Name</u>	<u>Age</u>	<u>Existing position</u>
Mr. Liu Yuhui (劉玉輝) . . . . .	48	Executive Director
Mr. Luo Changlin (羅昌林) . . . . .	49	Executive Director
Ms. Zeng Xurong (曾旭蓉) . . . . .	49	Executive Director
Ms. Hou Xiaoping (侯小萍) . . . . .	45	Executive Director
Ms. Jin Xu (金旭) . . . . .	52	Independent non-executive Director
Ms. Liang Yunxing (梁運星) . . . . .	48	Independent non-executive Director
Mr. Fang Min (方敏) . . . . .	49	Independent non-executive Director

## DIRECTORS

### Executive Directors

**Mr. Liu Yuhui (劉玉輝)**, aged 48, was appointed as our Director on July 15, 2019. He was appointed as the chairman of our Board and our chief executive officer and re-designated as our executive Director on December 16, 2019. He is responsible for overseeing the business development and business strategies of our Group. Mr. Liu Yuhui is an entrepreneur with over 21 years of experience in the PRC real estate industry. Mr. Liu Yuhui co-founded our Group together with his two brothers, Mr. Liu Shan and Mr. Liu Yuqi in April 1999 through the establishment of Leading Group. Capitalizing on his experience in the PRC real estate industry, Mr. Liu Yuhui has guided our sustained and steady business development for the past two decades. Mr. Liu Yuhui has held various directorships in our subsidiaries, including Leading Group since June 2008 and Guangdong Leading Real Estate since November 2008.

Mr. Liu Yuhui obtained a master's degree in business administration from the University of Wales in the United Kingdom in December 2013. He also completed an academic program related to real estate investment in Massachusetts Institute of Technology in the United States in October 2015. Mr. Liu Yuhui has been the deputy chairman of The General Association of Sichuan Entrepreneurs (四川省川商總會) since June 2016.

Mr. Liu was a director of Sichuan Leibo Tianli Electric Power Development Co., Ltd. (四川雷波天利電力開發有限責任公司), a company established in the PRC with limited liability, whose license was revoked on March 10, 2009 as the company failed to commence its business for more than six months from the date of its establishment without justifiable reason or ceased business operations for more than six consecutive months.

**Mr. Luo Changlin (羅昌林)**, aged 49, was appointed as our executive Director and chief financial officer on December 16, 2019. He is responsible for managing the financial operations and cost control of our Group. Mr. Luo joined our Group in January 2011 as the cost manager of the financial management center of our Group. He was later promoted as the general manager of the financial management center of our Group in March 2016 and as the assistant president of our Group in July 2018.

Mr. Luo has over 21 years of experience in financial management. Prior to joining our Group, from July 1996 to October 2004, Mr. Luo served as the project finance manager in the first branch of China No.5 Metallurgical Construction Company (中國第五冶金建設有限公司一分公司) (now known as the first engineering branch of China MCC 5 Group Corp. Ltd. (中國五冶集團有限公司第一工程分公司)), a company which is principally engaged in engineering contracting and property development business wholly owned by Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司) which is listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1618) and the Shanghai Stock Exchange (stock code: 601618). From December 2004 to December 2010, Mr. Luo worked at Sichuan Jianye Construction Engineering Co., Ltd. (四川建業建築工程有限公司) (now known as Central Asia Construction Engineering Co., Ltd. (中亞建業建設工程有限公司)), a company which is principally engaged in construction engineering, with his last position as the general manager of finance department.

Mr. Luo obtained a diploma in finance and accounting from Mianyang College of Economy and Technology (綿陽經濟技術高等專科學校) in the PRC in July 1996. He also obtained a bachelor's degree in accounting from China Central Radio and Television University (中央廣播電視大學) (now known as the Open University of China (國家開放大學)) in the PRC in July 2014. In December 2019, Mr. Luo obtained a master's degree in business administration from the University of Electronic Science and Technology of China (電子科技大學) in the PRC.

**Ms. Zeng Xurong (曾旭蓉)**, aged 49, was appointed as our executive Director on December 16, 2019 and is responsible for the overall administrative functions, risk management and procurement of our Group. Ms. Zeng has over 18 years of experience in management and general administration in the real estate industry. She joined our Group in July 2002 as an accountant-in-charge and was later promoted as the audit manager of our Group in July 2007. She was later appointed as the general manager of the audit and supervision department of our Group in January 2010 and was mainly responsible for supervising the internal audit of our Group.

Ms. Zeng obtained a diploma in finance and accounting from Leshan Finance and Trade School (樂山財貿學校) (now merged into Leshan Vocational and Technical College (樂山職業技術學院)) in the PRC in July 1993. She also obtained a college degree in accounting from Southwestern University of Finance and Economics (西南財經大學) in the PRC in December 1997.

**Ms. Hou Xiaoping (侯小萍)**, aged 45, was appointed as our executive Director on December 16, 2019 and is responsible for financing and fund raising for the projects of our Group. Ms. Hou joined our Group in June 2014 as the general manager of the financing center of our Group and was later promoted as the assistant to the president of our Group in May 2018.

Ms. Hou has over 21 years of experience in financing and accounting field. Prior to joining our Group, from July 1996 to August 2008, Ms. Hou worked at Tibet Trust Corporation Limited (西藏信託有限公司), an asset management company with her last position being the general manager of the finance department. From August 2008 to February 2013, Ms. Hou served as a manager of the finance department of Tibet Autonomous Region Investment Co., Ltd. (西藏自治區投資有限公司). She was subsequently appointed as the director and the financial controller of the same company from March 2013 to May 2014.

Ms. Hou completed secondary vocational school education in finance and accounting in Tibet Autonomous Region Finance and Economics School (西藏自治區財經學校) (now merged with School of Finance and Economics, Tibet University (西藏大學財經學院)) in the PRC in July 1996. She also obtained a diploma in law from China Central Radio and Television University (中央廣播電視大學) (now known as the Open University of China (國家開放大學)) in the PRC in July 2006.

## Independent non-executive Directors

**Ms. Jin Xu (金旭)**, aged 52, was appointed as our independent non-executive Director on November 16, 2020 and is responsible for providing independent advice on the operations and management of our Group.

Ms. Jin has over 27 years of experience in fund management. From July 1993 to November 2001, Ms. Jin worked in the China Securities Regulatory Committee with her last position as the head of the general office of fund supervision department. From November 2001 to June 2004, Ms. Jin worked in China Asset Management Co., Ltd. (華夏基金管理有限公司), a company which is principally engaged in asset management, with her last position being the deputy general manager. From July 2004 to April 2006, she was the general manager of Baoying Fund Management Co., Ltd. (寶盈基金管理有限公司), a company which is engaged in fund establishment and management as well as asset management. In 2006, Ms. Jin worked as the chief representative in the Beijing Representative Office of Mellon Global Investment Co., Ltd. (梅隆全球投資有限公司), a company which is principally engaged in asset management. From May 2007 to December 2014, Ms. Jin was the general manager of Guotai Asset Management Co., Ltd. (國泰基金管理有限公司), a company which is principally engaged in fund establishment and management. Ms. Jin joined China Merchants Fund Management Co., Ltd. (招商基金管理有限公司), a company which is principally engaged in fund establishment and management, in January 2015 where she held the position of general manager and now as the vice chairman.

Since February 2017, she has been the chairman of the Public Fund Professional Committee of the China Securities Investment Fund Industrial Association (中國證券投資基金業協會公募基金專業委員會). Since July 2017, Ms. Jin has been the vice president of the Shenzhen Investment Fund Industrial Association (深圳市投資基金同業公會). She is the receiver of the “Leading Character of Funds Industry” (基金行業領軍人物獎) award from Sina Finance (新浪財經).

Ms. Jin obtained a bachelor’s degree and a master’s degree in economic law from Peking University in the PRC in July 1990 and July 1993, respectively. In May 1996, she obtained a master of law degree in comparative law from New York University in the United States.

**Ms. Liang Yunxing (梁運星)**, aged 48, was appointed as our independent non-executive Director on November 16, 2020 and is responsible for providing independent advice on the operations and management of our Group.

Ms. Liang has over 22 years of experience in accounting and financial management. Ms. Liang worked for over 14 years with China National Travel Service (HK) Group Corporation (中國旅遊集團有限公司) (“CTSG”), one of the major multinational state-owned enterprises in the PRC with headquarter in Hong Kong, and its subsidiaries from July 1998 to October 2012. During that period, from October 2006 to April 2009, Ms. Liang was the general manager of the finance department of China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 308) and the flagship company of CTSG in the travel industry. From May 2009 to October 2012, Ms. Liang was a director and the chief financial officer of HKCTS (China) Investment Limited (港中旅(中國)投資有限公司), one of the largest tourism property developers in mainland China focusing on developing large-scaled scenic spots, hotels, resorts, commercial properties and residential units. Ms. Liang then became an executive director and chief financial officer of Chinalco Mining Corporation International (中鋁礦業國際) from November 2012 to March 2015, which is a resource development company subsequently delisted from the Hong Kong Stock Exchange in March 2017 (previous stock code: 3668). Since May 2015, Ms. Liang has been the chief risk management officer of Shanghai Dajian Assets Management Company Limited (上海大見資產管理有限公司), an asset management company.

Ms. Liang obtained a bachelor’s degree in international accounting and a master’s degree in accounting from Renmin University of China (中國人民大學) in the PRC in July 1995 and July 1998, respectively. Ms. Liang was accredited as a Chinese certified public accountant by Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in June 2006.

Ms. Liang was a supervisor of Anshan Hejia Beverage Co., Ltd. (鞍山合佳飲料有限公司), a company established in the PRC with limited liability, whose license was revoked on August 23, 2018, as the company failed to commence its business for more than six months from the date of its establishment without justifiable reason or ceased business operations for more than six consecutive months.

**Mr. Fang Min (方敏)**, aged 49, was appointed as our independent non-executive Director on November 16, 2020 and is responsible for providing independent advice on the operations and management of our Group.

Mr. Fang has been teaching in the School of Economics of Peking University in the PRC since July 1999 and is now a professor in the School of Economics of Peking University. In September 2005, he was awarded the Second Prize of National Teaching Achievement Award (國家級教學成果獎二等獎) by Ministry of Education of the PRC (中華人民共和國教育部). In May 2009, he received the First Prize of Teaching Achievement Award of Beijing (Higher Education) (北京市教育教學成果(高等教育)一等獎) from the People's Government of Beijing (北京市人民政府). In May 2017, he received the Excellence Award in Finance Teaching of Cao Fengqi Finance Development Foundation (曹鳳岐金融發展基金金融教學優秀獎) from Cao Fengqi Finance Development Foundation of Peking University (北京大學曹鳳岐金融發展基金).

Mr. Fang obtained his bachelor's degree and master's degree in economics from Sichuan University (四川大學) in the PRC in July 1993 and July 1996, respectively. In July 1999, he obtained his doctor's degree in economics from Remin University of China (中國人民大學) in the PRC. Mr. Fang obtained the Teacher's Qualification Certificate of PRC (中華人民共和國教師資格證書) from the Education Committee of Beijing (北京市教育委員會) in December 2002.

## SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day operations and management of our business. Our senior management members are as follows:

**Mr. Liu Yuhui (劉玉輝)**, aged 48, is our executive Director, chairman of the Board and chief executive officer. For details of his biography, please refer to “—Directors—Executive Directors” in this section.

**Mr. Luo Changlin (羅昌林)**, aged 48, is our executive Director, chief financial officer and joint company secretary. For details of his biography, please refer to “—Directors—Executive Directors” in this section.

**Mr. Xu Chuanhai (徐川海)**, aged 49, first joined our Group in March 2011 as the general manager of marketing development center of Leading Group where he was responsible for sales management of our Group until March 2012. He rejoined our Group in August 2017 as our vice president and since then he has been responsible for marketing and sales management of our Group.

Mr. Xu has more than 16 years of experience in business management. Prior to joining the Group, from 2003 to 2007, Mr. Xu served as a manager in the sales and marketing department of Chengdu Grand Real Estate Development Co., Ltd. (成都遠大房地產開發有限責任公司), a company which is principally engaged in property development, pharmaceuticals and healthcare, where he was responsible for the sales and marketing activities of the company. From 2007 to 2008, Mr. Xu worked at Chengdu Gongying Investment Co., Ltd (成都共贏投資有限公司) (now known as Xinjiang Mutual Benefit Equity Investment Co., Ltd. (新疆互利股權投資有限公司)), a company which is principally engaged in private equity investment business. From March 2012 to February 2017, Mr. Xu worked in Wanda Commercial Management Co., Ltd. (萬達商業管理有限公司), a commercial operational service provider, with his last position as the deputy manager of marketing. From February to August 2017, Mr. Xu served as a regional general manager of Guangdong Aoyuan Commercial Real Estate Group Co., Ltd. (廣東奧園商業地產集團有限公司), a commercial properties development company wholly owned by China Aoyuan Group Limited (中國奧園集團股份有限公司), which is a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3883).

Mr. Xu obtained a diploma in science and technology records management from Chongqing Institute of Industrial Management (重慶工業管理學院) in the PRC in June 1993. He also obtained a bachelor's degree in industrial engineer from the University of Electronic Science and Technology of China (電子科技大學) in Chengdu, the PRC in December 2000.

**Mr. Liu Haowei (劉浩威)**, aged 29, was appointed as our vice president in January 2019 and is primarily responsible for the execution of our business strategies and the management of our real estate projects in Chongqing.

Mr. Liu Haowei joined our Group in May 2015 as a general manager of Guangdong Leading Real Estate. Since May 2015, Mr. Liu Haowei has been responsible for the daily operation and the overall management and operation of our real estate projects, including those in Zhumadian and Chongqing, playing a key role in our Group's business expansion in those areas. Mr. Liu Haowei currently holds various directorships in our subsidiaries, including the centralized management platform of our Group, Leading Group, Guangdong Leading Real Estate and Xinjiang Leading Real Estate.

Mr. Liu Haowei obtained a bachelor's degree in business administration from the University of California, Irvine in the United States in June 2014. He also completed a private equity program in Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in the PRC in December 2015 and a capital investment and financing program in Peking University in the PRC in June 2017.

## **JOINT COMPANY SECRETARIES**

**Mr. Luo Changlin (羅昌林)**, was appointed as the joint company secretary of our Group on December 16, 2019. See "Directors—Executive Directors."

**Ms. Tang King Yin (鄧景賢)**, was appointed as the joint company secretary of our Group on January 24, 2022. Ms. Tang is currently a manager of Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services.

Ms. Tang has over 10 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Tang is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute in the United Kingdom.



## **BOARD COMMITTEES**

### **Audit Committee**

We have an audit committee in compliance with the Listing Rules. As of the date of this exchange offer memorandum, our audit committee consists of three members, namely, Ms. Liang Yunxing, Ms. Jin Xu and Mr. Fang Min, all of whom are our independent non-executive Directors. Ms. Liang Yunxing is the chairperson of the audit committee and is our independent non-executive Director with the appropriate professional qualifications.

The primary duties of the audit committee include, but not limited to (i) reviewing and supervising our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) providing advice and comments to our Board; and (iii) performing other duties and responsibilities as may be assigned by our Board.

### **Remuneration Committee**

We have a remuneration committee in compliance with the Listing Rules. As of the date of this exchange offer memorandum, our remuneration committee consists of three members, namely, Ms. Jin Xu, Ms. Liang Yunxing and Mr. Liu Yuhui. Ms. Jin Xu is the chairperson of the remuneration committee.

The primary duties of the remuneration committee include, but not limited to (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management member; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

### **Nomination Committee**

We have a nomination committee in compliance with the Listing Rules. As of the date of this exchange offer memorandum, our nomination committee consists of three members, namely Mr. Liu Yuhui, Ms. Jin Xu and Ms. Liang Yunxing. Mr. Liu Yuhui is the chairperson of the nomination committee.

The primary duties of the nomination committee include, but not limited to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) assess the independence of our independent non-executive Directors; and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

## **COMPENSATION OF DIRECTORS**

The aggregate amount of compensation (including any fees, salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare) paid by us during the years ended December 31, 2019, 2020 and 2021 to those persons who have been or are our directors, was approximately RMB3.4 million, RMB3.7 million and RMB4.6 million (US\$0.7 million), respectively.

## PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of December 31, 2021 by those persons who beneficially own more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”):

Name of Shareholder	Capacity	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in ourself <sup>(2)</sup>
Mr. Liu Ce <sup>(3)(4)</sup> . . . . .	Interest in controlled corporation	763,433,000 (L)	74.34%
Yuan Di <sup>(3)(4)</sup> . . . . .	Beneficial owner	209,088,000 (L)	20.36%
Mr. Liu Haowei <sup>(3)(5)</sup> . . . . .	Interest in controlled corporation	763,433,000 (L)	74.34%
Ling Yue <sup>(3)(5)</sup> . . . . .	Beneficial owner	209,162,250 (L)	20.37%
Ms. Wang Tao <sup>(3)(6)</sup> . . . . .	Interest in controlled corporation	763,433,000 (L)	74.34%
Ms. Long Yiqin <sup>(3)(7)</sup> . . . . .	Interest in controlled corporation	763,433,000 (L)	74.34%
Ms. Hou Sanli <sup>(3)(8)</sup> . . . . .	Interest in controlled corporation	763,433,000 (L)	74.34%
Ms. Lan Tian <sup>(9)</sup> . . . . .	Interest of spouse	763,433,000 (L)	74.34%
Mr. Liu Yuqi <sup>(10)</sup> . . . . .	Interest of spouse	763,433,000 (L)	74.34%
Mr. Liu Shan <sup>(11)</sup> . . . . .	Interest of spouse	763,433,000 (L)	74.34%
Ms. Chen Ao Ao <sup>(12)</sup> . . . . .	Interest of spouse	763,433,000 (L)	74.34%
Yue Lai <sup>(3)</sup> . . . . .	Beneficial owner	230,021,000 (L)	22.40%
Mr. Liu Yuhui <sup>(3)(13)</sup> . . . . .	Interest in controlled corporation	763,433,000 (L)	74.34%

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*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares. The letter “S” denotes the person’s short position in the Shares.
- (2) Calculated on the basis of 1,026,945,000 Shares in issue as at December 31, 2021.
- (3) By virtue of the SFO, each of Mr. Liu Yuhui, Mr. Liu Ce, Mr. Liu Haowei, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli together with their respective investment holding companies (being Yuan Di, Fan Tai, Yue Lai, Jin Sha Jiang, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng and Shan Yuan) are all deemed to be interested in the total Shares directly held by Yuan Di, Fan Tai, Jin Sha Jiang, Yue Lai, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng and Shan Yuan.
- (4) 209,088,000 and 37,125,000 Shares are held by Yuan Di and Fan Tai, respectively. Yuan Di and Fan Tai are wholly owned by Mr. Liu Ce. By virtue of SFO, Mr. Liu Ce is deemed to be interested in the Shares held by Yuan Di and Fan Tai.
- (5) 209,162,250 and 37,125,000 Shares are held by Ling Yue and Lian Rong, respectively. Ling Yue and Lian Rong are wholly owned by Mr. Liu Haowei. By virtue of SFO, Mr. Liu Haowei is deemed to be interested in the Shares held by Ling Yue and Lian Rong.
- (6) 1,262,250 Shares are held by San Jiang Yuan, which is in turn wholly owned by Ms. Wang Tao. By virtue of SFO, Ms. Wang Tao is deemed to be interested in the Shares held by San Jiang Yuan.
- (7) 1,262,250 Shares are held by Fu Sheng, which is in turn wholly owned by Ms. Long Yiqin. By virtue of SFO, Ms. Long Yiqin is deemed to be interested in the Shares held by Fu Sheng.
- (8) 1,262,250 Shares are held by Shan Yuan, which is in turn wholly owned by Ms. Hou Sanli. By virtue of SFO, Ms. Hou Sanli is deemed to be interested in the Shares held by Shan Yuan.
- (9) Ms. Lan Tian, the spouse of Mr. Liu Ce, is deemed to be interested in all the Shares that Mr. Liu Ce is interested in by virtue of the SFO.
- (10) Mr. Liu Yuqi, the spouse of Ms. Hou Sanli, is deemed to be interested in all the Shares that Ms. Hou Sanli is interested in by virtue of the SFO.
- (11) Mr. Liu Shan, the spouse of Ms. Wang Tao, is deemed to be interested in all the Shares that Ms. Wang Tao is interested in by virtue of the SFO.
- (12) Ms. Chen Ao Ao, the spouse of Mr. Liu Haowei, is deemed to be interested in all the Shares that Mr. Liu Haowei is interested in by virtue of the SFO.
- (13) 230,021,000 and 37,125,000 Shares are held by Yue Lai and Jin Sha Jiang, respectively. Yue Lai and Jin Sha Jiang are wholly owned by Mr. Liu Yuhui. By virtue of SFO, Mr. Liu Yuhui is deemed to be interested in the Shares held by Yue Lai and Jin Sha Jiang.

Save as disclosed above, as of December 31, 2021, no other person had interests or short positions in our shares or underlying shares as recorded in the register required to be kept by us under section 336 of the SFO.

## RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on The Stock Exchange of Hong Kong Limited, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain “connected transactions” with “connected persons” be approved by a company’s independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

### BALANCES WITH RELATED PARTIES

The following table summarizes outstanding balances with our related parties as of December 31, 2019, 2020 and 2021:

	As of December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
				(Unaudited)
<b>Balances relating to non-operating activities</b>				
<b>Due from related parties:</b>				
Due from shareholders . . . . .	1	1	1	0
Due from joint associates . . . . .	—	708,987	708,987	111,256
Due from joint ventures . . . . .	722,617	1,121,830	929,920	145,925
Due from companies controlled by the Then Parent Company . . . . .	—	—	—	—
	<u>722,618</u>	<u>1,121,831</u>	<u>1,638,908</u>	<u>257,180</u>
<b>Due to related parties:</b>				
Due to the Then Parent Company . . . .	442,939	—	—	—
Due to joint ventures . . . . .	151,905	121,972	373,971	58,684
Due to companies controlled by the Then Parent Company . . . . .	—	—	—	—
Due to companies controlled by the director of the Company . . . . .	10,000	—	—	—
	<u>604,844</u>	<u>121,972</u>	<u>373,971</u>	<u>58,684</u>

	As of December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
<b>Balances relating to operating activities</b>				
<b>Due from related parties:</b>				
Due from joint ventures . . . . .	4,630	25,880	11,655	1,829
Due from associates . . . . .	1,641	—	—	—
Due from companies controlled by the Then Parent Company . . . . .	1,382	2,202	167	26
	<u>7,653</u>	<u>28,082</u>	<u>11,822</u>	<u>1,855</u>
<b>Due to related parties:</b>				
Due to companies controlled by the Then Parent Company . . . . .	105,713	98,622	149,319	23,431
Due to companies controlled by certain directors and/or their close family members . . . . .	16,706	5,001	2,578	405
	<u>122,419</u>	<u>103,623</u>	<u>151,897</u>	<u>23,836</u>

## TRANSACTIONS WITH RELATED PARTIES

The following table summarizes significant transactions with our related parties for the years ended December 31, 2019, 2020 and 2021:

	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
<b>Advances from related companies:</b>				
Joint ventures . . . . .	671,168	539,588	1,211,653	190,135
Associate . . . . .	369	—	528,568	82,944
The Then Parent Company . . . . .	3,061,913	—	—	—
Companies controlled by the Then Parent Company . . . . .	106,987	22,409	—	—
Companies controlled by a director of the Company . . . . .	34,449	—	—	—
Companies controlled by certain directors and/or their close family members . . . . .	7,658	5,974	—	—

	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
Repayment of advances from related companies:				
Joint ventures. . . . .	606,483	653,158	959,654	150,591
Associate . . . . .	369	—	528,568	82,944
The Then Parent Company . . . . .	2,752,100	442,939	—	—
Companies controlled by the Then Parent Company . . . . .	165,113	22,409	—	—
Companies controlled by the Shareholders . . . . .	5,754	—	—	—
Companies controlled by a director of the Company. . . . .	99,552	10,000	—	—
Companies controlled by certain directors and/or their close family members . . . . .	7,658	5,974	—	—
Advances to related companies:				
Joint ventures. . . . .	1,784,866	1,475,392	714,665	112,147
Associate . . . . .	—	—	708,987	111,256
The Then Parent Company . . . . .	1,254,998	2,935,386	—	—
Companies controlled by the Then Parent Company . . . . .	—	—	—	—
Repayment of advances to related companies:				
Joint ventures. . . . .	1,664,109	1,159,809	906,576	142,262
Associate . . . . .	—	—	—	—
The Then Parent Company . . . . .	1,248,221	2,935,386	—	—
Companies controlled by the Then Parent Company . . . . .	1,631	—	—	—
Rental income from companies controlled by the Then Parent Company . . . . .	2,943	4,156	4,662	732
Property sales from companies controlled by the Then Parent Company . . . . .	47,379	2,155	—	—
Property management fee to companies controlled by the Then Parent Company. . . . .	70,131	95,454	127,326	19,980
Management consulting service income from joint ventures and associates . . . . .	9,336	29,321	9,117	1,431
Project management fee to companies controlled by the Then Parent Company . . . . .	33,975	55,539	27,144	4,259
Raw materials purchased from companies controlled by certain directors and/or their close family members . . . . .	41,996	24,189	4,838	759



	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
Interest income from joint ventures and associates . . . . .	3,852	2,613	15,512	2,434
<b>Guarantees provided by related companies for bank and other borrowings:</b>				
Mr. Liu Yuqi . . . . .	—	—	—	—
Mr. Liu Yuqi, Mr. Liu Yuhui and Mr. Liu Shan jointly . . . . .	4,717,500	—	—	—
Mr. Liu Shan and Rong Liang Group Co., Ltd. jointly . . . . .	570,000	—	—	—
Mr. Liu Yuqi and Ms. Hou Sanli jointly . . . . .	1,546,000	—	—	—
Mr. Liu Yuqi and Mr. Liu Yuhui, Mr. Liu Shan and Ms. Hou Sanli jointly	450,000	—	—	—
Mr. Liu Yuqi, Mr. Liu Yuhui, Mr. Liu Shan, Ms. Hou Sanli, Ms. Wang Tao and Ms. Long Yiqin jointly . . . . .	1,295,000	—	—	—

*Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.*

## KEY MANAGEMENT COMPENSATION

The following table summarizes our key management compensation for the years ended December 31, 2019, 2020 and 2021:

	Year ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (Unaudited)
Short-term employee benefits . . . . .	7,883	13,536	11,932	1,872
Pension scheme contributions . . . . .	623	437	692	109
Total compensation paid to key management personnel . . . . .	<u>8,506</u>	<u>13,973</u>	<u>12,624</u>	<u>1,981</u>

## DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of December 31, 2021 our total outstanding external borrowings amounted to RMB11,017.7 million (US\$1,728.9 million). As of December 31, 2021, the weighted average interest rate on our total outstanding external borrowings was 9.3% per annum. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness. Since December 31, 2021, we have incurred additional indebtedness, repaid some of our existing indebtedness and in sum, our total borrowings have increased. In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business.

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial limited companies, including, but not limited to, Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of Communications, China Minsheng Bank, China Guangfa Bank, Bank of Tianjin, Leshan City Commercial Bank, Bank of Shanghai, Bank of Sichuan, China Orient Asset management Co., Ltd. and China Huarong Asset Management Co., Ltd.

### PRC BANK LOAN AGREEMENTS

PRC bank loans are typically project loans to finance the construction of our projects and have terms ranging from one to 15 years, which generally correspond to the construction periods of the particular projects. As of December 31, 2021, the aggregate outstanding amount under these PRC bank loans totaled approximately RMB7,538.9 million (US\$1,183.0 million). Our PRC bank loans are typically secured by certain buildings, land use rights, investment properties, equity interests of group companies, properties under development and completed properties held for sale of us.

#### Interest

The principal amounts outstanding under the PRC bank loans generally bear interest at fixed rates or floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates are generally subject to review by the banks regularly. Interest payments are generally payable on a monthly or quarterly basis and must be made on each payment date as provided in the particular loan agreement.

#### Covenants

Under these PRC bank loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- incur additional debt, provide loans or guarantees;
- provide security and quasi-security;
- incur liens;
- dispose of material assets through sale, lease or other methods;
- pay dividends or distributions on certain of our subsidiaries' capital stock;
- repay or transfer certain indebtedness;
- reduce registered capital;

- make investments and acquisitions;
- establish joint ventures;
- conduct mergers, consolidation and other change-of-control transactions; and
- file for bankruptcy or dissolution.

### **Events of Default**

The PRC bank loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The banks are entitled to demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

### **Guarantee and Security**

We and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these PRC bank loans. Further, as of December 31, 2020, RMB7,385.9 million (US\$1,131.9 million) of the PRC bank loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or our other PRC subsidiaries, including equity interests in certain of our PRC subsidiaries.

### **Dividend Restrictions**

Pursuant to the PRC bank loans with certain PRC banks, some of our PRC subsidiaries also agreed not to distribute any dividend, including, but not limited to:

- while the relevant project loans are outstanding;
- if the borrower's after-tax profit is nil or negative;
- if the borrower's after-tax profit is not enough to make up for the accumulated losses of previous fiscal years;
- if the borrower's profit before tax is not enough to pay off the principal, interests and expenses due in next period; or
- before any principal amount of and accrued interest on the relevant loans due within the period have been fully paid.

## **OFFSHORE BONDS**

### **June 2022 Notes**

On June 28, 2021, we entered into an indenture (the "June 2022 Indenture") pursuant to which we issued the June 2022 Notes. As of date of this exchange offer memorandum, US\$122.7 million of the aggregate principal amount of the June 2022 Notes remains outstanding. The outstanding amount does not include US\$15.2 million in principal amount of the June 2022 Notes held by a controlling shareholder of the Company as of the date of this exchange offer memorandum. This controlling shareholder of the Company plans to cancel such principal amount of the Existing Notes held by it.

### ***Guarantee***

Our obligations under the June 2022 Notes are guaranteed by certain of our existing subsidiaries and JV subsidiaries (if any) (together, the “June 2022 Subsidiary Guarantors”), each of which will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the June 2022 Notes under certain circumstances and subject to certain conditions.

### ***Interest***

The June 2022 Notes bear interest at the rate of 12.0% per annum, payable in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the June 2022 Notes, the June 2022 Indenture and subsidiary guarantees limit our and certain restricted subsidiaries’ ability to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare or pay dividends on, or make other distributions in respect of its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness of restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger or transfer all or substantially all of their assets.

### ***Events of Default***

The June 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or premium, if any, on) the June 2022 Notes when the same becomes due, default in the payment of interest which continues for a period of 30 consecutive days, insolvency and other events of default specified in the June 2022 Indenture. If an event of default occurs and is continuing under the June 2022 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the June 2022 Notes then outstanding may declare the principal of premium, if any, and accrued and unpaid interest on the June 2022 Notes to be immediately due and payable.

### ***Change of Control***

Upon the occurrence of a certain event of change of control triggering event, we are obligated to make an offer to repurchase all outstanding June 2022 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

### ***Maturity and Redemption***

The maturity date of the June 2022 Notes is June 27, 2022.

At any time and from time to time prior to June 27, 2022, the Company may redeem up to 35% of the aggregate principal amount of the June 2022 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112.0% of the principal amount of the June 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

At any time prior to June 27, 2022, the Company may at its option redeem the June 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the June 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the June 2022 Indenture.

## DESCRIPTION OF THE NEW NOTES

For purposes of this “Description of the New Notes,” the term “Company” refers only to Leading Holdings Group Limited (領地控股集團有限公司), a company incorporated in the Cayman Islands with limited liability, and any successor obligor on the New Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a “Subsidiary Guarantor,” and each such Guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor.” In this section, unless the context indicates otherwise, all references to the “Notes” shall be interpreted as reference to the New Notes (as defined in this exchange offer memorandum).

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability and operating through its branch in London, as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to, all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon prior written request and satisfactory proof of holding by Holders during normal business hours (being 9:00 am to 3:00 pm) on or after the Original Issue Date at the corporate trust office of the Trustee currently located at One Canada Square, London E14 5AL, United Kingdom.

### BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “—The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees” of this exchange offer memorandum;
- effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on \_\_\_\_\_, 2023, unless earlier redeemed pursuant to the terms thereof and the Indenture.



The Notes will bear interest at 12.0% per annum from and including the Original Issue Date payable on \_\_\_\_\_, 2022 and \_\_\_\_\_, 2023 (each an “Interest Payment Date”). Interest on the Notes will be paid to the Holders of record at the close of business on \_\_\_\_\_, 2022 or \_\_\_\_\_, 2023 (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under “—Optional Redemption” and “—Redemption for Taxation Reasons” below and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium (if any) on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “—Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the New Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$150,000 and integral multiples of US\$1 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company, the Transfer Agent or the Registrar may require indemnity or payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent currently located at One Canada Square, London E14 5AL, United Kingdom), and the Notes may be presented for registration of transfer or exchange at such office; *provided* that, if the Notes are in certificated form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register maintained by the Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

## **THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES**

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than the Restricted Subsidiaries organized under the laws of the PRC.

The initial Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiary or Listed Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or

any Restricted Subsidiary (x) in the case of a Restricted Subsidiary, is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity, is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or the relevant Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from causing such JV Subsidiary Guarantee to be provided or (b) requiring the Company or such Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with or as soon as practicable after providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
  - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* in right of payment with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the “New Non-Guarantor Subsidiaries,” and together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”) at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15.0% of Total Assets.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.” The Other Non-Guarantor Subsidiaries, together with those Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”), Exempted Subsidiaries and Listed Subsidiaries are referred to herein as the “Non-Guarantor Subsidiaries.”

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (including Restricted Subsidiaries organized under the laws of the PRC) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

As of December 31, 2021, the Company and its consolidated subsidiaries had total debt of approximately RMB11,974.9 million (US\$1,879.1 million), of which approximately RMB10,807.7 million (US\$1,696.0 million) was secured debt of the Company or a Subsidiary.

As of December 31, 2021, the Non-Guarantor Subsidiaries had total debt of approximately RMB11,974.9 million (US\$1,879.1 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB15,305.0 million (US\$2,401.7 million) and contingent liabilities of approximately RMB18,665.1 million (US\$2,929.0 million).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be Guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees—The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees" of this exchange offer memorandum.

### **Release of the Subsidiary Guarantees or JV Subsidiary Guarantees**

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under “—Defeasance—Defeasance and Discharge”;
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under the captions “—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “—Certain Covenants—Limitation on Asset Sales” and “—Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or as soon as practicable after the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes); *provided that*, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such New Non-Guarantor Subsidiaries and excluding Exempted Subsidiaries and Listed Subsidiaries) do not account for more than 15.0% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such relevant Restricted Subsidiary from permitting the release of such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers’ Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to rely conclusively without liability upon such Officers’ Certificate as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders.

#### **Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees**

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns



a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing a JV Subsidiary Guarantee as described below, or (c) requiring the Company or such relevant Restricted Subsidiary to cause to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;
- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with or as soon as practicable after the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
  - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the covenants described under the captions “—Certain Covenants—Limitation on Asset Sales” and “—Certain Covenants—Limitation on Restricted Payments.”

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the covenant described under the caption “—Certain Covenants—Limitation on Asset Sales.”

As of the date of the Indenture, all of the Company's Subsidiaries will be “Restricted Subsidiaries.” Under the circumstances described below under the caption “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate Subsidiaries as “Unrestricted Subsidiaries.” The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.



## **FURTHER ISSUES**

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the covenant described under the caption “—Certain Covenants— “Limitation on Indebtedness and Preferred Stock” below.

## **OPTIONAL REDEMPTION**

At any time and from time to time prior to \_\_\_\_\_, 2023, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

### **Selection and Notice**

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption to the Holders and the Trustee in accordance with the Indenture. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any national securities exchange and/or being held through any clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or the requirements of the clearing systems through which the Notes are held, as applicable; or
- (2) if the Notes are not listed on any national securities exchange or held through any clearing system, on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

A Note of US\$150,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

## **REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT**

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (see the definition of “Offer to Purchase”).

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the Notes upon a Change of Control Triggering Event" of this exchange offer memorandum.

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Neither the Trustee nor any of the Agents will be required to take any steps to monitor or ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred or may occur and shall not be liable to any person for any failure to do so. The Trustee shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to take ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders or any other person for any loss arising from any failure to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

## **NO MANDATORY REDEMPTION OR SINKING FUND**

There will be no mandatory redemption or sinking fund payments for the Notes.

## **ADDITIONAL AMOUNTS**

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and the JV Subsidiary Guarantees by or on behalf of the Company, a Surviving Person (as defined under the caption "—Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a

“Relevant Jurisdiction”), or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
  - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
  - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
  - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder’s or its beneficial owner’s nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
  - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
- (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);

- (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted or issued in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
  - (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Neither the Trustee nor any Agent shall be responsible for paying any Additional Amounts or for determining whether such Additional Amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Company, any Surviving Person, any Subsidiary Guarantor or JV Subsidiary Guarantor, Holder or any third party to pay such Additional Amounts.

## **REDEMPTION FOR TAXATION REASONS**

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the “Tax Redemption Date”) if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on

which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to accept and rely conclusively upon such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such Officers' Certificate and Opinion of Counsel, and is not obligated to investigate or verify any information in such certificate and opinion.

Any Notes that are redeemed for tax reasons will be cancelled.

## **CERTAIN COVENANTS**

Set forth below are summaries of certain covenants contained in the Indenture.

### **Limitation on Indebtedness and Preferred Stock**

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):
  - (a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
  - (b) any *Pari Passu* Guarantees;
  - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) (together with refinancings thereof);

*provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (d), (f), (g), (m) and (o) below);

- (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be; *provided further* that any Preferred Stock issued by a Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;
- (e) Indebtedness (“Permitted Refinancing Indebtedness”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (p), (q), (r), (s), (t), (u) or (v) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;



- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries to fluctuations in interest rates, currencies or the price of commodities;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided* that, in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (p), (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;

- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant described under the caption “—Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that, the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$30.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement;
- (p) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary, and Indebtedness of the Company or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Company or a Restricted Subsidiary in favor of a Trust Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor on Capital Stock of such Restricted Subsidiary held by such Trust Company Investor, *provided* that on the date of such Incurrence of all such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets;
- (q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h) and (p) above and clauses (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (r) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$20.0 million (or the Dollar Equivalent thereof);

- (s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p) and (q) above and clauses (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
  - (t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q) and (s) above and clauses (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
  - (u) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties and Guarantees thereof by the Company or any Restricted Subsidiary, *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (u) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s) and (t) above and clause (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
  - (v) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (v) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35% of Total Assets; and
  - (w) Indebtedness constituting a Subordinated Shareholder Loan.
- (3) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in the first paragraph, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock in one or more types of such Indebtedness or Preferred Stock.

- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

### **Limitation on Restricted Payments**

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of:
  - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on October 1, 2020 and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); *plus*
  - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon

- (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or
  - (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; *plus*
- (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *plus*
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); *plus*
- (v) US\$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Restricted Subsidiary of the Company) of, shares of



the Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (6) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under paragraph (2)(p) of the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock”;
- (7) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, provided, however, that any such cash payments shall not be for the purpose of evading the limitation of this covenant (as determined in good faith by the Board of Directors of the Company);
- (8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers’ Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;
- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) or (C) payments or declaration of dividend or other distributions on Capital Stock of any Restricted Subsidiary held by any current or former officer, director, consultant or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with an



employee benefit plan or employee incentive scheme; *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock or dividends or distributions declared or made in any fiscal year shall not exceed US\$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

- (10) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (11) the payment of any dividend or distribution payable or paid in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;
- (12) the distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture;
- (13) the purchase of Capital Stock of a Person, and payments made, pursuant to a Minority Interest Staged Acquisition Agreement, provided that on the date that such Minority Staged Acquisition Agreement was entered into, such payments would have complied with clauses (a) and (c) of the preceding paragraph; or
- (14) the redemption, repurchase or other acquisition of or the declaration and payment of dividends on the Common Stock of the Company by the Company with respect to any fiscal year commencing from January 1, 2021 in an aggregate amount not to exceed 20% of profit for year based on the consolidated financial statements of the Company for such fiscal year on a non-cumulative basis;

*provided* that, in the case of clause (2), (3), (4) or (14) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clauses (1) and (13) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payments set forth in clauses (5) through (14) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (14) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this covenant and paragraph (17) of the definition of "Permitted Investment" at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of such paragraphs.

#### **Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries**

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
- (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
- (c) make loans or advances to the Company or any other Restricted Subsidiary; or
- (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

*provided* that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, or under any *Pari Passu* Guarantee, or any Indebtedness of the Company, any Subsidiary Guarantee or any JV Subsidiary Guarantee guaranteed by any *Pari Passu* Guarantee and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (b) existing under or by reason of applicable law, rule, regulation or order;
- (c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants described under the captions “—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “—Limitation on Indebtedness and Preferred Stock” and “—Limitation on Asset Sales”;

- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock or Disqualified Stock permitted under “—Limitation on Indebtedness and Preferred Stock” if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to Indebtedness permitted under “—Limitation on Indebtedness and Preferred Stock”, any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (g) existing in customary provisions in shareholders agreement, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

### **Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries**

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary or, in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company and/or its Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the covenant described under the caption “—Limitation on Restricted Payments” if made on the date of such sale or issuance and *provided* that the Company complies with the covenant described under the caption “—Limitation on Asset Sales”; or

- (4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such sale or issuance); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such sale or issuance in accordance with the covenant described under the caption “—Limitation on Asset Sales.”

### **Limitation on Issuances of Guarantees by Restricted Subsidiaries**

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness (“Guaranteed Indebtedness”) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clause (2)(c), (2)(d) or (2)(q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of bank accounts, deposits or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness), under the caption “—Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

### **Limitation on Transactions with Shareholders and Affiliates**

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

- (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under the caption “—Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Hong Kong Stock Exchange Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme; or
- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of its Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (17) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the covenant described under the caption “—Limitation on Restricted Payments,” (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this exchange offer memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction (A) between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, (B) between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries, or (C) between or among the Company or a Restricted Subsidiary on the one hand and any Minority Joint Venture or Unrestricted Subsidiary on the other; *provided* that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or partner being an officer or director of such Restricted Subsidiary or by reason of being a Subsidiary of the Company) and (c) in the case of a transaction with a Minority Joint Venture or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Minority Joint Venture or Unrestricted Subsidiary is

a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Minority Joint Venture or Unrestricted Subsidiary) and (iv) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited.

### **Limitation on Liens**

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require and subject to such terms as it may agree) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness and (b) facilitate the completion by other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

### **Limitation on Sale and Leaseback Transactions**

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under “—Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “—Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “—Limitation on Asset Sales.”

### **Limitation on Asset Sales**

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that, in the case of an Asset Sale in which the Company or such



Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$15.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

- (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
- (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) that will be used in the Permitted Businesses (including any Capital Stock in a person holding such property or assets that is primarily engaged in a Permitted Business) ("Replacement Assets").

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$20.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$20.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US\$1.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to (but not including) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount

of Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased on a *pro rata* basis by lot or such other method the Trustee determines in its sole and absolute discretion. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

### **Limitation on the Company's Business Activities**

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “—Limitation on Restricted Payments.”

### **Use of Proceeds**

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of any Additional Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the offering or other document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

### **Designation of Restricted and Unrestricted Subsidiaries**

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any credit support in compliance with clause (6) of this paragraph) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “—Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “—Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “—Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the

Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under “—The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

### **Government Approvals and Licenses; Compliance with Law**

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

### **Anti-Layering**

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

### **Suspension of Certain Covenants**

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (2) “—Certain Covenants—Limitation on Restricted Payments”;
- (3) “—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “—Certain Covenants—Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “—Certain Covenants—Limitation on Transactions with Shareholders and Affiliates”;
- (7) “—Certain Covenants—Limitation on the Company’s Business Activities”;
- (8) “—Certain Covenants—Limitation on Sale and Leaseback Transactions”;
- (9) “—Certain Covenants—Limitation on Asset Sales”;
- (10) clause (2)(a) of “—Certain Covenants— Provision of Financial Statements and Reports”; and

(11) clauses (3), (4) and 5(x) of the first and second paragraphs of “—Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “—Certain Covenants—Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

### **Provision of Financial Statements and Reports**

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s ordinary shares are at any time listed for trading, true and correct copies of any financial report in the English language filed with such exchange; *provided* that, if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
  - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
  - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
  - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis and in English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers’ Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters

and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio thereof, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; provided that the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default or an Event of Default, an Officers' Certificate setting forth the details of the Default or the Event of Default, and the action which the Company proposes to take with respect thereto.

## EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "—Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain Covenants—Limitation on Asset Sales";
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes or by the Trustee at the direction of such Holders;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$50.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due, *provided*, however, that such Indebtedness shall not include (x) the Indebtedness represented by the 12.0% senior notes due 2022 issued by the Company on June 28, 2021 (the "Excluded Indebtedness") and/or (y) any Indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Excluded Indebtedness;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$50.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect, *provided*, *however*, that such final judgments or orders for the payment of money shall not include those in connection with (x) the Excluded Indebtedness and/or (y) any Indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Excluded Indebtedness;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant



Subsidiary) with respect to it or its debts (other than the Excluded Indebtedness) under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for any substantial part of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect, except in each case under this paragraph (7), any proceeding commenced with respect to the Excluded Indebtedness;

- (8) the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) (except in each case under this paragraph 8(b), any proceeding commenced to defend against any remedy exercised under the Excluded Indebtedness) or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) in the ordinary course of business that shall result in the net assets of such Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company); or
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall, subject to receiving indemnity and/or security and/or prefunding to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and



- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, and shall, upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to receiving satisfactory indemnity and/or security and/or prefunding) pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action that is not inconsistent with any such direction received from Holders. The Trustee shall not be required to expend its own funds in following such direction.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the offer of indemnity and/or security and/or prefunding satisfactory to it pursuant to clause (3) above, whichever occurs later; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the written request.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See “—Certain Covenants—Provision of Financial Statements and Reports.”

None of the Trustee or any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such Event of Default or Default has occurred and that the Company and the Subsidiary Guarantors are performing all of their obligations under the Indenture and the Notes unless the Responsible Officer of the Trustee has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Company and the Subsidiary Guarantors are not performing all of their obligations under the Indenture and/or the Notes. The Trustee is entitled to rely on an Officers' Certificate regarding whether an Event of Default has occurred.

## **CONSOLIDATION, MERGER AND SALE OF ASSETS**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption "**—Certain Covenants—Limitation on Indebtedness and Preferred Stock**";
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this caption, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) if the Notes are rated, no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all

or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) if the Notes are rated, no Rating Decline shall have occurred;

*provided* that this paragraph shall not apply to any sale or other disposition that complies with the covenant described under the caption “—Certain Covenants—Limitation on Asset Sales” or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “—The Subsidiary Guarantees and the JV Subsidiary Guarantees—Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor that may adversely affect Holders.

## NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional “accredited investors” as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

## DEFEASANCE

### Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiary is a party or by which the Company or any of its Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

### **Defeasance of Certain Covenants**

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “—Consolidation, Merger and Sale of Assets” and all the covenants described herein under “—Certain Covenants,” other than as described under “—Certain Covenants-Government Approvals and Licenses; Compliance with Law” and “—Certain Covenants—Anti-Layering,” and (ii) clause (3) under “—Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “—Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in clause (i) above, clause (4) under “—Events of Default” with respect to such other covenants in clause (i) above and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

### **Defeasance and Certain Other Events of Default**

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

## **AMENDMENTS AND WAIVER**

### **Amendments Without Consent of Holders**

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;
- (2) comply with the provisions described under “—Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add or release any collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee or enter into any intercreditor agreement in accordance with the Indenture;

- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any successor securities depository or clearing system;
- (9) make any other change that does not materially and adversely affect the rights of any Holder; or
- (10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the New Notes” to the extent that such provision in this “Description of the New Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

#### **Amendments With Consent of Holders**

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes or the Trustee may, acting on instructions of such Holders, amend or waive future compliance by the Company with any provision thereof; *provided, however*, that no such modification, amendment or waiver may, without the consent of the Holders holding no less than 75% of the aggregate principal amount of the outstanding Notes at the time of such consent:

- (1) change the Stated Maturity of the principal of, or premium, if any, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an



amendment or waiver of provision in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “Certain Covenants—Limitation on Asset Sales”;

- (11) change the redemption date or the redemption price of the Notes from that stated under the caption “—Optional Redemption” or “—Redemption for Taxation Reasons”;
- (12) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which materially and adversely affects the Holders.

#### **UNCLAIMED MONEY**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

#### **NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

#### **CONCERNING THE TRUSTEE AND THE AGENTS**

The Bank of New York Mellon, London Branch is to be appointed as Trustee under the Indenture and as paying agent (the “Paying Agent”) with regard to the Notes. The Bank of New York Mellon SA/NV, Dublin Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability and operating through its branch in Dublin at Riverside II, Sir John Rogerson’s Quay, Grand Canal Dock, Dublin 2, Ireland, is to be appointed as note registrar (the “Registrar”) and transfer agent (the “Transfer Agent” and, together with the Paying Agent and Registrar, the “Agents”) with regard to the Notes. Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture or the Notes, and no implied covenant or obligation shall be read into the Indenture or the Notes against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless the requisite number of Holders have instructed the Trustee in writing and offered to the Trustee security and/or indemnity and/or prefunding satisfactory to it against loss, liability or expense. It may not be possible for the Trustee to take certain actions whether in relation to the Notes and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for Holders to take such actions directly.

The Trustee and the Agents will not be responsible for any loss, liability, cost, claim, actions, demand, expense or inconvenience which may result from the exercise or non-exercise of their discretion. Whenever in the Indenture, the Notes or by law, the Trustee shall have discretion or permissive power, it may decline to exercise the same in the absence of approval by the Holders. In exercising their respective duties, the Trustee and the Agents shall not be responsible for the verification of the accuracy or completeness of any certification or legal opinion submitted to them by the Company and are entitled to rely conclusively on the certification and the opinion, and take action based on the information contained in, the certification or the legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Company and the Subsidiary Guarantors in the fulfilment of its obligations under the Indenture, the Notes and the Subsidiary Guarantees. The Trustee and the Agents shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee and the Agents shall not be deemed to have knowledge of any Default or Event of Default unless it has been actually notified in writing of such Default or Event of Default.

The Trustee and the Agents shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Trustee in accordance with the instructions of the Holders pursuant to the terms of the Indenture.

The Trustee and the Agents are entitled to conclusively rely on all instructions, notices, declarations and certifications received pursuant to the Indenture without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

Neither the Trustee nor the Agents will be responsible for making calculations or for verifying calculations performed by the Company or any other persons.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates and shall not be obligated to account for any profits therefrom; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

## **BOOK-ENTRY; DELIVERY AND FORM**

The Notes will be represented by a global note in registered form without interest coupons attached (the “Initial Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “Additional Global Notes” and, together with the Initial Global Note, the “Global Notes”).

## **GLOBAL NOTES**

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “—Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

## **PAYMENTS ON THE GLOBAL NOTES**

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars by wire transfer. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law, in which case it will pay Additional Amounts to the extent described under “—Additional Amounts.”

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor, the Agents and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take any action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

## **REDEMPTION OF GLOBAL NOTES**

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with

the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US\$150,000 principal amount, or less, as the case may be, will be redeemed in part.

#### **ACTION BY OWNERS OF BOOK-ENTRY INTERESTS**

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

#### **TRANSFERS**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions" of this exchange offer memorandum.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

#### **GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM**

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

#### **INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM**

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded

securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

## **INDIVIDUAL DEFINITIVE NOTES**

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “—Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by or on behalf of the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

## **NOTICES**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor; (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

## CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

## GOVERNING LAW

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

## DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “Description of the New Notes” for which no definition is provided.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided that* “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;



- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption “—Certain Covenants—Limitation on Restricted Payments”;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant described under the caption “—Consolidation, Merger and Sale of Assets”; and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by bank accounts, deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange foreign currencies into Renminbi or vice versa or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or the place of business of the Paying Agent or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of

such Person, *provided* that Capitalized Lease shall not include any lease which would have been classified as an “operating lease” before the adoption of GAAP 16.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are the beneficial owners of less than 55% of the total voting power of the Voting Stock of the Company;
- (3) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (4) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of a Change of Control and, *provided* that the Notes are rated, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,

- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees and Liens on any Capital Stock of a Person that is not a Restricted Subsidiary), only to the extent such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest; *provided* that Consolidated Interest Expense shall not include (x) interest expense attributable to leases which would have been classified as “operating leases” before the adoption of GAAP 16 and (y) interest expense accruing on the pre-sale receipts in advance from customers, and *provided further* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
  - (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as (i) a dividend or other distribution or (ii) as distribution in the form of intercompany loans or otherwise that is treated as dividend in advance prior to any recognition of income on the consolidated financial statements of such Person (to the extent that the amounts actually received in dividends in a future period are less than such loans or advances, with a deduction for the difference in such future period); *provided* that, in the case of such distribution in the form of intercompany loans or otherwise, such amount shall not be again included in the Consolidated Net Income in the same period or another period when it is later recognized as income (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
  - (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects;
- (7) any gains and losses arising from changes in the fair value of trust loans related derivatives, as determined in conformity with GAAP; and
- (8) any net after-tax extraordinary or non-recurring gains,

*provided* that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or

any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of assets, real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to

the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants described under the captions “—Certain Covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants described under the captions “—Certain Covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event.”

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided* that, such borrowings are not reflected as borrowings on the consolidated balance sheet of the Company.

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best



efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that, to the extent that clause (d) or (e) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness

or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, or (2) Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that

- (1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (3) the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock,” and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Initial Other Non-Guarantor Subsidiaries” means, Chuangde International Limited (創德國際有限公司) and Createrich Holdings Limited (創富控股有限公司), unless any of such Restricted Subsidiaries has after the Original Issue Date executed a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the terms of the Indenture.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or

an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns, or a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Investment Property" means any property that is held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned or held by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"JV Subsidiary Guarantee" has the meaning set forth under the caption "—The Subsidiary Guarantees and the JV Subsidiary Guarantees."

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee. "Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiary" means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Minority Joint Venture" means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture's Subsidiaries.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Cash Proceeds" means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

- (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company sending a notice to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent or a tender agent (the “Tender Agent”) at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent or the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$150,000 or integral multiples of US\$1 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent or the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company.

The Paying Agent or the Tender Agent shall as soon as reasonably practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and, upon receipt of a written order of the Company signed by an Officer, the Registrar shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$150,000 or integral multiples of US\$1 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers' Certificate” means a certificate signed by two Officers; *provided, however*, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor or any JV Subsidiary Guarantor under this Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or such JV Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.



“Pari Passu Guarantee” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor or JV Subsidiary Guarantor; *provided* that (1) the Company, or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “—Repurchase of Notes upon a Change of Control,” or an Offer to Purchase in the manner described under the caption “—Certain Covenants—Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) Mr. Liu Yuhui, Mr. Liu Ce, Mr. Liu Haowei, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1);
- (3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary, directly or indirectly through one or more other Restricted Subsidiaries, that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “—Certain Covenants—Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under the caption “—Certain Covenants—Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) Guarantees permitted under the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (17) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary); *provided* that:
  - (i) the aggregate of all Investments made under this clause (17) since the Original Issue Date shall not exceed in aggregate an amount equal to 25% of Total Assets.

Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (17) since the Original Issue Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (17), in each case to the Company or any Restricted Subsidiary

(except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

- (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,
- (C) to the extent that an Investment made after the Original Issue Date under this clause (17) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,
- (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in each case, the amount of Investments made pursuant to this clause (17) by the Company or any Restricted Subsidiary after the Original Issue Date in any such Person, or
- (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this definition),

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (17),

- (ii) if any of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (17) is a Person described in clause (x) or (y) of the first paragraph of the covenant described under the caption “—Certain Covenants—Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary, Minority Joint Venture or Unrestricted Subsidiary of the Company), such Investment shall comply with the requirements set forth under “—Certain Covenants—Limitation on Transactions with Shareholders and Affiliates” covenant; and
- (iii) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (17) shall be valued at the time such Investment is made;

- (18) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the purpose of the development and preparation by such government authority or government affiliated entity of primary land for auction purposes which advances are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet to the extent each such advance is on normal commercial terms including being subject to repayment from the relevant government authority;
- (19) repurchases of the Notes;
- (20) the purchase of Capital Stock of a Person and payments made pursuant to a Staged Acquisition Agreement;
- (21) acquisition of assets, Capital Stock or other securities by the Company or a Restricted Subsidiary for consideration to the extent such consideration consists solely of Capital Stock of the Company; and
- (22) Investment that has been agreed to or is otherwise obligated to be made pursuant to an agreement or similar instrument in existence on the Original Issue Date.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;

- (14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item;
- provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens granted by the Company or a Restricted Subsidiary in favor of a Trust Company Investor in respect of, and to secure, the Indebtedness permitted under paragraph (2)(p) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (21) Liens securing Indebtedness permitted under clause (2)(n) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness

permitted to be Incurred under clause (2)(o) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;

- (23) Liens incurred on bank accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness;
- (24) Liens securing Indebtedness permitted under clause (2)(s), 2(t), (2)(u) or (2)(v) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (25) Liens incurred or deposits made to secure Entrusted Loans; and
- (26) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses 2(a), (b), (d), (f), (g), (m) and (o) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020 and the Detailed Rules for the Regulation of Implementing the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020, as such laws and rules may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities



Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

“Rating Agencies” means (1) Fitch and (2) Moody’s, provided that if Fitch or Moody’s or both of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Fitch, Moody’s, or both of them, as the case may be.

“Rating Category” means (1) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (3) the equivalent of any such category of Fitch or Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for Fitch; “1,” “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control Triggering Event and (y) a public notice of the occurrence of a Change of Control Triggering Event or of the intention by the Company or any other Person or Persons to effect a Change of Control Triggering Event or (2) in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control Triggering Event and (y) a public notice of the occurrence of a Change of Control Triggering Event or of the intention by the Company or any other Person or Persons to effect a Change of Control Triggering Event or (2) in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by both of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of the Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities by such other Person that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Responsible Officer” means, when used with respect to the Trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of this Indenture.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5%.

“Specified Corporate Trust Office” means The Bank of New York Mellon, Hong Kong Branch located at Level 26, Three Pacific Place, 1 Queen’s Road East, Hong Kong; Attention: Corporate Trust - Leading Holdings Group Limited; Facsimile: +852 2295 3283.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set

forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest (or premium, if any).

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii) which is “controlled” and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom, any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating)

or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits, money market deposits with any bank, trust company or financial institution organized under the laws of the PRC, Hong Kong or any other jurisdiction where the Company or any Restricted Subsidiary conducts business; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that*:

- (1) only with respect to clause (2)(h) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;
- (2) only with respect to clause (2)(t) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including

giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a bank, financial institution, insurance company, trust company, fund management company, asset management company organized under the laws of the PRC, Hong Kong Special Administrative Region, Macau Special Administrative Region or any overseas countries or territories or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

## TAXATION

The following summary of certain Cayman Islands, BVI, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this exchange offer memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the New Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

### CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the New Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, principal and premium (if any) on the New Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the New Notes, as the case may be, nor will gains derived from the disposal of the New Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but is otherwise not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the New Notes. The holder of any New Notes (or a legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not be subject to Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by us if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Islands Courts.

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, have obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Act. In accordance with the provision of section 6 of The Tax Concessions Act, the Governor in Cabinet undertakes with us:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of our shares, debentures or other obligations, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

These concessions shall be for a period of twenty years from July 25, 2019.



## **BVI**

No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any income from or payments on debt obligations of us. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments we may make under the transaction documents relating to the New Notes or payments the Subsidiary Guarantors may make under the Subsidiary Guarantees.

## **HONG KONG**

*Withholding Tax.* No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the New Notes) or interest in respect of the New Notes.

*Profits Tax.* Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the New Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the New Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the New Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

*Stamp Duty.* No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside Hong Kong) of a New Note.

## **PRC TAXATION**

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this exchange offer memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the New Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

*Taxation on Interest and Capital Gains.* As of the date of this exchange offer memorandum, we have not received any notices from the PRC tax authorities designating our Company a PRC “resident enterprise.” However, as advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. If we are considered a PRC resident enterprise, interest and capital gains realized by nonresident holders of the New Notes may be treated as income derived from sources within the PRC and may be subject to PRC tax. PRC income tax at the rate of 10% would be withheld from interest paid to investors that are “nonresident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC. Any gain realized on the transfer of the New Notes by such investors would be subject to a 10% PRC income tax if such gain is regarded as income of a “nonresident enterprise” derived from sources within the PRC. Where the holder is a non-PRC resident individual, such holder may be subject to PRC individual income tax at the rate of 20% on payment of interest or gains (which in the case of interest may be withheld at source). Any PRC tax liability may be reduced under applicable tax treaties. According to the applicable laws and regulations, for PRC tax purposes, a PRC “resident enterprise” is an enterprise established in China in accordance with the relevant laws, or established in accordance with the laws of a foreign country or region but whose de facto management are located in China, and the de facto management are the departments that implement substantive and comprehensive management and control of the production and operation, personnel, accounting and properties of an enterprise. However, it is unclear whether in practice if we are considered a PRC “resident enterprise,” holders of our Notes might be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or areas. See “Risk Factors—Risks Relating to the New Notes—Interest payable by us to our foreign investors may be subject to withholding taxes under PRC tax laws and gain on sale of our Notes may be subject to PRC tax laws.”

*Stamp duty.* No PRC stamp tax will be chargeable upon the issue or transfer of a New Note (for so long as the register of holders of the New Notes is maintained outside the PRC and the issuance and the sale of the New Notes is made outside of the PRC).

*Value Added Tax.* On March 23, 2016, the MOF and the SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax (“VAT”) in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知) (the “Circular 36”) which confirms that business tax was replaced by value-added tax from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, value added tax.

According to Circular 36, the entities and individuals providing services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to value-added tax include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Notes may be treated as the holders of the New Notes providing loans to us, which thus may be regarded as financial services subject to the value-added tax.

It is not clear from the interpretation of Circular 36 if the provision of loans to us could be considered services provided within the PRC, which could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that we will not be treated as “resident enterprises” under the EIT Law. PRC tax authorities could take the view that the holders of the New Notes are providing loans within the PRC because we are treated as a PRC tax resident. In such case, the issuance of the New Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If we are treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the New Notes are providing loans within the PRC, the holders of the New Notes may be subject to the value-added tax at the rate of 6% when receiving the interest payments under the New Notes and local levies at approximately 12% of the value-added tax payment and consequently, combined rate of value-added tax and local levies of around 6.72%. Given that we pay interest income to the holders of the New Notes who are located outside of the PRC, we, acting as the obligatory withholder in accordance with applicable law, may be required to withhold the value-added tax and local levies from the payment of interest income to holders of the New Notes who are located outside of the PRC. Further, the payments of the interest and other interest like earnings may be subject to VAT in the event that any Subsidiary Guarantor is required to discharge its obligations under the Subsidiary Guarantee.

Where a holder of the New Notes who is an entity or individual located outside of the PRC resells the New Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, Circular 36 will likely not apply and we will likely not have the obligation to withhold the value-added tax or the local levies. However, there is uncertainty as to the applicability of value-added tax if either the seller or buyer of Notes is located inside the PRC.

Given Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. Accordingly, there is uncertainty as to the application of Circular 36.

## TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the New Notes, including the Subsidiary Guarantees (collectively, the “Securities”).

The New Notes are subject to restrictions on transfer as summarized below. By purchasing the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Dealer Manager:

1. You understand and acknowledge that:
  - the Securities have not been registered under the Securities Act or any other applicable securities laws;
  - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
  - the Securities are being offered and sold only outside the United States to non-U.S. Persons (as defined in Regulation S) in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
  - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Dealer Manager nor any person representing us or the Dealer Manager has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this exchange offer memorandum. You represent that you are relying only on this exchange offer memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act. You represent that you (and any person on whose behalf you are acting) are Professional Investors.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS NOTE (COLLECTIVELY, THE “SECURITY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH

TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Dealer Manager, the New Notes Trustee, the New Notes Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us, the Dealer Manager, the New Notes Trustee and the New Notes Agent. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

## LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of New York law and Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law.

Certain legal matters will be passed upon for the Dealer Manager by Davis Polk & Wardwell as to matters of New York law and Jingtian & Gongcheng as to matters of PRC law.



## GENERAL INFORMATION

### CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by a resolution of our board of directors dated June 12, 2022. The entering into the Indenture and the issue of the Subsidiary Guarantees have been authorized by resolutions of the Subsidiary Guarantors' board of directors on June 12, 2022.

### LITIGATION

Except as disclosed in this exchange offer memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the New Notes.

### NO MATERIAL ADVERSE CHANGE

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2021 that is material in the context of the issue of the New Notes.

### DOCUMENTS AVAILABLE

For so long as any of the New Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee (being at the date of this exchange offer memorandum at One Canada Square, London E14 5AL, United Kingdom) following prior written request and proof of holding and identity satisfactory to the Trustee.

For so long as any of the New Notes is outstanding, copies of the accountants' reports and/or our published financial statements, if any, including the accountants' report set out in the section entitled "Index to Financial Information" in this exchange offer memorandum, may be obtained during normal business hours on any weekday (except public holidays) at our principal office following prior written request and proof of holding and identity satisfactory to us.

### CLEARING SYSTEMS AND SETTLEMENT

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the New Notes is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
New Notes . . . . .	XS2490657223	249065722

## LISTING OF THE NEW NOTES

Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the Exchange Offer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any of their respective subsidiaries or associated companies, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any). For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$150,000.

For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where the New Notes may be presented or surrendered for payment or redemption, in the event that the global certificate is exchanged for definitive certificates. In addition, in the event that the global certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

## INDEX TO FINANCIAL INFORMATION

### Audited Consolidated Financial Statements as of and for the year ended December 31, 2021

		2021 Annual Report Page Number <sup>(1)</sup>
Independent Auditor's Report . . . . .	F-2	73
Consolidated Statement of Profit or Loss . . . . .	F-10	81
Consolidated Statement of Comprehensive Income . . . . .	F-11	82
Consolidated Statement of Financial Position . . . . .	F-12	83
Consolidated Statement of Changes in Equity . . . . .	F-14	85
Consolidated Statement of Cash Flows . . . . .	F-16	87
Notes to the Financial Statements . . . . .	F-19	90

### Audited Consolidated Financial Statements as of and for the year ended December 31, 2020

		2020 Annual Report Page Number <sup>(2)</sup>
Independent Auditor's Report . . . . .	F-114	68
Consolidated Statement of Profit or Loss . . . . .	F-122	76
Consolidated Statement of Comprehensive Income . . . . .	F-123	77
Consolidated Statement of Financial Position . . . . .	F-124	78
Consolidated Statement of Changes in Equity . . . . .	F-126	80
Consolidated Statement of Cash Flows . . . . .	F-128	82
Notes to the Financial Statements . . . . .	F-131	85

*Notes:*

- (1) The attached independent auditor's report on our consolidated financial statements as of and for the year ended December 31, 2021 have been reproduced from our annual report for the year ended December 31, 2021 and page references are references to pages set forth in such annual report.
  
- (2) The attached independent auditor's report on our consolidated financial statements as of and for the year ended December 31, 2020 have been reproduced from our annual report for the year ended December 31, 2020 and page references are references to pages set forth in such annual report.



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## To the shareholders of Leading Holdings Group Limited (Incorporated in the Cayman Islands with limited liability)

### Opinion

We have audited the consolidated financial statements of Leading Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 184, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<b>Recognition of revenue from sales of properties over time</b>	
<p>Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2021, revenue of the Group arising from sales of properties amounted to RMB14,896,948,000, of which RMB1,751,102,000 was recognised over time.</p> <p>The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer, and thus, the property unit does not have an alternative use to the Group. During the year, significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of a sales contract and the interpretation of the applicable laws that apply to the contract. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management used judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without the right.</p>	<p>In assessing management's judgements on revenue recognition, we have:</p> <ul style="list-style-type: none"> <li>(i) understood and evaluated management's process and procedures in identifying sales contracts with or without right to payment.</li> <li>(ii) reviewed the key terms of a sample sales contracts to assess the presence of the right to payment based on the contract terms;</li> <li>(iii) obtained and evaluated the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; and</li> <li>(iv) assessed the competence, experience and objectivity of the legal counsel engaged by management.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<b>Recognition of revenue from sales of properties over time</b> (Continued)	
<p>In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at each year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of the year as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on types of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.</p> <p>Given the involvement of significant judgements and estimations, the recognition of revenue from sales of properties over time is considered as a key audit matter.</p> <p>The disclosures of the Revenue from sales of properties are included in notes 2.4, 3 and 5 to the consolidated financial statements.</p>	<p>In respect of the estimation of total development costs and the progress towards complete satisfaction of the performance obligation, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>(i) obtained an understanding of the internal controls over the cost budgeting and the estimation of completion process, the internal controls over the generation of cost data of the projects and property units, and evaluated and tested the design and operating effectiveness.</li> <li>(ii) compared the actual development costs of completed projects to management's prior estimations of total development costs to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology on a sample basis;</li> <li>(iii) assessed the basis for the allocation of common costs among project units on a sample basis;</li> <li>(iv) compared the cost budgets for the project and property unit under development by to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas on a sample basis;</li> <li>(v) compared the estimated total development costs of the projects and property units under development to the budget approved by management on a sample basis;</li> <li>(vi) tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers, where applicable, on a sample basis; and</li> <li>(vii) checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit on a sample basis.</li> </ul>



Key audit matter	How our audit addressed the key audit matter
<b>Provision for land appreciation tax</b>	
<p>The Group is a property developer in the Mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax (“LAT”) in the Mainland China is one of the main components of the Group’s taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of reporting period, the management of the Group estimated the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. Provision for LAT in the Mainland China was significant to the consolidated financial statements during the year and the determination of such provision involved significant management’s judgement and interpretation of the relevant tax laws and regulations and practices. Accordingly, provision for LAT is identified as a key audit matter.</p> <p>The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.</p>	<p>We have performed the following procedures to assess the provision for LAT:</p> <ul style="list-style-type: none"> <li>i) evaluated and tested the design and operating effectiveness of the key controls of management in the calculation of the provision for land appreciation tax;</li> <li>ii) involved internal tax specialists to assist us in performing a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities; We recalculated the tax provision and compared our results with the amounts recorded by the Group; and</li> <li>iii) assessed the disclosures related to the provision for land appreciation tax in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of investment properties</b>	
<p>The Group owns investment properties in the Mainland China which are measured at fair value and their aggregate carrying amount was approximately RMB4,337,400,000 as at 31 December 2021, which represented approximately 6.7% of the Group's total assets. The Group engaged an external valuer to perform the valuation of these properties as at 31 December 2021.</p> <p>Significant judgement is required to determine the fair values of the investment properties, which reflected market conditions as at the end of the year. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values. Accordingly, the valuation of investment properties is identified as a key audit matter.</p> <p>The accounting policies and disclosures for the investment properties are included in notes 2.4, 3 and 16 to the consolidated financial statements.</p>	<p>We have performed the following procedures to address the valuation of investment properties:</p> <ul style="list-style-type: none"> <li>(i) evaluated the competency, independence and objectivity of the external valuer, and assessed the valuation approach used by the external valuer;</li> <li>(ii) with the assistance of our internal valuation experts, assessed the reasonableness of the assumptions such as the capitalisation rate, vacancy rate and sale prices used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors;</li> <li>(iii) tested the accuracy of the property related data used as inputs for the valuations; and</li> <li>(iv) evaluated the adequacy of disclosures on the valuation of the investment properties.</li> </ul>

### Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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.

### Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine 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, the directors of the Company are 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 the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism 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 risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 disclosures 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.

We communicate with the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## Independent Auditors' Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong  
30 March 2022

# Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>REVENUE</b>	5	<b>15,054,693</b>	13,158,083
Cost of sales		<b>(12,146,556)</b>	(9,601,853)
Gross profit		<b>2,908,137</b>	3,556,230
Other income and gains	5	<b>157,831</b>	74,585
Selling and distribution expenses		<b>(933,430)</b>	(649,740)
Administrative expenses		<b>(651,426)</b>	(573,296)
Fair value gains/(losses) on investment properties		<b>2,000</b>	(49,276)
Other expenses		<b>(62,315)</b>	(22,975)
Finance costs	7	<b>(295,189)</b>	(306,540)
Share of profits and losses of:			
Joint ventures		<b>104,945</b>	(29,824)
Associates		<b>5,597</b>	17,196
<b>PROFIT BEFORE TAX</b>	6	<b>1,236,150</b>	2,016,360
Income tax expense	10	<b>(599,401)</b>	(955,792)
<b>PROFIT FOR THE YEAR</b>		<b>636,749</b>	1,060,568
Attributable to:			
Owners of the parent		<b>488,449</b>	860,311
Non-controlling interests		<b>148,300</b>	200,257
		<b>636,749</b>	1,060,568
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	12		
Basic and diluted			
— For profit for the year		<b>RMB0.48</b>	RMB1.12



# Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>636,749</b>	1,060,568
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>—</b>	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>636,749</b>	1,060,568
Attributable to:		
Owners of the parent	<b>488,449</b>	860,311
Non-controlling interests	<b>148,300</b>	200,257
	<b>636,749</b>	1,060,568

# Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	198,947	221,873
Investment properties	16	4,337,400	4,551,600
Right-of-use assets	15	45,576	51,794
Other intangible assets	14	23,210	18,268
Investments in joint ventures	17	718,626	577,807
Investments in associates	18	126,962	561,101
Deferred tax assets	19	1,191,999	983,633
Other non-current assets	26	223,106	223,382
Total non-current assets		6,865,826	7,189,458
<b>CURRENT ASSETS</b>			
Properties under development	21	39,768,610	38,657,280
Completed properties held for sale	22	3,792,932	2,900,193
Trade receivables	23	81,089	72,860
Prepayments, deposits and other receivables	24	5,475,248	3,001,028
Due from related companies	39	1,650,730	1,149,913
Financial assets at fair value through profit or loss	20	5,864	11,026
Other current assets	25	851,406	598,232
Tax recoverable		719,130	568,088
Restricted cash	27	778,618	1,602,975
Pledged deposits	27	147,168	144,855
Cash and cash equivalents	27	4,297,980	4,177,262
Total current assets		57,568,775	52,883,712
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	28	8,206,233	6,800,412
Other payables and accruals	29	4,844,210	5,789,398
Interest-bearing bank and other borrowings	31	3,232,482	4,090,066
Senior notes	32	950,991	—
Contract liabilities	30	25,557,106	21,592,955
Lease liabilities	15	2,703	6,220
Due to related companies	39	525,868	225,595
Tax payable	10	1,649,122	1,358,474
Total current liabilities		44,968,715	39,863,120

## Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>NET CURRENT ASSETS</b>		<b>12,600,060</b>	13,020,592
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>19,465,886</b>	20,210,050
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	31	7,785,172	10,167,291
Lease liabilities	15	3,517	4,824
Deferred tax liabilities	19	845,169	767,863
Total non-current liabilities		<b>8,633,858</b>	10,939,978
Net assets		<b>10,832,028</b>	9,270,072
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	33	8,670	8,446
Reserves	34	7,872,142	7,241,954
		<b>7,880,812</b>	7,250,400
Non-controlling interests		<b>2,951,216</b>	2,019,672
Total equity		<b>10,832,028</b>	9,270,072

**Mr. Liu Yuhui**  
Director

**Mr. Luo Changlin**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits	Other reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 33	note 34(a)	note 34(b)		note 34(c)					
As at 31 December 2020 and 1 January 2021	8,446	1,154,424	3,527,224	35,511	570,472	1,954,323	—	7,250,400	2,019,672	9,270,072
Total comprehensive income for the year	—	—	—	—	—	488,449	—	488,449	148,300	636,749
Issue of new shares	224	127,534	—	—	—	—	—	127,758	—	127,758
Share issue expenses	—	(2,566)	—	—	—	—	—	(2,566)	—	(2,566)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(141,212)	(141,212)
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	16,771	16,771	(48,771)	(32,000)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	872,757	872,757
Acquisition of subsidiaries that are not businesses	—	—	—	—	—	—	—	—	145,826	145,826
Appropriations to statutory surplus reserve	—	—	—	—	192,508	(192,508)	—	—	—	—
Distribution declared to non-controlling shareholders	—	—	—	—	—	—	—	—	(45,356)	(45,356)
As at 31 December 2021	8,670	1,279,392*	3,527,224*	35,511*	762,980*	2,250,264*	16,771*	7,880,812	2,951,216	10,832,028

## Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Note 34	Note 35(a)	Note 35(b)		Note 35(c)				
As at 31 December 2019 and 1 January 2020	1	—	3,527,224	35,511	413,744	1,250,740	5,227,220	832,527	6,059,747
Total comprehensive income for the year	—	—	—	—	—	860,311	860,311	200,257	1,060,568
Issue of new shares	2,112	1,200,024	—	—	—	—	1,202,136	—	1,202,136
Issue of ordinary shares upon capitalisation	6,333	(6,333)	—	—	—	—	—	—	—
Share issue expenses	—	(39,267)	—	—	—	—	(39,267)	—	(39,267)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	1,129,066	1,129,066
Acquisition of subsidiaries that are not businesses	—	—	—	—	—	—	—	13,471	13,471
Appropriations to statutory surplus reserve	—	—	—	—	156,728	(156,728)	—	—	—
Distribution declared to non-controlling shareholders	—	—	—	—	—	—	—	(155,649)	(155,649)
As at 31 December 2020	<u>8,446</u>	<u>1,154,424*</u>	<u>3,527,224*</u>	<u>35,511*</u>	<u>570,472*</u>	<u>1,954,323*</u>	<u>7,250,400</u>	<u>2,019,672</u>	<u>9,270,072</u>

\* These reserve accounts comprise the consolidated reserves of RMB7,872,142,000 (2020: RMB7,241,954,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax:		<b>1,236,150</b>	2,016,360
Adjustments for:			
Depreciation of items of property, plant and equipment	6, 13	<b>34,250</b>	31,956
Depreciation of right-of-use assets	6, 15	<b>6,218</b>	6,511
Amortisation of other intangible assets	6, 14	<b>4,318</b>	2,253
Finance costs	7	<b>295,189</b>	306,540
Gains on disposal of items of property, plant and equipment	5, 6	<b>(1,255)</b>	—
Gain on disposal of investment properties	5	<b>(29,337)</b>	—
Share of profits and losses of joint ventures and associates		<b>(110,542)</b>	12,628
Gain on disposal of a subsidiary	5	<b>(8,688)</b>	—
Impairment losses recognised		<b>24,139</b>	—
Impairment losses written off for completed properties held for sale	6, 22	<b>(1,699)</b>	(18,441)
Changes in fair value of investment properties	16	<b>(2,000)</b>	49,276
Interest income	6	<b>(55,470)</b>	(21,472)
Increase in properties under development and completed properties held for sale		<b>(1,125,449)</b>	(5,919,472)
Increase in other current assets		<b>(253,173)</b>	(487,681)
Decrease/(increase) in amounts due from related companies		<b>16,259</b>	(20,427)
Decrease in restricted cash		<b>824,357</b>	34,467
(Increase)/decrease in pledged deposits	27	<b>(2,313)</b>	13,618
Increase in trade receivables		<b>(8,229)</b>	(12,072)
(Increase)/decrease in prepayments and other receivables		<b>(522,738)</b>	122,383
Increase in trade and bills payables		<b>1,602,603</b>	2,493,451
Decrease in other payables and accruals		<b>(208,122)</b>	(1,261,619)
Increase in contract liabilities		<b>4,656,287</b>	5,366,788
Increase/(decrease) in amounts due to related companies		<b>48,275</b>	(18,792)
Cash generated from operations		<b>6,419,031</b>	2,696,255
Interest received		<b>55,470</b>	21,472
Tax paid		<b>(952,106)</b>	(988,666)
Net cash flows generate from operating activities		<b>5,522,395</b>	1,729,061



## Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Disposal of subsidiaries		51,962	—
Proceeds from disposal of items of property, plant and equipment	13	2,067	3
Proceeds from disposal of investment properties	16	245,537	—
Purchases of items of property, plant and equipment	13	(10,071)	(15,610)
Purchases of intangible assets	14	(9,260)	(7,833)
Acquisition of subsidiaries that are not businesses		(525,619)	(1,433,100)
Acquisition of joint ventures and associates	17, 18	(153,708)	(472,918)
Dividend received from an associate		11,270	—
Recovery of capital injection from associates		553,700	—
Purchases of financial assets at fair value through profit or loss		(2,700)	(11,026)
Disposals of financial assets at fair value through profit or loss		7,862	2,000
Advances to related companies		—	(2,935,386)
Repayment of advances to related companies		—	2,935,386
Increase in loans to joint ventures and associates		(265,076)	(429,153)
Advances to third parties		(5,087,712)	(3,084,650)
Repayment of advances to third parties		2,840,870	2,286,530
Net cash flows used in investing activities		<b>(2,340,878)</b>	<b>(3,165,757)</b>
<b>CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		127,758	1,202,136
Share issue expenses		(2,566)	(39,267)
Payments of lease liabilities		(5,251)	(5,561)
Capital contribution by the non-controlling shareholders		872,757	1,129,066
Acquisition of additional interests in subsidiaries		(32,000)	—
Advances from related companies		—	28,383
Repayment of advances from related companies		—	(481,322)
Advances from third parties		2,247,031	3,679,397
Repayment of advances from third parties		(3,237,227)	(1,083,006)
Proceeds from issue of senior notes		953,329	—
New interest-bearing bank and other borrowings raised		4,697,000	9,316,177
Repayment of interest-bearing bank and other borrowings		(7,319,501)	(7,997,878)
Interest paid		(1,316,773)	(1,360,160)
Distribution paid to non-controlling shareholders		(45,356)	(155,649)
Net cash flows(used in)/from financing activities		<b>(3,060,799)</b>	<b>4,232,316</b>

## Consolidated Statement of Cash Flows

Year ended 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>120,718</b>	2,795,620
Cash and cash equivalents at beginning of year		<b>4,177,262</b>	1,381,642
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>4,297,980</b>	4,177,262
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	27	<b>5,223,766</b>	5,925,092
Less: Restricted cash	27	<b>778,618</b>	1,602,975
Pledged deposits	27	<b>147,168</b>	144,855
Cash and cash equivalents as stated in the statement of cash flows		<b>4,297,980</b>	4,177,262

# Notes to the Financial Statements

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION

Leading Holdings Group limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- Property development
- Commercial property investment and operations
- Hotel operations

The ultimate controlling shareholders of the Company are Mr. Liu Yuhui, Mr. Liu Ce, Mr. Liu Haowei, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli (the “Controlling Shareholders”).

In the opinion of the directors, the investment holding companies of the Company are Yuan Di Capital Limited, Fan Tai Investment Holding Limited, Yue Lai Investment Limited, Jin Sha Jiang Holding Limited, Ling Yue Capital Holding Limited, Lian Rong Capital Limited, San Jiang Yuan Investment Limited, Fu Sheng Capital Limited and Shan Yuan Holdings Limited, which are incorporated in the British Virgin Islands with limited liability, and controlled by the Controlling Shareholders.

### Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Directly held:</b>				
Leading Group Investment Limited	British Virgin Islands	USD50,000	100%	Investment holding
Du Neng Investment Limited	British Virgin Islands	USD50,000	100%	Investment holding
<b>Indirectly held:</b>				
領地香港有限公司 Leading Hong Kong Holdings Ltd.	Hong Kong	HKD10,000	100%	Investment holding
Du Neng Capital Limited	Hong Kong	HKD10,000	100%	Investment holding

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
成都蠶達企業管理有限公司 Chengdu Xida Enterprise Management Co., Ltd. ("Chengdu Xida")	People's Republic of China ("PRC")/Mainland China	USD200,000,000	100%	Investment holding
成都恒禧企業管理諮詢有限公司 Chengdu Hengxi Business Management Co., Ltd. ("Chengdu Hengxi")	PRC/Mainland China	RMB1,500,000,000	100%	Investment holding
領地集團有限公司 Leading Real Estate Group Co., Ltd.	PRC/Mainland China	RMB3,390,000,000	100%	Property development
成都漢景實業有限公司 Chengdu Hanjing Industrial Co., Ltd.	PRC/Mainland China	RMB535,000,000	100%	Property development
成都領跑房地產開發有限公司 Chengdu Lingpao Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000,000	70%	Property development
成都新隆置業有限公司 Chengdu Xinlong Real Estate Co., Ltd.	PRC/Mainland China	RMB440,000,000	99.4%	Property development
惠州領地房地產開發有限公司 Huizhou Leading Real Estate Development Co., Ltd.	PRC/Mainland China	RMB100,000,000	100%	Property development
汕尾市領地房地產開發有限公司 Shanwei City Leading Real Estate Development Co., Ltd.	PRC/Mainland China	RMB20,408,200	100%	Property development
吉林省領地房地產開發有限公司 Jilin Province Leading Real Estate Development Co., Ltd. ("Jilin Leading")	PRC/Mainland China	RMB200,000,000	55%	Property development

**1. CORPORATE AND GROUP INFORMATION** (Continued)**Information about subsidiaries** (Continued)

<b>Subsidiaries</b>	<b>Place and date of incorporation/ establishment and place of operations</b>	<b>Nominal value of registered share capital</b>	<b>Percentage of equity interest attributable to the Company</b>	<b>Principal activities</b>
綿陽市宇航數碼科技有限公司 Mianyang Yuhang Shuma Technology Co., Ltd.	PRC/Mainland China	RMB68,880,000	100%	Technology development
雅安新領域房地產開發有限 公司 Yaan Xinlingyu Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000,000	100%	Property development
樂山領悅房地產開發有限公司 Leshan Lingyue Real Estate Co., Ltd.	PRC/Mainland China	RMB8,000,000	60%	Property development
樂山華瑞房地產開發有限公司 Leshan Huarui Real Estate Development Co., Ltd.	PRC/Mainland China	RMB80,000,000	70%	Property development
西昌恒量房地產開發有限公司 Xichang Hengliang Leading Real Estate Development Co., Ltd.	PRC/Mainland China	RMB25,000,000	80%	Property development
駐馬店盛世匯通房地產開發有限 公司 Zhumadian Shengshihuitong Real Estate Development Co., Ltd.	PRC/Mainland China	RMB40,000,000	70%	Property development
西藏陸地實業有限公司 Xizang Ludi Real Estate Development Co., Ltd.	PRC/Mainland China	RMB10,000,000	100%	Property development
雅安金宏房地產開發有限公司 Yaan Jinhong Real Estate Development Co., Ltd.	PRC/Mainland China	RMB41,000,000	51%	Property development
重慶泛太房地產開發有限公司 Chongqing Fantai Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000,000	100%	Property development

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
眉山華瑞宏大置業有限公司 Meishan Huarui Honda Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000,000	55%	Property development
攀枝花領悅房地產開發有限公司 Panzhihua Lingyue Real Estate Development Co., Ltd.	PRC/Mainland China	RMB250,000,000	100%	Property development
荊州領悅房地產開發有限公司 Jingzhou Lingyue Real Estate	PRC/Mainland China	RMB50,000,000	100%	Property development
西昌市海誠旅遊開發有限公司 Xichang Haicheng Tourism Development Co., Ltd.	PRC/Mainland China	RMB20,000,000	52.25%	Property development
新疆領地房地產開發有限公司 Xinjiang Leading Real Estate Development Co., Ltd.	PRC/Mainland China	RMB60,000,000	85%	Property development
新疆兆龍誠祥房地產開發有限公司 Xinjiang Zhaolong Chengxiang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000,000	95.25%	Property development
成都悅航房地產開發有限公司 Chengdu Yuehang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB192,469,300	100%	Property development
荊州領創房地產開發有限公司 Jingzhou Lingchuang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB50,000,000	100%	Property development
綿陽鴻遠領悅房地產開發有限公司 Mianyang Hongyuan Lingyue Real Estate Development Co., Ltd. ("Mianyang Hongyuan")	PRC/Mainland China	RMB20,000,000	50%	Property development



**1. CORPORATE AND GROUP INFORMATION** (Continued)**Information about subsidiaries** (Continued)

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
新疆民佰房地產開發有限公司 Xinjiang Minbai Real Estate Development Co., Ltd.	PRC/Mainland China	RMB224,960,000	100%	Property development
庫爾勒領創房地產開發有限公司 Korla Lingchuang Real Estate Development Co., Ltd.	PRC/Mainland China	RMB60,000,000	100%	Property development
成都港基房地產開發有限公司 Chengdu Gangji Real Estate Development Co., Ltd.	PRC/Mainland China	RMB83,485,321	100%	Property development

*Note 1:* As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority of voting power and the existing rights of those companies to direct the relevant activities, including but not limited to the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate their Chinese names as they do not have an official English name. The legal form of all the principal subsidiaries disclosed above are limited liability companies.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group 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 (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses 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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRS are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in RMB and foreign currencies based on the Inter Bank Offered Rate as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 45 to the financial statements.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the COVID-19 pandemic for the period ended 31 December 2021.

**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** (Continued)

(b) (Continued)

The Group has changed its accounting policy for the classification of the interest paid in the consolidated statement of cash flows. In prior periods, interest paid was classified as cash flows from operating activities, whereas interest paid is now classified as cash flows from financing activities (the "Policy Change"). In the opinion of the directors of the Company, it is more appropriate to classify all cash flows in respect of the Group's borrowings, as cash flows from financing activities in the consolidated statement of cash flows to reflect the nature of the cash flows associated with the Group's borrowings, including the interest paid as a cost of financing, and it will provide more relevant information about the cash flows associated with the borrowings. The directors are also of the opinion that such classification and presentation will provide greater comparability with other industry peers of the Group. The comparative amounts have been restated accordingly.

	<b>2021</b> <b>(Decrease)/</b> <b>increase</b> <b>RMB'000</b>	2020 (Decrease)/ increase <i>RMB'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest paid	<b>1,316,773</b>	1,360,160
Increase in cash flows related to operating activities	<b>1,316,773</b>	1,360,160
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	<b>(1,316,773)</b>	(1,360,160)
Decrease in cash flows related to financing activities	<b>(1,316,773)</b>	(1,360,160)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>—</b>	—

The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss, comprehensive income, financial position and changes in equity.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>2,4</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
<i>Amendments to IAS 16</i>	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract<sup>1</sup></i>
<i>Annual Improvements to IFRS Standards 2018–2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits issuer to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023



### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments in associates and joint ventures (Continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill (Continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Business combinations and goodwill** (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

#### **Fair value measurement**

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, 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 groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group itself is such a plan) and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Hotel properties	4.75%
Motor vehicles	19.00%
Office equipment and electronic devices	19.00%–31.67%
Leasehold improvements	Over the shorter of the lease terms and 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

#### Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless they will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Completed properties held for sale**

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

### **Allocation of property development cost**

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

### **Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### ***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**Leases** (Continued)**Group as a lessee** (Continued)*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use right	40 years
Leased properties	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### Group as a lessee (Continued)

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Investments and other financial assets** (Continued)

#### **Initial recognition and measurement** (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### **Subsequent measurement**

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

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### **Subsequent measurement** (Continued)

*Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### **General approach**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment of financial assets (Continued)

##### **Simplified approach**

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

#### Financial liabilities

##### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payable, other payables and accruals, financial guarantee contracts, lease liabilities, amounts due to related companies and interest-bearing and other borrowings.

##### **Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial liabilities** (Continued)

#### **Subsequent measurement** (Continued)

##### *Financial liabilities at fair value through profit or loss* (Continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

##### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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 effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

### **Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

### **Senior notes**

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Financial liabilities** (Continued)

##### **Senior notes** (Continued)

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

##### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

##### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

##### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred 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 for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Income tax** (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

#### **Revenue recognition**

##### ***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### **Revenue from contracts with customers** (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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

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

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

#### **Sale of properties**

Revenue from the sale of properties is recognised over time when the Group's performance under the sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue from the sale of properties is recognised at a point in time when the purchaser obtains control of the asset.

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

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Revenue recognition** (Continued)

##### ***Sale of properties*** (Continued)

For a property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of the financing component if it is significant.

##### ***Project Management***

The Group provides management services to its customers at a fixed or variable amount. If the consideration is variable, revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The Group recognises revenue from management services over a period of time where the customer simultaneously receives and consumes the benefits provided by the Group or the Group has an enforceable right to payments for performance completed to date and the performance does not create an asset with an alternative use.

##### ***Hotel operation***

Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognised at the point in time when the services are rendered.

##### ***Revenue from other sources***

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

##### ***Other income***

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

##### ***Contract liabilities***

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Employee benefits

#### *Pension scheme*

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain portion of these payroll costs to the central pension scheme. The only obligation of the Company with respect to the central pension scheme is to make the required contributions. No forfeited contribution under the central pension scheme is available to reduce the contribution payable in future years. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### *Dividends*

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. The Board has resolved not to declare any dividend for the year ended 31 December 2021.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### *Foreign currencies*

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### **Revenue recognition**

Revenue from the sale of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer, and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of the sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.

In assessing whether the Group has an enforceable right to payment for its sales contract, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for the sales contract.

#### **Property lease classification – Group as lessor**

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.



### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Judgements (Continued)

##### ***Classification between investment properties and owner-occupied properties***

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation, or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

##### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

##### ***Revenue recognition***

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on the type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information, including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can affect the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

##### ***Provision for properties under development and completed properties held for sale***

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### **Estimation uncertainty** (Continued)

##### ***Provision for properties under development and completed properties held for sale*** (Continued)

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

##### ***Significant financing component***

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed by the parties to the contract provides the Group with a significant benefit of financing.

Advance payments received from customers provides a significant financing benefit to the Group. Although the Group is required to place all deposits and periodic payments received from the pre-completion sales in a stakeholder's account, the Group is able to benefit from those advance payments as it can withdraw money from that account to pay for the expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers.

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

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

##### ***PRC corporate income tax ("CIT")***

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty (Continued)

##### **Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal 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. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

##### **Estimation of fair value of investment properties**

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2021 was RMB4,337,400,000 (2020: RMB4,551,600,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 16 to the financial statements.

##### **Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 19 to the financial statements.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- |  |  |
|--|--|
| (a) Property development;                          | Development and sale of properties<br>and project management |
| (b) Commercial property investment and operations; | Property leasing   |
| (c) Hotel operations.                              | Hotel operations   |

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The Group's operations are mainly conducted in Mainland China. Management considered that there is no reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

## Notes to the Financial Statements

31 December 2021

### 4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2021	Property development RMB'000	Commercial property investment and operations RMB'000	Hotel operations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	14,901,045	104,446	49,202	15,054,693
Segment results	1,673,304	73,513	18,585	1,765,402
<i>Reconciliation:</i>				
Interest income				28,621
Finance costs				(295,189)
Corporate and other unallocated expenses				(262,684)
Profit before tax from continuing operations				1,236,150
<b>Segment assets</b>	<b>58,257,837</b>	<b>5,996,888</b>	<b>132,598</b>	<b>64,387,323</b>
<i>Reconciliation:</i>				
Corporate and other unallocated assets				47,278
Total assets				64,434,601
<b>Segment liabilities</b>	<b>49,162,351</b>	<b>4,235,211</b>	<b>182,625</b>	<b>53,580,187</b>
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				22,386
Total liabilities				53,602,573
Year ended 31 December 2020	Property development RMB'000	Commercial property investment and operations RMB'000	Hotel operations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	13,032,493	84,396	41,194	13,158,083
Segment results	2,500,076	254	13,478	2,513,808
<i>Reconciliation:</i>				
Interest income				18,859
Finance costs				(306,540)
Corporate and other unallocated expenses				(209,767)
Profit before tax from continuing operations				2,016,360
<b>Segment assets</b>	<b>53,564,568</b>	<b>6,066,106</b>	<b>256,747</b>	<b>59,887,421</b>
<i>Reconciliation:</i>				
Corporate and other unallocated assets				185,749
Total assets				60,073,170
<b>Segment liabilities</b>	<b>45,941,981</b>	<b>4,544,342</b>	<b>297,906</b>	<b>50,784,229</b>
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				18,869
Total liabilities				50,803,098

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
<i>Revenue from contracts with customers</i>		
Sale of properties	14,896,948	13,027,945
Hotel operations	49,202	41,194
Project management	4,097	4,548
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases	104,446	84,396
	<b>15,054,693</b>	<b>13,158,083</b>

### Revenue from contracts with customers

#### (a) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Property development RMB'000	Project management operations RMB'000	Hotel operations RMB'000	Total RMB'000
<b>Types of goods or services</b>				
Sale of properties	14,896,948	—	—	14,896,948
Hotel operations	—	—	49,202	49,202
Project management services	—	4,097	—	4,097
Total revenue from contracts with customers	<b>14,896,948</b>	<b>4,097</b>	<b>49,202</b>	<b>14,950,247</b>
<b>Timing of revenue recognition</b>				
Sale of properties transferred at a point in time	13,145,846	—	—	13,145,846
Sale of properties transferred over time	1,751,102	—	—	1,751,102
Services transferred over time	—	4,097	49,202	53,299
Total revenue from contracts with customers	<b>14,896,948</b>	<b>4,097</b>	<b>49,202</b>	<b>14,950,247</b>

**5. REVENUE, OTHER INCOME AND GAINS** (Continued)**Revenue from contracts with customers** (Continued)**(a) Disaggregated revenue information** (Continued)**For the year ended 31 December 2020**

Segments	Property development <i>RMB'000</i>	Commercial property investment and operations <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Types of goods or services</b>				
Sale of properties	13,027,945	—	—	13,027,945
Hotel operations	—	—	41,194	41,194
Project management services	—	4,548	—	4,548
Total revenue from contracts with customers	<u>13,027,945</u>	<u>4,548</u>	<u>41,194</u>	<u>13,073,687</u>
<b>Timing of revenue recognition</b>				
Sale of properties transferred at a point in time	10,928,118	—	—	10,928,118
Sale of properties transferred over time	2,099,827	—	—	2,099,827
Services transferred over time	—	4,548	41,194	45,742
Total revenue from contracts with customers	<u>13,027,945</u>	<u>4,548</u>	<u>41,194</u>	<u>13,073,687</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	<u>9,445,773</u>	<u>8,563,407</u>



## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

#### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

##### *Sale of properties*

For property sales contracts, the Group receives payments from customers based on billing schedules as established in the contracts. Payments are usually received in advance of the performance under the contracts.

##### *Hotel operations*

The performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the service.

##### *Property management services*

The performance obligation is satisfied over time as services are rendered and short-term advances are sometimes required before rendering the service. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Amounts expected to be recognised as revenue		
Within one year	<b>18,703,556</b>	15,035,861
After one year	<b>6,791,963</b>	7,612,850
	<b>25,495,519</b>	22,648,711

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties that is to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

**5. REVENUE, OTHER INCOME AND GAINS** (Continued)**Revenue from contracts with customers** (Continued)**(b) Performance obligations** (Continued)

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Other income and gains</b>		
Bank interest income	<b>28,621</b>	18,859
Interest income from associates and joint ventures (note 39)	<b>15,512</b>	2,613
Interest income from third parties	<b>11,337</b>	—
Management consulting service fees charged to joint ventures and associates (note 39)	<b>9,117</b>	29,321
Government grants	<b>5,232</b>	13,336
Commercial compensation	<b>29,963</b>	6,757
Gain on disposal of items of property, plant and equipment	<b>1,255</b>	—
Gain arising on disposal of investment properties	<b>29,337</b>	—
Gain arising on disposal of a subsidiary	<b>8,688</b>	—
Foreign exchange differences, net	<b>12,348</b>	—
Others	<b>6,421</b>	3,699
	<b>157,831</b>	74,585

## 6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Cost of properties sold	22	<b>12,060,567</b>	9,555,460
Cost of hotel operations	22	<b>30,617</b>	27,716
Impairment losses recognised for completed properties held for sale	22	<b>24,139</b>	—
Impairment losses written off for completed properties held for sale	22	<b>(1,699)</b>	(18,441)
Depreciation of items of property, plant and equipment	13	<b>34,250</b>	31,956
Amortisation of other intangible assets	14	<b>4,319</b>	2,253
Amortisation of right-of-use assets	15	<b>6,218</b>	6,511
Gain on disposal of items of property, plant and equipment	5	<b>(1,255)</b>	—
Lease payments not included in the measurement of lease liabilities	15(b)	<b>5,735</b>	6,315
Auditor's remuneration		<b>3,800</b>	5,295
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		<b>377,695</b>	343,131
Pension scheme contributions and social welfare		<b>33,859</b>	33,868

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Interest on bank loans and other loans	<b>1,308,324</b>	1,364,258
Interest on pre-sales deposits	<b>900,683</b>	828,500
Total interest expense on financial liabilities not at fair value through profit or loss	<b>2,209,007</b>	2,192,758
Less: Interest capitalised	<b>(1,913,818)</b>	(1,886,218)
	<b>295,189</b>	306,540

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Fees	<b>90</b>	114
Other emoluments:		
Salaries, allowances and benefits in kind	<b>2,233</b>	2,055
Performance-related bonuses*	<b>1,155</b>	1,360
Pension scheme contributions and social welfare	<b>276</b>	146
	<b>4,564</b>	3,675

\* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

### (a) Independent non-executive directors

Mr. Fang Min, Ms. Jin Xu and Ms. Liang Yunxing were appointed as independent non-executive directors of the Company on 16 November 2020.

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Mr. Fang Min	<b>30</b>	38
Ms. Jin Xu	<b>30</b>	38
Ms. Liang Yunxing	<b>30</b>	38
	<b>90</b>	114

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION** (Continued)**(b) Executive directors and the chief executive****2021**

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance- related bonuses <i>RMB'000</i>	Pension scheme contributions and social welfare <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive directors:					
— Mr. Liu Yuhui	—	456	—	69	525
— Mr. Luo Changlin	—	602	576	69	1,247
— Ms. Zeng Xurong	—	573	281	69	923
— Ms. Hou Xiaoping	—	602	298	69	969
	—	2,233	1,155	276	3,664

**2020**

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance- related bonuses <i>RMB'000</i>	Pension scheme contributions and social welfare <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive directors:					
— Mr. Liu Yuhui	—	456	—	36	492
— Mr. Luo Changlin	—	565	555	38	1,158
— Ms. Zeng Xurong	—	496	335	36	867
— Ms. Hou Xiaoping	—	538	470	36	1,044
	—	2,055	1,360	146	3,561

Mr. Liu Yuhui is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included nil directors (2020: nil directors). Details of directors' remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining five (2020: five) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, allowances and benefits in kind	<b>4,828</b>	3,634
Performance-related bonuses	<b>2,261</b>	4,015
Pension and social welfare	<b>346</b>	182
	<b>7,435</b>	7,831

The remuneration of the non-director and non-chief executive highest paid employee fell within the following bands as follows:

	<b>Number of employees</b>	
	<b>2021</b>	2020
Nil to HKD1,000,000	—	—
HKD1,000,001 to HKD1,500,000	—	—
HKD1,500,001 to HKD2,000,000	<b>4</b>	4
HKD2,000,001 to HKD2,500,000	<b>1</b>	1
	<b>5</b>	5

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2021.

Subsidiaries of the Group operating in Mainland China, except for Tibet Ludi Industrial Co., Ltd. ("Tibet Ludi") and Tibet Hengliang Industrial, Co., Ltd. ("Tibet Hengliang"), are subject to PRC corporate income tax at a rate of 25% for the year. Tibet Ludi and Tibet Hengliang enjoyed a preferential CIT rate of 15% during the year ended December 2021.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
PRC corporate income tax	554,516	695,307
PRC LAT	221,277	493,220
Deferred tax ( <i>note 19</i> )	<u>(176,392)</u>	<u>(232,735)</u>
Total tax charge for the year	<u>599,401</u>	<u>955,792</u>



## Notes to the Financial Statements

31 December 2021

### 10. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate is follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	<b>1,236,150</b>	2,016,360
At the statutory income tax rate	<b>309,038</b>	504,090
Lower tax rate(s) for specific provinces or enacted by local authority	<b>4,163</b>	(223)
Profits and losses attributable to joint ventures and an associate	<b>(27,636)</b>	3,157
Expenses and cost not deductible for tax	<b>80,707</b>	57,826
Deductible temporary differences utilised from previous years	<b>(4,785)</b>	(5,283)
Deductible temporary differences and tax losses not recognised	<b>71,956</b>	26,310
Provision for LAT	<b>221,277</b>	493,220
Tax effect on LAT	<b>(55,319)</b>	(123,305)
Tax charge at the Group's effective rate	<b>599,401</b>	955,792

Tax payable in the consolidated statement of financial position represents the following:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Tax payable		
PRC corporate income tax	<b>899,007</b>	658,922
PRC LAT	<b>750,115</b>	699,552
Total tax payable	<b>1,649,122</b>	1,358,474

## 11. DIVIDENDS

The Board proposed no final dividend for the year ended 31 December 2021 (2020: Nil).

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,026,575,890 (2020: 765,027,322) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculations of basic and diluted earnings per share are based on:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>488,449</b>	860,311
	<b>Number of shares</b>	
	2021	2020
<b>Shares</b>		
Issue of shares on 15 July 2019	<b>1</b>	1
Issue of shares on 25 September 2019	<b>9,999</b>	9,999
Issue of shares on 31 December 2019	<b>50,000</b>	50,000
Issue of shares on 10 December 2020	<b>999,940,000</b>	999,940,000
Issue of shares on 6 January 2021	<b>26,945,000</b>	—
Shares issued at year end	<b>1,026,945,000</b>	1,000,000,000
Number of ordinary shares used in the basic earnings per share calculation	<b>1,026,575,890</b>	765,027,322

## 13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Buildings RMB'000	Hotel properties RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>31 December 2021</b>						
At 31 December 2020 and 1 January 2021:						
Cost	53,011	52,304	63,992	111,600	86,978	367,885
Accumulated depreciation	(43,679)	(37,527)	(13,815)	(10,602)	(40,389)	(146,012)
Net carrying amount	9,332	14,777	50,177	100,998	46,589	221,873
At 1 January 2021, net of accumulated depreciation	9,332	14,777	50,177	100,998	46,589	221,873
Additions	2,976	2,541	—	—	4,554	10,071
Disposal of a subsidiary	—	(12)	—	—	—	(12)
Acquisition of subsidiaries that are not businesses	—	81	—	—	1,996	2,077
Disposals	(737)	(75)	—	—	—	(812)
Depreciation provided during the year	(3,523)	(5,318)	(3,502)	(5,301)	(16,606)	(34,250)
At 31 December 2021, net of accumulated depreciation	8,048	11,994	46,675	95,697	36,533	198,947
At 31 December 2021:						
Cost	55,250	54,839	63,992	111,600	93,528	379,209
Accumulated depreciation	(47,202)	(42,845)	(17,317)	(15,903)	(56,995)	(180,262)
Net carrying amount	8,048	11,994	46,675	95,697	36,533	198,947

**13. PROPERTY, PLANT AND EQUIPMENT** (Continued)

	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Buildings RMB'000	Hotel properties RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2020</b>							
At 31 December 2019 and 1 January 2020:							
Cost	47,971	47,622	61,583	111,600	80,908	435	350,119
Accumulated depreciation	(41,782)	(32,494)	(10,945)	(5,301)	(23,534)	—	(114,056)
Net carrying amount	6,189	15,128	50,638	106,299	57,374	435	236,063
At 1 January 2020, net of accumulated depreciation	6,189	15,128	50,638	106,299	57,374	435	236,063
Additions	4,888	4,652	—	—	6,070	—	15,610
Acquisition of subsidiaries that are not businesses	155	30	1,974	—	—	—	2,159
Disposals	(3)	—	—	—	—	—	(3)
Transfers from construction in progress	—	—	435	—	—	(435)	—
Depreciation provided during the year	(1,897)	(5,033)	(2,870)	(5,301)	(16,855)	—	(31,956)
At 31 December 2020, net of accumulated depreciation	9,332	14,777	50,177	100,998	46,589	—	221,873
At 31 December 2020:							
Cost	53,011	52,304	63,992	111,600	86,978	—	367,885
Accumulated depreciation	(43,679)	(37,527)	(13,815)	(10,602)	(40,389)	—	(146,012)
Net carrying amount	9,332	14,777	50,177	100,998	46,589	—	221,873

As at 31 December 2021, certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB95,697 (2020: 100,998,000) have been pledged to secure bank and other borrowings granted to the Group (note 31).

**14. INTANGIBLE ASSETS**

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January		
Cost	<b>28,074</b>	20,241
Accumulated amortisation	<b>(9,806)</b>	(7,553)
Cost at 1 January, net of accumulated amortisation	<b>18,268</b>	12,688
Additions	<b>9,260</b>	7,833
Amortisation provided during the year	<b>(4,318)</b>	(2,253)
At 31 December	<b>23,210</b>	18,268
Cost	<b>37,335</b>	28,074
Accumulated amortisation	<b>(14,125)</b>	(9,806)
Net carrying amount	<b>23,210</b>	18,268

**15. LEASES****The Group as a lessee**

The Group has lease contracts for various items of office properties and office equipment used in its operations. Leases of office properties generally have lease terms between one and five years, while office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

**(a) Right-of-use assets**

The recognised right-of-use assets relate to the following types of assets:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Land use right	<b>39,727</b>	41,241
Leased properties	<b>5,849</b>	10,553
Total right-of-use assets	<b>45,576</b>	51,794

The land use right is held for self-use. The Group has lease contracts for office buildings. The lease term is one to five years. Amortisation expenses have been charged to administrative expenses and cost of sales.

**15. LEASES** (Continued)**The Group as a lessee** (Continued)**(a) Right-of-use assets** (Continued)

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Land use right</b>		
Carrying amount at the beginning of the year	<b>41,241</b>	42,756
Depreciation provided during the year	<b>(1,514)</b>	(1,515)
Carrying amount at the end of the year	<b>39,727</b>	41,241

Part of the Group's land use right with an aggregate carrying amount of approximately RMB18,320,000 as at 31 December 2021 (2020: 19,021,000) has been pledged to secure bank and other borrowings granted to the Group (note 31).

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Leased properties</b>		
Carrying amount at the beginning of the year	<b>10,553</b>	13,900
Additions	—	1,649
Depreciation provided during the year	<b>(4,704)</b>	(4,996)
Carrying amount at the end of the year	<b>5,849</b>	10,553

**15. LEASES** (Continued)**The Group as a lessee** (Continued)**(b) Lease liabilities**

The carrying amounts of lease liabilities and the movements during the year are as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Lease liabilities</b>		
Carrying amount at the beginning of the year	<b>11,044</b>	14,289
New leases	<b>—</b>	1,649
Accretion of interest recognised during the year	<b>427</b>	667
Payments	<b>(5,251)</b>	(5,561)
Carrying amount at the end of the year	<b>6,220</b>	11,044
Analysed into:		
Current portion	<b>2,703</b>	6,220
Non-current portion	<b>3,517</b>	4,824

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

**(c)** The amounts recognised in profit or loss in relation to leases are as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on lease liabilities	<b>427</b>	667
Depreciation charge of right-of-use assets	<b>4,704</b>	6,511
Expense relating to short-term leases	<b>5,735</b>	6,315
Total amount recognised in profit or loss	<b>10,866</b>	13,493

**(d)** The total cash outflows for leases are disclosed in note 35(c) to the financial statements.



**15. LEASES** (Continued)**The Group as a lessor**

The Group leases its investment properties (note 16) consisting of three commercial properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. As at the 31 December 2021, rental income recognised by the Group during the year was RMB104,446,000 (31 December 2020: RMB84,396,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year	<b>123,994</b>	95,238
In the second to fifth years, inclusive	<b>296,741</b>	302,005
After five years	<b>98,643</b>	104,558
	<b>519,378</b>	501,801

**16. INVESTMENT PROPERTIES**

	<b>Completed</b> <i>RMB'000</i>
Carrying amount at 1 January 2020	4,580,800
Disposal	(14,124)
Acquisition of a subsidiary	34,200
Net loss from a fair value adjustment	(49,276)
Carrying amount at 31 December 2020 and 1 January 2021	4,551,600
Disposal	<b>(216,200)</b>
Net gain from a fair value adjustment	<b>2,000</b>
Carrying amount at 31 December 2021	<b>4,337,400</b>

**16. INVESTMENT PROPERTIES** (Continued)

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 31 December 2021 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB4,337,400,000 (2020: RMB4,551,600,000). The Group's senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Certain of the Group's investment properties with an aggregate carrying amounts of approximately RMB1,465,979,000 as at 31 December 2021 (2020: RMB1,380,627,000) have been pledged to secure bank and other borrowings granted to the Group (note 31).

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Recurring fair value measurement for	Fair value measurement as at 31 December 2020 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Commercial properties Completed	—	—	4,551,600	4,551,600

Recurring fair value measurement for	Fair value measurement as at 31 December 2021 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Commercial properties Completed	—	—	4,337,400	4,337,400

## 16. INVESTMENT PROPERTIES (Continued)

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2021	2020
Completed investment	Income capitalization method	Estimated rental value (RMB per sq.m. and per month)	<b>34-460</b>	48-500
		Capitalisation rate	<b>5.0%-5.50%</b>	5.0%-5.50%

The fair value of completed investment properties is determined by the income capitalisation method by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of investment properties under construction is determined by using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

- Estimated construction cost to be expensed to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated profit margin, the lower is the fair value of the investment properties under construction.

## 17. INVESTMENTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Share of net assets	718,626	577,807

The Group's trade and other receivable and payable balances with joint ventures are disclosed in note 39 to the financial statements.

## (a) Particulars of the Group's joint ventures

Name of company	Place and date of registration	Paid-in capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
四川省瑞與祥房地產開發有限公司 Sichuan Ruiyuxiang Real Estate Development Co., Ltd. ("Sichuan Ruiyuxiang")	E'meishan, PRC 14 January 2014	10,000	61.2% (note i) (note (b))	Property development
樂山恒邦置業發展有限公司 Leshan Hengbang Real Estate Development Co., Ltd. ("Leshan Hengbang")	Leshan, PRC 4 January 2010	50,000	48% (note ii) (note (b))	Property development

*Note i:* Sichuan Ruiyuxiang had two shareholders holding 61.2% and 38.8% equity interests, respectively. Pursuant to the articles of association of Sichuan Ruiyuxiang, all shareholders' resolutions of Sichuan Ruiyuxiang shall be resolved by the two shareholders on a unanimous basis. In light of this requirement, Sichuan Ruiyuxiang is accounted for as a joint venture of the Company notwithstanding that the Company held a 61.2% equity interest during the reporting period.

*Note ii:* Leshan Hengbang had two shareholders holding 52% and 48% equity interests, respectively. Pursuant to the articles of association of Leshan Hengbang, all shareholders' resolutions of Leshan Hengbang shall be resolved by the two shareholders on a unanimous basis. In light of this requirement, Leshan Hengbang is accounted for as a joint venture of the Company notwithstanding that the Company held a 48% equity interest during the reporting period.

**17. INVESTMENTS IN JOINT VENTURES** (Continued)

- (b) Sichuan Ruiyuxiang, which is considered as a material joint venture of the Group for the years ended 31 December 2020 and 2021, co-develops a property development project with another joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Sichuan Ruiyuxiang adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Current assets	<b>259,475</b>	367,040
Non-current assets	—	4,548
Current liabilities	<b>(131,683)</b>	(278,269)
Non-current liabilities	—	—
Net assets	<b>127,792</b>	93,319
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	<b>61.2%</b>	61.2%
The Group's share of net assets of the joint venture	<b>78,209</b>	57,111
Revenue	<b>186,160</b>	246
Expenses	<b>(133,685)</b>	(18,438)
Tax	<b>(18,002)</b>	4,548
Net profit/(loss) and total comprehensive income/(loss) for the year	<b>34,473</b>	(13,644)

**17. INVESTMENTS IN JOINT VENTURES** (Continued)**(b)** (Continued)

Leshan Hengbang, which is considered as a material joint venture of the Group for the years ended 31 December 2020 and 2021, co-develops a property development project with another joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Leshan Hengbang adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Current assets	<b>812,100</b>	1,230,671
Non-current assets	<b>636</b>	2,431
Current liabilities	<b>(444,314)</b>	(960,196)
Non-current liabilities	<b>—</b>	(155,000)
Net assets	<b>368,422</b>	117,906
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	<b>48%</b>	48%
The Group's share of net assets of the joint venture	<b>176,843</b>	56,595
Revenue	<b>935,654</b>	1,341
Expenses	<b>(546,293)</b>	(7,084)
Tax	<b>(138,844)</b>	1,689
Net profit/(loss) and total comprehensive income/(loss) for the year	<b>250,517</b>	(4,054)

**17. INVESTMENTS IN JOINT VENTURES** (Continued)

(c) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Share of the joint ventures' loss for the year	<b>(36,400)</b>	(19,528)
Share of the joint ventures' total comprehensive loss	<b>(36,400)</b>	(19,528)
Aggregate carrying amount of the Group's investments in the joint ventures	<b>463,574</b>	464,101

**18. INVESTMENTS IN ASSOCIATES**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Share of net assets	<b>126,962</b>	561,101

The Group's trade and other receivable and payable balances with associates are disclosed in note 39 to the financial statements.

**(a) Particulars of the Group's associates**

Name of company	Place and date of registration	Paid-in capital <i>RMB'000</i>	Percentage of ownership interest attributable to the Group	Principal activities
成都金凱盛瑞房地產開發有限公司 Chengdu Jinkaishengrui Real Estate Development Co., Ltd. ("Chengdu Jinkaishengrui") (note (b))	Chengdu, PRC 9 January 2018	150,000	49.00% (note (b))	Property development



**18. INVESTMENTS IN ASSOCIATES** (Continued)

- (b) Chengdu Jinkaishengrui, which is considered as a material associate of the Group for the years ended 31 December 2020 and 2021, is a strategic partner of the Group engaged in property development and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Chengdu Jinkaishengrui adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current assets	<b>31,576</b>	487,050
Non-current assets	<b>66</b>	137
Current liabilities	<b>(9,825)</b>	(342,083)
Non-current liabilities	<b>(1,324)</b>	—
Net assets	<b>20,493</b>	145,104
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	<b>49%</b>	49%
Group's share of net assets of the associate	<b>10,042</b>	71,101
Revenue	<b>5,324</b>	910,278
Expenses	<b>32,774</b>	(852,149)
Tax	<b>(9,709)</b>	(23,035)
Net profit and total comprehensive income for the year	<b>28,389</b>	35,094

- (c) The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Share of the associate's loss for the year	<b>(8,314)</b>	—
Share of the associate's total comprehensive loss	<b>(8,314)</b>	—
Carrying amount of the Group's investment in the associate	<b>116,920</b>	490,000

## 19. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Impairment of assets RMB'000	Accrued development cost RMB'000	Expenses for offsetting against future taxable profits RMB'000	Unrealised revenue in contract liabilities RMB'000	Financial guarantee contracts RMB'000	Accrued land value-added tax RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	95,653	9,771	61,721	36,672	532,269	294	79,313	509	816,202
Acquisition of subsidiaries	25,331	—	—	—	—	—	—	—	25,331
Deferred tax credited/(charged) to profit or loss during the year	95,298	438	(3,738)	(22,764)	117,359	(273)	95,575	166	282,061
At 31 December 2020 and 1 January 2021	<b>216,282</b>	<b>10,209</b>	<b>57,983</b>	<b>13,908</b>	<b>649,628</b>	<b>21</b>	<b>174,888</b>	<b>675</b>	<b>1,123,594</b>
Acquisition of a subsidiary	3,250	—	—	—	—	—	—	—	3,250
Disposal of a subsidiary	(48,581)	—	—	—	—	—	—	—	(48,581)
Deferred tax credited/(charged) to profit or loss during the year	7,367	(2,022)	66,088	(1,622)	153,347	(21)	18,655	108	241,900
At 31 December 2021	<b>178,318</b>	<b>8,187</b>	<b>124,071</b>	<b>12,286</b>	<b>802,975</b>	<b>—</b>	<b>193,543</b>	<b>783</b>	<b>1,320,163</b>

### Deferred tax liabilities

	Fair value adjustment arising from investment properties RMB'000	Recognition of revenue over time RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2019	601,981	245,548	412	847,941
Acquisition of a subsidiary	10,557	—	—	10,557
Deferred tax charged to profit or loss during the year	14,990	34,195	141	49,326
At 31 December 2020	<b>627,528</b>	<b>279,743</b>	<b>553</b>	<b>907,824</b>
Deferred tax charged to profit or loss during the year	22,720	42,651	137	65,508
At 31 December 2021	<b>650,248</b>	<b>322,394</b>	<b>690</b>	<b>973,332</b>

**19. DEFERRED TAX** (Continued)**Deferred tax liabilities** (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<b>1,191,999</b>	983,633
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(845,169)</b>	(767,863)
	<b>346,830</b>	215,770

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020 and 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

As at 31 December 2021, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB4,781,143,000 (31 December 2020: RMB1,935,644,000).

As at 31 December 2021, the Group had unutilised tax losses arising in the PRC of approximately RMB227,733,000 (31 December 2020: RMB161,125,000), that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets amounting to approximately RMB24,981,000 as at 31 December 2021 (31 December 2020: RMB22,477,000) have not been recognised in respect of the deductible temporary differences, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

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

	2021 RMB'000	2020 RMB'000
Unlisted fund investments, at fair value	<b>5,864</b>	11,026

The unlisted investments were wealth management products.

## 21. PROPERTIES UNDER DEVELOPMENT

	2021 RMB'000	2020 RMB'000
At the beginning of the year	<b>38,657,280</b>	27,983,574
Additions	<b>12,500,927</b>	17,361,150
Acquisition of subsidiaries that are not businesses	<b>1,586,149</b>	4,433,536
Transferred to completed properties held for sale ( <i>note 22</i> )	<b>(12,975,746)</b>	(11,120,980)
At the end of the year	<b>39,768,610</b>	38,657,280

The Group's properties under development are situated on leaseholds lands in Mainland China.

As at 31 December 2021, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB18,806,887,000 (31 December 2020: RMB12,733,997,000) have been pledged to secure bank and other borrowings granted to the Group (*note 31*).

## 22. COMPLETED PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Carrying amount at the beginning of the year	<b>2,900,193</b>	1,296,666
Acquisition of a subsidiary that is not a business	—	5,442
Transferred from properties under development ( <i>note 21</i> )	<b>12,975,746</b>	11,120,980
Transferred to cost of sales ( <i>note 6</i> )	<b>(12,060,567)</b>	(9,541,336)
Impairment losses recognition ( <i>note 6</i> )	<b>(24,139)</b>	—
Impairment losses written off ( <i>note 6</i> )	<b>1,699</b>	18,441
Carrying amount at the end of the year	<b>3,792,932</b>	2,900,193

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB177,780,000 as at 31 December 2021 (2020: RMB494,645,000) have been pledged to secure bank and other borrowings granted to the Group (*note 31*).

**22. COMPLETED PROPERTIES HELD FOR SALE** (Continued)

The movements in provision for impairment of completed properties held for sale are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At the beginning of the year	<b>(40,338)</b>	(58,779)
Impairment losses recognition	<b>(24,137)</b>	—
Impairment losses written off ( <i>Note 6</i> )	<b>1,699</b>	18,441
At the end of the year	<b>(62,776)</b>	(40,338)

The value of completed properties held for sale is assessed at the end of each of the reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by reference to the selling price based on the prevailing market price less applicable selling expenses.

**23. TRADE RECEIVABLES**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	<b>81,089</b>	72,860

Trade receivables mainly represent the receivables from the sale of properties. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Property buyers are generally granted credit terms of 1 month to 1 year. Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 1 year	<b>74,775</b>	33,530
Over 1 year	<b>6,314</b>	39,330
	<b>81,089</b>	72,860

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

**23. TRADE RECEIVABLES** (Continued)

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on the evaluation on the expected loss rate and the gross carrying amount, the directors of the Company are of the opinion that the expected credit losses in respect of these balances are immaterial, and therefore, no provision has been made for a loss allowance.

**24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Prepayments for construction cost	71,522	95,849
Other deposits	318,761	312,441
Other tax recoverable	1,581,808	1,334,734
Advance to staff	5,341	4,835
Due from non-controlling shareholders of the subsidiaries	3,511,981	1,263,340
Due from third parties	25	1,825
Other prepayments	14,694	13,705
Other receivables	50,853	52,479
Impairment	(79,737)	(78,180)
	<b>5,475,248</b>	3,001,028

The movements in the loss allowance for impairment of other receivables are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	78,180	77,427
Impairment losses recognised	1,557	753
At the end of the year	<b>79,737</b>	78,180

**25. OTHER CURRENT ASSETS**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Deferred commission for agents	<b>851,406</b>	598,232

**26. OTHER NON-CURRENT ASSETS**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Deposits for property developments	<b>223,106</b>	223,382

**27. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cash and bank balances	<b>5,223,766</b>	5,925,092
Less: Restricted cash	<b>778,618</b>	1,602,975
Pledged deposits	<b>147,168</b>	144,855
Cash and cash equivalents	<b>4,297,980</b>	4,177,262
Denominated in RMB	<b>4,269,226</b>	4,101,149
Denominated in HK\$	<b>3,507</b>	72,125
Denominated in US\$	<b>25,243</b>	3,359
Denominated in AUD\$	<b>4</b>	629
	<b>4,297,980</b>	4,177,262

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts a certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The restricted cash can only be used for payments for construction costs of the relevant properties when approval from the related government authority is obtained. Such restricted cash will be released after the completion of construction of the related properties. As at 31 December 2021, such restricted cash amounted to RMB767,055,000 (31 December 2020: RMB1,358,701,000). The restricted cash also included construction loan mortgage amounting to RMB8,295,000 (31 December 2020: RMB236,533,000). As at 31 December 2021, the restricted cash amounting to RMB3,268,000 was frozen by the People's Court due to lawsuits (31 December 2020: RMB7,741,000).

As at 31 December 2021, bank deposits of RMB147,168,000 were pledged as security for purchasers' mortgage loans (31 December 2020: RMB144,855,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.



## 27. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (Continued)

As at 31 December 2021, the internal credit rating of restricted cash, pledged deposits and cash and cash equivalents was regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

## 28. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each reporting period, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 1 year	7,644,769	6,381,590
Over 1 year	561,464	418,822
	<b>8,206,233</b>	6,800,412

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

## 29. OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Deposits related to construction	461,072	379,026
Advance from non-controlling shareholders of subsidiaries	2,574,445	3,564,642
Maintenance fund	23,229	18,768
Advance from third parties	1,259	1,259
Payroll and welfare payable	82,341	91,640
Tax and surcharges	93,241	82,591
Deposits related to the sale of properties	61,026	82,541
Interest payable	32,741	54,860
Share consideration payable	847,283	678,060
Accrued liabilities	7,368	7,368
Payable related to land acquisition	625,667	770,873
Financial guarantee contracts	—	82
Others	34,538	57,688
	<b>4,844,210</b>	5,789,398

### 30. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract liabilities	<b>25,557,106</b>	21,592,955

### 31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate (%)	Maturity	<i>RMB'000</i>	Effective interest rate (%)	Maturity	<i>RMB'000</i>
<b>Current</b>						
Bank loans — secured			—	8.00	2021	91,200
Current portion of long term bank loans — secured	4.78–10.08	2022	2,083,953	5.21–9.31	2021	764,477
Current portion of long term other loans — secured	8.79–14.01	2022	1,148,529	8.82–13.31	2021	3,234,389
			<b>3,232,482</b>			<b>4,090,066</b>
<b>Non-current</b>						
Bank loans — secured	4.78–10.08	2023–2035	5,454,927	5.21–10.12	2022–2035	6,530,220
Bank loans — unsecured			—	6.17	2023	800,803
Other loans — secured	8.25–12.61	2023–2026	2,120,255	8.82–13.36	2022–2023	2,836,268
Other loans — unsecured	12.46	2023–2026	209,990			—
			<b>7,785,172</b>			<b>10,167,291</b>
			<b>11,017,654</b>			<b>14,257,357</b>

**31. INTEREST-BEARING BANK AND OTHER BORROWINGS** (Continued)**Bank and other borrowings**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Analysed into:		
Repayable within one year	<b>3,232,482</b>	4,090,066
Repayable in the second year	<b>3,924,755</b>	7,328,913
Repayable in the third to fifth years, inclusive	<b>2,173,379</b>	1,248,501
Repayable beyond five years	<b>1,687,038</b>	1,589,877
	<b>11,017,654</b>	14,257,357

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period:

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Property, plant and equipment	13	<b>95,697</b>	100,998
Land use right	15	<b>18,320</b>	19,021
Investment properties	16	<b>1,465,979</b>	1,380,627
Properties under development	21	<b>18,806,887</b>	12,733,997
Completed properties held for sale	22	<b>177,780</b>	494,645

As at the 31 December 2021, certain of the Group's bank and other borrowings with an aggregate amount of RMB6,390,053,000 was secured by share charges in respect of the equity interests of certain subsidiaries of the Group (31 December 2020: RMB7,899,640,000).

## 32. SENIOR NOTES

	31 December 2021				31 December 2020			
	Principal at original currency	Contractual interest	Maturity	RMB'000	Principal at original currency	Contractual interest	Maturity	RMB'000
Senior notes due 2022 ("2022 notes I")	150,000	12	2022.6.27	950,991				—
					<b>31 December 2021 RMB'000</b>		31 December 2020 RMB'000	
The Group's senior notes were repayable as follows: Repayable within one year					<b>950,991</b>			—

On 28 June 2021, the Company issued 2022 notes I at a coupon rate of 12% due on 27 June 2022 with an aggregate principal amount of US\$150,000,000, the Company had raised net proceeds of US\$147,571,850 (after deduction of the underwriting discount and commissions and other expenses).

At any time and from time to time prior to 27 June 2022, the Company may redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112.0% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The above senior notes are guaranteed by Leading Group Investment Limited, Du Neng Investment Limited, Du Neng Capital Limited and Leading Hong Kong Holdings Ltd.

### 33. SHARE CAPITAL

	31 December 2021	31 December 2020
Issued and fully paid:		
Authorised:		
10,000,000,000 (2020: 10,000,000,000) ordinary shares HK\$0.01 each (2020: HK\$0.01 each)	<b>10,000,000,000</b>	10,000,000,000
	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:		
1,026,945,000 (2020: 1,000,000,000) ordinary shares of HK\$0.01 each (2020: HK\$0.01 each)	<b>8,670</b>	8,446

On 6 January 2021, the over-allotment option was fully exercised and the Company allotted and issued 26,945,000 ordinary shares at a subscription price of HKD5.69 per share pursuant to the exercise of the over-allotment option.

### 34. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2020 and 2021 are presented in the consolidated statements of changes in equity.

#### (a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

#### (b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

#### (c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

#### (d) Other reserve

Other reserve represents the change in net assets attributable to the Group in relation to changes in ownership interests in subsidiaries without obtaining or losing of control.

### 35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB Nil (2020: RMB1,649,000) in respect of lease arrangements for leased properties.

#### (b) Changes in liabilities arising from financing activities:

	Interest-bearing bank and other borrowings <i>RMB'000</i>	Due to related companies <i>RMB'000</i>	Senior notes <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	11,755,179	727,263	—	14,289	12,496,731
Cash flows from/(used in) financing activities	1,318,299	(452,939)	—	(5,561)	859,799
Cash flows from non-financing activities	—	(48,729)	—	—	(48,729)
Increase from acquisition of a subsidiary	1,200,902	—	—	—	1,200,902
New lease	—	—	—	1,649	1,649
Non-cash changes — accrual of interest	(17,023)	—	—	667	(16,356)
As at December 2020	<b>14,257,357</b>	<b>225,595</b>	<b>—</b>	<b>11,044</b>	<b>14,493,996</b>
Cash flows from/(used in) financing activities	<b>(2,622,501)</b>	<b>—</b>	<b>950,991</b>	<b>(5,251)</b>	<b>(1,676,761)</b>
Cash flows from non-financing activities	<b>—</b>	<b>300,273</b>	<b>—</b>	<b>—</b>	<b>300,273</b>
Increase from acquisition of a subsidiary	<b>177,216</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>177,216</b>
Decrease from disposal of a subsidiary	<b>(810,000)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(810,000)</b>
Non-cash changes — accrual of interest	<b>15,582</b>	<b>—</b>	<b>—</b>	<b>427</b>	<b>16,009</b>
As at December 2021	<b>11,017,654</b>	<b>525,868</b>	<b>950,991</b>	<b>6,220</b>	<b>12,500,733</b>

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within operating activities	<b>6,162</b>	6,982
Within financing activities	<b>5,251</b>	5,561
	<b>11,413</b>	12,543

### 36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT BUSINESSES

During the year ended 31 December 2021, the Group acquired certain assets through acquisition of subsidiaries. The following table summarises the financial information in relation to the acquisition of subsidiaries.

A summary of the acquisitions of subsidiaries that are not a business during the year is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Property, plant and equipment	<b>2,077</b>	2,159
Properties under development	<b>1,586,150</b>	4,433,536
Prepayments, deposits and other receivables	<b>261,318</b>	166,753
Investment properties	—	34,200
Completed properties held for sale	—	5,442
Deferred tax assets	<b>3,250</b>	25,331
Cash and cash equivalents	<b>80,558</b>	110,814
Trade and bills payables	<b>(17,926)</b>	(248,588)
Other payables, deposits received and accruals	<b>(682,993)</b>	(1,289,011)
Interest-bearing bank and other borrowings	<b>(177,216)</b>	(1,200,902)
Contract liability	<b>(103,870)</b>	—
Tax payable	<b>(10,888)</b>	—
Deferred tax liabilities	—	(10,557)
Non-controlling interests	<b>(145,826)</b>	(13,471)
Net assets acquired	<b>940,460</b>	2,029,177
Reclassification from pre-existing interests in a joint venture to investment in a subsidiary	<b>(145,826)</b>	(13,471)
Satisfied by:		
Cash	<b>91,893</b>	1,494,039
Cash consideration payable	<b>686,915</b>	508,196
Analysis of cash flows on acquisition:		
Cash and bank balances acquired	<b>80,558</b>	110,814
Net outflow of cash and cash equivalents included in cash flows from investing activities	<b>(11,334)</b>	(1,383,225)



### 37. CONTINGENT LIABILITIES

At the end of the reporting period, the financial guarantees not provided for in the consolidated financial statements were as follows:

	Notes	2021 RMB'000	2020 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	<b>17,686,613</b>	11,594,320
Guarantees given to banks and other institutions in connection with facilities granted to related parties	(2)	<b>978,468</b>	1,497,640

Notes:

- (1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans. Upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore, no provision has been made in connection with the guarantees.

- (2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. As of 31 December 2021, none allowance (31 December 2020: RMB82,000) was provided for as a result of the guarantees provided to the related companies and third parties.

### 38. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Property development activities	<b>12,991,323</b>	22,456,963
Capital contributions for the acquisition of subsidiaries	<b>26,000</b>	508,195
Capital contributions to subsidiaries	<b>2,084,360</b>	1,233,250
Capital contributions to joint ventures	<b>203,309</b>	15,000
	<b>15,304,992</b>	24,213,408

### 39. RELATED PARTY TRANSACTIONS

#### (1) Significant related party transactions

The following operating transactions were carried out with related parties during the reporting period:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Advances from related companies:		
Joint ventures	<b>1,211,653</b>	539,588
Associate	<b>528,568</b>	—
Companies controlled by the then parent company	—	22,409
Companies controlled by certain directors and/or their close family members	—	5,974
Repayment of advances from related companies:		
Joint ventures	<b>959,654</b>	653,158
Associate	<b>528,568</b>	—
The then parent company	—	442,939
Companies controlled by the then parent company	—	22,409
Companies controlled by the director of the Company	—	10,000
Companies controlled by certain directors and/or their close family members	—	5,974
Advances to related companies:		
Associate	<b>708,987</b>	—
Joint ventures	<b>714,665</b>	1,475,392
The then parent company	—	2,935,386
Repayment of advances to related companies:		
Joint ventures	<b>906,576</b>	1,159,809
The then parent company	—	2,935,386

**39. RELATED PARTY TRANSACTIONS** (Continued)**(1) Significant related party transactions** (Continued)

The following non-operating transactions were carried out with related parties during the reporting period:

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Rental income from companies controlled by the then parent company* (note 1)	<b>4,662</b>	4,156
Property sales from companies controlled by the shareholders (note 1)	—	2,155
Property management fee to companies controlled by the shareholders* (note 1)	<b>127,326</b>	95,454
Management consulting service income from joint ventures and associates* (note 1)	<b>9,117</b>	29,321
Project management fee to companies controlled by the then parent company* (note 1)	<b>27,144</b>	55,539
Raw materials purchased from companies controlled by certain directors and/or their close family members* (note 1)	<b>4,838</b>	24,189
Interest income from joint ventures and associates (note 1)	<b>15,512</b>	2,613

*Note 1:* These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

\* The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

**(2) Other transactions with related parties**

As at 31 December 2021, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures up to RMB978,468,000 (31 December 2020: RMB1,497,640,000).

**39. RELATED PARTY TRANSACTIONS** (Continued)**(3) Outstanding balances with related parties**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Balances relating to non-operating activities</b>		
<b>Due from related parties:</b>		
Due from shareholders	1	1
Due from joint associates	708,987	—
Due from joint ventures	929,920	1,121,830
	<u>1,638,908</u>	<u>1,121,831</u>
<b>Due to related parties:</b>		
Due to joint ventures	373,971	121,972
<b>Balances relating to operating activities</b>		
<b>Due from related parties:</b>		
Due from joint ventures	11,655	25,880
Due from companies controlled by the then parent company	167	2,202
	<u>11,822</u>	<u>28,082</u>
<b>Due to related parties:</b>		
Due to companies controlled by the shareholders	149,319	98,622
Due to companies controlled by certain directors and/or their close family members	2,578	5,001
	<u>151,897</u>	<u>103,623</u>

Balances with the above related parties except for the balances with two joint ventures were unsecured, non-interest-bearing and repayable on demand.

**39. RELATED PARTY TRANSACTIONS** (Continued)**(4) Compensation of key management personnel of the Group:**

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Short-term employee benefits	<b>11,932</b>	13,536
Pension scheme contributions	<b>692</b>	437
Total compensation paid to key management personnel	<b>12,624</b>	13,973

Further details of directors' emoluments are included in note 8 to the financial statements.

**40. FINANCIAL INSTRUMENTS BY CATEGORY**

**31 December 2021**

**Financial assets**

	<b>Financial assets at amortised cost</b> <i>RMB'000</i>	<b>Financial assets at FVPL</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Financial assets included in prepayments, deposits and other receivables	<b>3,881,620</b>	—	<b>3,881,620</b>
Trade receivables	<b>81,089</b>	—	<b>81,089</b>
Due from related companies	<b>1,650,730</b>	—	<b>1,650,730</b>
Financial assets at fair value through profit or loss	—	<b>5,864</b>	<b>5,864</b>
Restricted cash	<b>778,618</b>	—	<b>778,618</b>
Pledged deposits	<b>147,168</b>	—	<b>147,168</b>
Cash and cash equivalents	<b>4,297,980</b>	—	<b>4,297,980</b>
	<b>10,837,205</b>	<b>5,864</b>	<b>10,843,069.00</b>

**40. FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)**31 December 2021** (Continued)**Financial liabilities**

	<b>Financial liabilities at amortised cost RMB'000</b>
Trade and bills payables	<b>8,206,233</b>
Financial liabilities included in other payables and accruals	<b>2,631,674</b>
Interest-bearing bank and other borrowings	<b>11,017,654</b>
Lease liabilities	<b>6,220</b>
Financial guarantee contracts	<b>—</b>
Due to related companies	<b>525,868</b>
	<b>22,387,649</b>

**31 December 2020****Financial assets**

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	1,630,083	—	1,630,083
Trade receivables	72,860	—	72,860
Due from related companies	1,149,913	—	1,149,913
Financial assets at fair value through profit or loss	—	11,026	11,026
Restricted cash	1,602,975	—	1,602,975
Pledged deposits	144,855	—	144,855
Cash and cash equivalents	4,177,262	—	4,177,262
	<b>8,777,948</b>	<b>11,026</b>	<b>8,788,974</b>

**40. FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)**31 December 2020** (Continued)**Financial liabilities**

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	6,800,412
Financial liabilities included in other payables and accruals	3,639,529
Interest-bearing bank and other borrowings	14,257,357
Lease liabilities	11,044
Financial guarantee contracts	82
Due to related companies	225,595
	<u>24,934,019</u>

**41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group's financial instruments as at the end of each reporting period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
<b>Financial liability</b>				
Interest-bearing bank and other borrowings (note 31)	<u>11,017,654</u>	<u>14,257,357</u>	<u>11,012,308</u>	<u>14,538,051</u>
Provision for financial guarantee contracts (note 37)	<u>—</u>	<u>82</u>	<u>—</u>	<u>82</u>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, trade receivables, financial assets included in prepayments and other receivables, trade and bills payables, senior notes, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.



## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

For the fair values of the financial assets at fair value through profit or loss, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

The Group invests wealth management products issued by financial institutions in Mainland China. The Group has estimated the fair value by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks and classified them into Level 2 financial instruments.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted cash, pledged deposits, trade and other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 31. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables are held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB40,816,000 and RMB31,915,000 for the years ended 31 December 2020 and 2021, respectively.

### (b) Credit risk

The Group classifies financial instruments on the basis of shared credit risk characteristics, such as the instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally from one to twelve months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the 12-month expected loss approach to provide for expected credit losses prescribed by IFRS 9, and the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables and adjusts for forward-looking macroeconomic data. The Group applies the lifetime expected loss approach to financial assets that are credit-impaired at the reporting date, but that are not purchased or originated credit-impaired. The expected loss rate of these receivables is assessed to be 100%.

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**(b) Credit risk** (Continued)**Maximum exposure and year-end staging**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

**31 December 2021**

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables*	—	—	—		81,089	81,089
Financial assets included in prepayments and other receivables						
— Normal**	3,881,620	—	—		—	3,881,620
— Doubtful**	—	—	73,082		—	73,082
Due from related companies						
— Normal**	1,650,730	—	—		—	1,650,730
Restricted cash						
— Not yet past due	778,618	—	—		—	778,618
Pledged deposits						
— Not yet past due	147,168	—	—		—	147,168
Cash and cash equivalents						
— Not yet past due	4,297,980	—	—		—	4,297,980
Guarantees given to banks and other institutions in connection with facilities granted to related parties						
— Not yet past due	978,468	—	—		—	978,468
	<b>11,734,584</b>	<b>—</b>	<b>73,082</b>		<b>81,089</b>	<b>11,888,755</b>

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**(b) Credit risk** (Continued)**Maximum exposure and year-end staging** (Continued)**31 December 2020**

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables*	—	—	—		72,860	72,860
Financial assets included in prepayments and other receivables						
— Normal**	1,630,083	—	—		—	1,630,083
— Doubtful**	—	—	75,382		—	75,382
Due from related companies						
— Normal**	1,149,913	—	—		—	1,149,913
Restricted cash						
— Not yet past due	1,602,975	—	—		—	1,602,975
Pledged deposits						
— Not yet past due	144,855	—	—		—	144,855
Cash and cash equivalents						
— Not yet past due	4,177,262	—	—		—	4,177,262
Guarantees given to banks and other institutions in connection with facilities granted to related parties						
— Not yet past due	1,497,640	—	—		—	1,497,640
	<u>10,202,728</u>	<u>—</u>	<u>75,382</u>		<u>72,860</u>	<u>10,350,970</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 23 to the financial statements. There is no significant concentration of credit risk.

\*\* The credit quality of amounts due from related companies and the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**(c) Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>31 December 2021</b>					
Interest-bearing bank and other borrowings	—	788,899	3,298,919	9,372,036	13,459,854
Trade and bills payables	7,287,476	508,717	410,040	—	8,206,233
Financial liabilities included in other payables and accruals	2,584,550	—	—	—	2,584,550
Guarantees given to banks in connection with facilities granted to related parties	—	16,000	360,000	602,468	978,468
Lease liabilities	425	802	1,604	3,708	6,539
Due to related companies	—	525,868	—	—	525,868
	<b>9,872,451</b>	<b>1,840,286</b>	<b>4,070,563</b>	<b>9,978,212</b>	<b>25,761,512</b>
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>31 December 2020</b>					
<b>Interest-bearing bank and other borrowings</b>	—	793,147	4,906,752	10,652,444	16,352,343
Trade and bills payables	5,844,194	429,211	526,737	—	6,800,142
Financial liabilities included in other payables and accruals	3,639,529	—	—	—	3,639,529
Guarantees given to banks in connection with facilities granted to related parties	—	—	50,000	1,447,640	1,497,640
Lease liabilities	1,157	2,180	3,728	6,310	13,375
Due to related companies	—	225,595	—	—	225,595
	<b>9,484,880</b>	<b>1,450,133</b>	<b>5,487,217</b>	<b>12,106,394</b>	<b>28,528,624</b>

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**(d) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, senior notes, trade and bills payables, other payables and accruals, amounts due to related companies and lease liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each reporting period were as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade and bills payables	<b>8,206,233</b>	6,800,412
Other payables and accruals	<b>4,844,210</b>	5,789,398
Interest-bearing bank and other borrowings	<b>11,017,654</b>	14,257,357
Due to related companies	<b>525,868</b>	225,595
Senior notes	<b>950,991</b>	—
Lease liabilities	<b>6,220</b>	11,044
Less: Cash and cash equivalents	<b>4,297,980</b>	4,177,262
Net debt	<b>21,253,196</b>	22,906,544
Equity attributable to owners of the parent	<b>7,876,220</b>	7,250,400
Capital and net debt	<b>29,129,416</b>	30,156,944
Gearing ratio	<b>73%</b>	76%

## 43 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

31 December 2021

	Percentage of equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Jilin Leading	45	(9,398)	204,457
Pixian Shengda	45	14,990	225,020
Yaan Lingyue	49	(3,949)	172,599
Yaan Yuandi	47	(7,450)	188,586

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Jilin Leading RMB'000	Pixian Shengda RMB'000	Mianyang Sanhe RMB'000	Sichuan Yuandi RMB'000
Revenue	12,787	1,656	1,411	15,228
Total expenses	(33,931)	13,419	(12,861)	(36,360)
Income tax credit	259	18,236	3,391	5,283
(Loss)/profit and total comprehensive (loss)/ income for the year	(20,885)	33,311	(8,059)	(15,851)
Current assets	117,745	971,608	490,818	573,349
Non-current assets	632,094	65,883	3,316	12,313
Current liabilities	(266,863)	(792,906)	(169,286)	(184,582)
Non-current liabilities	(28,626)	—	—	—
Net cash flows used in operating activities	(29,438)	(48,758)	(154,638)	(124,017)
Net cash flows from investing activities	65,132	48,339	15,290	47,273
Net cash flows (used in)/from financing activities	(26,000)	—	140,582	77,000
Net increase/(decrease) in cash and cash equivalents	9,694	(419)	1,234	256



#### 43 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

##### 31 December 2020

	Percentage of equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Jilin Leading	45	(37,386)	225,556
Pixian Shengda	45	76,521	185,073
Mianyang Sanhe	35	48,124	76,659
Sichuan Yuandi	43	1,633	3,671

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Jilin Leading RMB'000	Pixian Shengda RMB'000	Mianyang Sanhe RMB'000	Sichuan Yuandi RMB'000
Revenue	11,751	333,368	645,499	15,339
Total expenses	(121,776)	(68,028)	(420,291)	(10,469)
Income tax credit/(expense)	26,946	(95,293)	(87,710)	(1,072)
(Loss)/profit and total comprehensive (loss)/ profit for the year	(83,079)	170,047	137,498	3,798
Current assets	133,308	990,057	460,034	83,367
Non-current assets	656,699	77,007	8,767	10,193
Current liabilities	(262,857)	(655,790)	(249,775)	(85,024)
Non-current liabilities	(25,914)	—	—	—
Net cash flows used in operating activities	(95,812)	(71,765)	(62,794)	(120,663)
Net cash flows from investing activities	91,658	159,821	63,098	129,275
Net cash flows used in financing activities	—	(90,000)	—	(1,000)
Net (decrease)/increase in cash and cash equivalents	(4,154)	(1,944)	304	7,612

#### 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>NON-CURRENT ASSET</b>		
Investment in subsidiaries	35,512	35,512
Total non-current asset	35,512	35,512
<b>CURRENT ASSETS</b>		
Due from shareholders	1	1
Cash and cash equivalents	28,608	73,418
Prepayments and other receivables	623	—
Due from subsidiaries	2,168,155	1,086,543
Total current assets	2,197,387	1,159,962
<b>CURRENT LIABILITY</b>		
Senior notes	950,991	—
Due to subsidiaries	58,602	593
Total current liability	1,009,593	593
<b>NET CURRENT ASSETS</b>	1,187,794	1,159,369
<b>TOTAL ASSETS LESS CURRENT LIABILITY</b>	1,223,306	1,194,881
Net assets	1,223,306	1,194,881
<b>EQUITY</b>		
Share capital	8,670	8,446
Reserves	1,214,636	1,186,435
Total equity	1,223,306	1,194,881

**44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY** (Continued)

Note:

A summary of the Company's share capital and reserves is as follows:

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2021 and 31 December 2020	8,446	1,154,424	35,511	(3,500)	1,194,881
Loss and total comprehensive loss for the year	—	—	—	(96,767)	(96,767)
Issue of new shares	224	127,534	—	—	127,758
Share issue expenses	—	(2,566)	—	—	(2,566)
Balance at 31 December 2021	<b>8,670</b>	<b>1,279,392</b>	<b>35,511</b>	<b>(100,267)</b>	<b>1,223,306</b>
Balance at 1 January 2020	1	—	35,511	—	35,512
Loss and total comprehensive loss for the year	—	—	—	(3,500)	(3,500)
Issue of new shares	2,112	1,200,024	—	—	1,202,136
Issue of ordinary shares upon capitalisation	6,333	(6,333)	—	—	—
Share issue expenses	—	(39,267)	—	—	(39,267)
Balance at 31 December 2020	8,446	1,154,424	35,511	(3,500)	1,194,881

**45. COMPARATIVE AMOUNTS**

As further explained in note 2.2 to the consolidated financial information, due to the Policy Change during the current year, the presentation of certain items in the consolidated statement of cash flows has been revised to comply with the new accounting policy. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current period's presentation.

**46. EVENTS AFTER REPORTING PERIOD**

As at the date of this report, no significant event has taken place subsequent to 31 December 2021.

**47. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

# Independent Auditors' Report



**Ernst & Young**  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

安永會計師事務所  
香港中環添美道1號  
中信大廈22樓

Tel 電話 : +852 2846 9888  
Fax 傳真 : +852 2868 4432  
ey.com

## To the shareholders of Leading Holdings Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Leading Holdings Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 76 to 186, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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 HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<b>Recognition of revenue from sales of properties over time</b>	
<p>Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2020, revenue of the Group arising from sales of properties amounted to RMB13,027,945,000, of which RMB2,099,827,000 was recognised over time.</p> <p>The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer, and thus, the property unit does not have an alternative use to the Group. During the year, significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of a sales contract and the interpretation of the applicable laws that apply to the contract. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management used judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without the right.</p>	<p>In assessing management's judgements on revenue recognition, we have:</p> <ul style="list-style-type: none"> <li>(i) understood and evaluated management's process and procedures in identifying sales contracts with or without right to payment;</li> <li>(ii) reviewed the key terms of a sample sales contracts to assess the presence of the right to payment based on the contract terms;</li> <li>(iii) obtained and evaluated the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; and</li> <li>(iv) assessed the competence, experience and objectivity of the legal counsel engaged by management.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<b>Recognition of revenue from sales of properties over time</b> (Continued)	
<p>In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at each year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the development costs incurred up to the end of the year as a percentage of total estimated development costs for each property unit in the sale contract. The Group allocates common costs based on types of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.</p> <p>Given the involvement of significant judgements and estimations, the recognition of revenue from sales of properties over time is considered as a key audit matter.</p> <p>The disclosures of the Revenue from sales of properties are included in notes 2.4, 3 and 5 to the consolidated financial statements.</p>	<p>In respect of the estimation of total development costs and the progress towards complete satisfaction of the performance obligation, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>(i) obtained an understanding of the internal controls over the cost budgeting and the estimation of completion process, the internal controls over the generation of cost data of the projects and property units, and evaluated and tested the design and operating effectiveness.</li> <li>(ii) compared the actual development costs of completed projects to management's prior estimations of total development costs to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology on a sample basis;</li> <li>(iii) assessed the basis for the allocation of common costs among project units on a sample basis;</li> <li>(iv) compared the cost budgets for the project and property unit under development by to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas on a sample basis;</li> <li>(v) compared the estimated total development costs of the projects and property units under development to the budget approved by management on a sample basis;</li> <li>(vi) tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers, where applicable, on a sample basis; and</li> <li>(vii) checked the mathematical accuracy of the cost allocation and the measurement of progress of the property unit on a sample basis.</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<b>Provision for land appreciation tax</b>	
<p>The Group is a property developer in the Mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax (“LAT”) in the Mainland China is one of the main components of the Group’s taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of reporting period, the management of the Group estimated the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. Provision for LAT in the Mainland China is significant to the consolidated financial statements during the year and the determination of such provision involved significant management’s judgement and interpretation of the relevant tax laws and regulations and practices. Accordingly, provision for LAT is identified as a key audit matter.</p> <p>The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.</p>	<p>We have performed the following procedures to assess the provision for LAT:</p> <ul style="list-style-type: none"> <li>i) evaluated and tested the design and operating effectiveness of the key controls of management in the calculation of the provision for land appreciation tax;</li> <li>ii) involved internal tax specialists to assist us in performing a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities. We recalculated the tax provision and compared our results with the amounts recorded by the Group; and</li> <li>iii) assessed the disclosures related to the provision for land appreciation tax in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.</li> </ul>



Key audit matter	How our audit addressed the key audit matter
<b>Valuation of investment properties</b>	
<p>The Group owns investment properties in the Mainland China which are measured at fair value and their aggregate carrying amount was approximately RMB4,551,600,000 as at 31 December 2020, which represented approximately 7.6% of the Group's total assets. The Group engaged an external valuer to perform the valuation of these properties as at 31 December 2020.</p> <p>Significant judgement is required to determine the fair values of the investment properties, which reflected market conditions as at the end of the year. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values. Accordingly, the valuation of investment properties is identified as a key audit matter.</p> <p>The accounting policies and disclosures for the investment properties are included in notes 2.4, 3 and 17 to the consolidated financial statements.</p>	<p>We have performed the following procedures to address the valuation of investment properties:</p> <ul style="list-style-type: none"> <li>(i) evaluated the competency, independence and objectivity of the external valuer, and assessed the valuation approach used by the external valuer;</li> <li>(ii) with the assistance of our internal valuation experts, assessed the reasonableness of the assumptions such as the capitalisation rate, vacancy rate and sale prices used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors;</li> <li>(iii) tested the accuracy of the property related data used as inputs for the valuations; and</li> <li>(iv) evaluated the adequacy of disclosures on the valuation of the investment properties.</li> </ul>

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine 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, the directors of the Company are 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 the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism 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 risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 disclosures 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.

We communicate with the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong  
29 March 2021

# Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	5	<b>13,158,083</b>	7,568,164
Cost of sales		<b>(9,601,853)</b>	(5,465,778)
Gross profit		<b>3,556,230</b>	2,102,386
Other income and gains	5	<b>74,585</b>	44,826
Selling and distribution expenses		<b>(649,740)</b>	(400,004)
Administrative expenses		<b>(573,296)</b>	(532,747)
Fair value (losses)/gains on investment properties		<b>(49,276)</b>	160,840
Other expenses		<b>(22,975)</b>	(13,667)
Finance costs	7	<b>(306,540)</b>	(230,381)
Share of profits and losses of:			
Joint ventures		<b>(29,824)</b>	3,758
Associates		<b>17,196</b>	(7,046)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	<b>2,016,360</b>	1,127,965
Income tax expense	10	<b>(955,792)</b>	(469,688)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>1,060,568</b>	658,277
<b>DISCONTINUED OPERATIONS</b>			
Profit for the year from discontinued operations	11	—	14,036
PROFIT FOR THE YEAR		<b>1,060,568</b>	672,313
Attributable to:			
Owners of the parent		<b>860,311</b>	544,825
Non-controlling interests		<b>200,257</b>	127,488
		<b>1,060,568</b>	672,313
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
— For profit for the year		<b>RMB1.12</b>	RMB0.73
— For profit from continuing operations		<b>RMB1.12</b>	RMB0.72

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
PROFIT FOR THE YEAR	<b>1,060,568</b>	672,313
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<b>1,060,568</b>	672,313
Attributable to:		
Owners of the parent	<b>860,311</b>	544,825
Non-controlling interests	<b>200,257</b>	127,488
	<b>1,060,568</b>	672,313

# Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	221,873	236,063
Investment properties	17	4,551,600	4,580,800
Right-of-use assets	16	51,794	56,656
Other intangible assets	15	18,268	12,688
Investments in joint ventures	18	577,807	595,871
Investments in associates	19	561,101	78,405
Deferred tax assets	20	983,633	676,137
Other non-current assets	27	223,382	129,557
Total non-current assets		<b>7,189,458</b>	6,366,177
<b>CURRENT ASSETS</b>			
Properties under development	22	38,657,280	27,983,573
Completed properties held for sale	23	2,900,193	1,296,666
Trade receivables	24	72,860	60,788
Prepayments, deposits and other receivables	25	3,001,028	1,935,102
Due from related companies	39	1,149,913	730,271
Financial assets at fair value through profit or loss	21	11,026	2,000
Other current assets	26	598,232	110,551
Tax recoverable		568,088	387,441
Restricted cash	28	1,602,975	1,637,442
Pledged deposits	28	144,855	158,473
Cash and cash equivalents	28	4,177,262	1,381,642
Total current assets		<b>52,883,712</b>	35,683,949
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	29	6,800,412	4,058,372
Other payables and accruals	30	5,789,398	2,666,676
Interest-bearing bank and other borrowings	32	4,090,066	5,763,159
Contract liabilities	31	21,592,955	15,398,334
Lease liabilities	16	6,220	4,512
Due to related companies	39	225,595	727,263
Tax payable	10	1,358,474	662,390
Total current liabilities		<b>39,863,120</b>	29,280,706



## Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NET CURRENT ASSETS		<b>13,020,592</b>	6,403,243
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>20,210,050</b>	12,769,420
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	<b>10,167,291</b>	5,992,020
Lease liabilities	16	<b>4,824</b>	9,777
Deferred tax liabilities	20	<b>767,863</b>	707,876
Total non-current liabilities		<b>10,939,978</b>	6,709,673
Net assets		<b>9,270,072</b>	6,059,747
EQUITY			
<b>Equity attributable to owners of the parent</b>			
Share capital	33	<b>8,446</b>	1
Reserves	34	<b>7,241,954</b>	5,227,219
		<b>7,250,400</b>	5,227,220
Non-controlling interests		<b>2,019,672</b>	832,527
Total equity		<b>9,270,072</b>	6,059,747

**Mr. Liu Yuhui**  
Director

**Mr. Luo Changlin**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 34	Note 35(a)	Note 35(b)		Note 35(c)				
As at 31 December 2019 and 1 January 2020	1	—	3,527,224	35,511	413,744	1,250,740	5,227,220	832,527	6,059,747
Total comprehensive income for the year	—	—	—	—	—	860,311	860,311	200,257	1,060,568
Issue of new shares	2,112	1,200,024	—	—	—	—	1,202,136	—	1,202,136
Issue of ordinary shares upon capitalisation	6,333	(6,333)	—	—	—	—	—	—	—
Share issue expenses	—	(39,267)	—	—	—	—	(39,267)	—	(39,267)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	1,129,066	1,129,066
Acquisition of subsidiaries that are not businesses	—	—	—	—	—	—	—	13,471	13,471
Appropriations to statutory surplus reserve	—	—	—	—	156,728	(156,728)	—	—	—
Distribution declared to non-controlling shareholders	—	—	—	—	—	—	—	(155,649)	(155,649)
As at 31 December 2020	<b>8,446</b>	<b>1,154,424*</b>	<b>3,527,224*</b>	<b>35,511*</b>	<b>570,472*</b>	<b>1,954,323*</b>	<b>7,250,400</b>	<b>2,019,672</b>	<b>9,270,072</b>

## Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent						Non-controlling interests	Total equity	
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits			Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Note 34	Note 35(a)	Note 35(b)		Note 35(c)				
As at 31 December 2018 and 1 January 2019	—	—	3,325,041	—	324,823	1,582,020	5,231,884	659,425	5,891,309
Total comprehensive income for the year	—	—	—	—	—	544,825	544,825	127,488	672,313
Issue of new shares	1	—	—	35,511	—	—	35,512	—	35,512
Transfer from retained profits	—	—	87,184	—	—	(87,184)	—	—	—
Capital contribution from the then parent company	—	—	114,999	—	—	—	114,999	—	114,999
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	60,576	60,576
Disposal of subsidiaries	—	—	—	—	—	—	—	(14,962)	(14,962)
Appropriations to statutory surplus reserve	—	—	—	—	88,921	(88,921)	—	—	—
Distribution declared to the then parent company	—	—	—	—	—	(700,000)	(700,000)	—	(700,000)
As at 31 December 2019	<u>1</u>	<u>—</u>	<u>3,527,224*</u>	<u>35,511*</u>	<u>413,744*</u>	<u>1,250,740*</u>	<u>5,227,220</u>	<u>832,527</u>	<u>6,059,747</u>

\* These reserve accounts comprise the consolidated reserves of RMB7,241,954,000 (2019: RMB5,227,219,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax:			
From continuing operations		<b>2,016,360</b>	1,127,965
From discontinued operations		—	(9,840)
Adjustments for:			
Depreciation of items of property, plant and equipment	6, 14	<b>31,956</b>	41,839
Depreciation of right-of-use assets	6, 16	<b>6,511</b>	6,642
Amortisation of other intangible assets	6, 15	<b>2,253</b>	1,823
Finance costs	7	<b>306,540</b>	230,821
Gains on disposal of items of property, plant and equipment	5, 6	—	(374)
Share of profits and losses of joint ventures and associates		<b>12,628</b>	3,288
Gain on disposal of a subsidiary	6	—	32,092
Impairment losses written off for completed properties held for sale	6, 23	<b>(18,441)</b>	(15,699)
Changes in fair value of investment properties	17	<b>49,276</b>	(160,840)
Interest income	6	<b>(21,472)</b>	(12,546)
Cash flow from operations		<b>2,385,611</b>	1,245,171
Increase in properties under development and completed properties held for sale		<b>(5,919,472)</b>	(8,805,429)
Increase in other current assets		<b>(487,681)</b>	(100,667)
Increase in amounts due from related companies		<b>(20,427)</b>	(1,567)
Decrease/(increase) in restricted cash		<b>34,467</b>	(1,117,620)
Decrease/(increase) in pledged deposits	28	<b>13,618</b>	(44,954)
(Increase)/decrease in trade receivables		<b>(12,072)</b>	44,978
(Increase)/decrease in prepayments and other receivables		<b>122,383</b>	296,724
Increase in trade and bills payables		<b>2,493,451</b>	1,692,799
Increase/(decrease) in other payables and accruals		<b>(1,261,619)</b>	(352,753)
Increase in contract liabilities		<b>5,366,788</b>	5,824,055
(Decrease)/increase in amounts due to related companies		<b>(18,792)</b>	64,084
Cash generated from/(used in) operations		<b>2,696,255</b>	(1,255,179)
Interest received		<b>21,472</b>	26,151
Interest paid		<b>(1,360,160)</b>	(812,862)
Tax paid		<b>(988,666)</b>	(1,070,314)
Net cash flows generate from/(used in) operating activities		<b>368,901</b>	(3,112,204)

## Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Prepayment for acquisition of a subsidiary that is not a business		—	(50,000)
Disposal of subsidiaries		—	52,161
Proceeds from disposal of items of property, plant and equipment	14	<b>3</b>	681
Purchases of items of property, plant and equipment	14	<b>(15,610)</b>	(23,188)
Purchases of intangible assets	15	<b>(7,833)</b>	(3,470)
Acquisition of subsidiaries that are not businesses		<b>(1,433,100)</b>	(269,700)
Acquisition of joint ventures and associates		<b>(472,918)</b>	(220,259)
Purchases of financial assets at fair value through profit or loss		<b>(11,026)</b>	(2,000)
Disposals of financial assets at fair value through profit or loss		<b>2,000</b>	3,100
Advances to related companies		<b>(2,935,386)</b>	(1,254,998)
Repayment of advances to related companies		<b>2,935,386</b>	1,250,472
Increase in loans to joint ventures and associates		<b>(429,153)</b>	(56,071)
Advances to third parties		<b>(3,084,650)</b>	(352,819)
Repayment of advances to third parties		<b>2,286,530</b>	199,778
Net cash flows used in investing activities		<b>(3,165,757)</b>	(726,313)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		<b>1,202,136</b>	—
Share issue expenses		<b>(39,267)</b>	—
Capital contribution from the then parent company		—	104,000
Principal portion of lease payments		<b>(5,561)</b>	(5,603)
Capital contribution by the non-controlling shareholders		<b>1,129,066</b>	60,576
Capital contribution upon the reorganisation		—	35,511
Advances from related companies		<b>28,383</b>	3,211,006
Repayment of advances from related companies		<b>(481,322)</b>	(3,029,943)
Advances from third parties		<b>3,679,397</b>	1,659,434
Repayment of advances from third parties		<b>(1,083,006)</b>	(888,494)
Decrease in pledged deposits		—	40,193
New interest-bearing bank and other borrowings raised		<b>9,316,177</b>	8,593,841
Repayment of interest-bearing bank and other borrowings		<b>(7,997,878)</b>	(4,677,565)
Distribution paid to the then parent company		—	(700,000)
Distribution paid to non-controlling shareholders		<b>(155,649)</b>	—

## Consolidated Statement of Cash Flows

Year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Net cash flows from financing activities		<b>5,592,476</b>	4,402,956
NET INCREASE IN CASH AND CASH EQUIVALENTS		<b>2,795,620</b>	564,439
Cash and cash equivalents at beginning of year		<b>1,381,642</b>	817,203
CASH AND CASH EQUIVALENTS AT END OF YEAR		<b>4,177,262</b>	1,381,642
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<i>28</i>	<b>5,925,092</b>	3,177,557
Less: Restricted cash	<i>28</i>	<b>1,602,975</b>	1,637,442
Pledged deposits	<i>28</i>	<b>144,855</b>	158,473
Cash and cash equivalents as stated in the statement of cash flows		<b>4,177,262</b>	1,381,642

## 1. CORPORATE AND GROUP INFORMATION

Leading Holdings Group limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 15 July 2019. Pursuant to a reorganisation, the Company became the holding company of the companies now comprising the Group on 9 December 2019. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 December 2020.

The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- Property development
- Commercial property investment and operations
- Hotel operations

The ultimate controlling shareholders of the Company are Mr. Liu Yuhui, Mr. Liu Ce, Mr. Liu Haowei, Ms. Wang Tao, Ms. Long Yiqin and Ms. Hou Sanli (the “Controlling Shareholders”).

In the opinion of the directors, the investment holding companies of the Company is Yuan Di, Fan Tai, Yue Lai, Jin Sha Jiang, Ling Yue, Lian Rong, San Jiang Yuan, Fu Sheng, Shan Yuan, which are incorporated in the British Virgin Islands with limited liability, and controlled by Controlling Shareholders.

### Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Directly held:</b>				
Leading Group Investment Limited	British Virgin Islands 12 August 2019	USD50,000	100%	Investment holding
Du Neng Investment Limited	British Virgin Islands 4 June 2019	USD50,000	100%	Investment holding



31 December 2020

**1. CORPORATE AND GROUP INFORMATION** (Continued)**Information about subsidiaries** (Continued)

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Indirectly held:</b>				
領地香港有限公司 Leading Hong Kong Holdings Ltd.	Hong Kong 28 August 2019	HKD10,000	100%	Investment holding
Du Neng Capital Limited	Hong Kong 8 July 2019	HKD10,000	100%	Investment holding
成都壘達企業管理有限公司 Chengdu Xida Enterprise Management Co., Ltd. ("Chengdu Xida")	People's Republic of China ("PRC")/ Mainland china 12 November 2019	USD200,000,000	100%	Investment holding
成都恒禧企業管理諮詢有限公司 Chengdu Hengxi Business Management Co., Ltd. ("Chengdu Hengxi")	PRC/Mainland China 16 October 2019	RMB1,500,000,000	100%	Investment holding
領地集團有限公司 Leading Real Estate Group Co., Ltd.	PRC/Mainland China 19 April 1999	RMB3,390,000,000	100%	Property development
成都漢景實業有限公司 Chengdu Hanjing Industrial Co., Ltd.	PRC/Mainland China 31 March 2005	RMB535,000,000	100%	Property development
成都領地泛太房地產開發有限公司 Chengdu Leading Fantai Real Estate Development Co., Ltd.	PRC/Mainland China 27 December 2013	RMB66,670,000	100%	Property development
成都領跑房地產開發有限公司 Chengdu Lingpao Real Estate Development Co., Ltd.	PRC/Mainland China 12 January 2018	RMB50,000,000	70%	Property development
成都新隆置業有限公司 Chengdu Xinlong Real Estate Co., Ltd.	PRC/Mainland China 19 November 2008	RMB440,000,000	99.4%	Property development
承德市君越房地產開發有限公司 Chengde Junyue Real Estate Development Co., Ltd. (Note 1) ("Chengde Junyue")	PRC/Mainland China 18 July 2017	RMB10,000,000	40%	Property development

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
攀枝花唯創房地產開發有限公司 Panzhihua Weichuang Real Estate Development Co., Ltd. (Note 1)	PRC/Mainland China 4 June 2018	RMB39,215,700	51%	Property development
承德川達房地產開發有限公司 Chengde Chuanda Real Estate Development Co., Ltd.	PRC/Mainland China 21 March 2019	RMB20,000,000	51%	Property development
新津菁陽投資有限公司 Xinjin Jingyang Investment Co., Ltd.	PRC/Mainland China 22 September 2013	RMB8,000,000	100%	Investment Management
承德市雙灤區海建房地產開發有限公司 Chengde Shuangluan Haijian Real Estate Development Co., Ltd. (Note 1)	PRC/Mainland China 6 April 2011	RMB50,000,000	51%	Property development
惠州領地房地產開發有限公司 Huizhou Leading Real Estate Development Co., Ltd.	PRC/Mainland China 21 November 2017	RMB100,000,000	100%	Property development
汕尾市領地房地產開發有限公司 Shanwei City Leading Real Estate Development Co., Ltd.	PRC/Mainland China 8 May 2018	RMB20,408,200	100%	Property development
吉林省領地房地產開發有限公司 Jilin Province Leading Real Estate Development Co., Ltd. ("Jilin Leading")	PRC/Mainland China 24 June 2010	RMB200,000,000	55%	Property development
凱里凱龍置業有限公司 Kaili Kailong Real Estate Development Co., Ltd.	PRC/Mainland China 28 February 2018	RMB8,000,000	100%	Property development
綿陽市宇航數碼科技有限公司 Mianyang Yuhang Shuma Technology Co., Ltd.	PRC/Mainland China 11 June 2004	RMB68,880,000	100%	Technology development

31 December 2020

**1. CORPORATE AND GROUP INFORMATION** (Continued)**Information about subsidiaries** (Continued)

<b>Subsidiaries</b>	<b>Place and date of incorporation/ establishment and place of operations</b>	<b>Nominal value of registered share capital</b>	<b>Percentage of equity interest attributable to the Company</b>	<b>Principal activities</b>
雅安金宏房地產開發有限公司 Yaan Jinhong Real Estate Development Co., Ltd.	PRC/Mainland China 12 July 2019	RMB41,000,000	51%	Property development
眉山川瑞達房地產開發有限公司 Meishan Chuanruida Real Estate Development Co., Ltd.	PRC/Mainland China 11 July 2019	RMB50,000,000	55%	Property development
鄭州泛達房地產開發有限公司 Zhengzhou Fanda Real Estate Development Co., Ltd.	PRC/Mainland China 2 September 2019	RMB10,000,000	70%	Property development
成都佳雪置業有限公司 Chengdu Jiaxue Real Estate Development Co., Ltd.	PRC/Mainland China 26 February 2002	RMB10,000,000	100%	Property development
重慶泛太房地產開發有限公司 Chongqing Fantai Real Estate Development Co., Ltd.	PRC/Mainland China 25 April 2019	RMB50,000,000	100%	Property development
四川長壽坊房地產開發有限責任 公司 Sichuan Changshoufang Real Estate Development Co., Ltd.	PRC/Mainland China 6 January 2015	RMB10,800,000	80%	Property development
眉山華瑞宏大置業有限公司 Meishan Huarui Honda Real Estate Development Co., Ltd.	PRC/Mainland China 23 January 2019	RMB50,000,000	55%	Property development
貴州川達房地產開發有限公司 Guizhou Chuanda Real Estate Development Co., Ltd.	PRC/Mainland China 29 April 2019	RMB20,000,000	55%	Property development
綿陽嘉瑞誠房地產開發有限公司 Mianyang Jiaruicheng Real Estate Development Co., Ltd.	PRC/Mainland China 3 January 2018	RMB50,000,000	62.1%	Property development

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
綿陽市三和實業有限公司 Mianyang Sanhe Industrial Co., Ltd. ("Mianyang Sanhe")	PRC/Mainland China 6 December 2012	RMB125,000,000	65%	Property development
攀枝花領悅房地產開發有限公司 Panzhuhua Lingyue Real Estate Development Co., Ltd.	PRC/Mainland China 9 May 2018	RMB250,000,000	100%	Property development
商丘川達房地產開發有限公司 Shangqiu Chuanda Real Estate Development Co., Ltd.	PRC/Mainland China 24 May 2018	RMB50,000,000	51%	Property development
西昌領創房地產開發有限公司 Xichang Lingchuang Real Estate Development Co., Ltd.	PRC/Mainland China 11 April 2017	RMB308,000,000	51.2%	Property development
荊州領悅房地產開發有限公司 Jingzhou Lingyue Real Estate Development Co., Ltd.	PRC/Mainland China 18 July 2019	RMB50,000,000	100%	Property development
西昌市海誠旅遊開發有限公司 Xichang Haicheng Tourism Development Co., Ltd.	PRC/Mainland China 10 August 2017	RMB20,000,000	52.25%	Property development
西昌唯創房地產開發有限公司 Xichang Weichuang Real Estate Development Co., Ltd.	PRC/Mainland China 4 January 2017	RMB100,000,000	95%	Property development
西昌泛太房地產開發有限公司 Xichang Fantai Real Estate Development Co., Ltd.	PRC/Mainland China 7 January 2020	RMB20,000,000	100%	Property development
新疆領地房地產開發有限公司 Xinjiang Leading Real Estate Development Co., Ltd.	PRC/Mainland China 2 February 2010	RMB60,000,000	85%	Property development

31 December 2020

**1. CORPORATE AND GROUP INFORMATION** (Continued)**Information about subsidiaries** (Continued)

<b>Subsidiaries</b>	<b>Place and date of incorporation/ establishment and place of operations</b>	<b>Nominal value of registered share capital</b>	<b>Percentage of equity interest attributable to the Company</b>	<b>Principal activities</b>
新疆兆龍誠祥房地產開發有限公司 Xinjiang Zhaolong Chengxiang Real Estate Development Co., Ltd.	PRC/Mainland China 27 December 2013	RMB50,000,000	95.25%	Property development
雅安泛亞房地產開發有限公司 Ya'an Pan Asia Real Estate Development Co., Ltd.	PRC/Mainland China 13 April 2018	RMB20,000,000	100%	Property development
雅安領悅房地產開發有限公司 Ya'an Lingyue Real Estate Development Co., Ltd.	PRC/Mainland China 22 March 2017	RMB20,000,000	95%	Property development
南充領創房地產開發有限公司 Nanchong Lingchuang Real Estate Development Co., Ltd.	PRC/Mainland China 4 January 2019	RMB50,000,000	100%	Property development
成都領源英赫置業有限公司 Chengdu Lingyuan Yinghe Real Estate Development Co., Ltd.	PRC/Mainland China 9 September 2019	RMB50,000,000	50%	Property development
成都潤德英赫置業有限公司 Chengdu Runde Yinghe Real Estate Development Co. Ltd.	PRC/Mainland China 9 September 2019	RMB50,000,000	50%	Property development
郫縣升達置業有限責任公司 Pixian Shengda Real Estate Co., Ltd. ("Pixian Shengda")	PRC/Mainland China 11 July 2014	RMB10,000,000	55%	Property development
成都悅航房地產開發有限公司 Chengdu Yuehang Real Estate Development Co., Ltd.	PRC/Mainland China 2 April 2018	RMB192,469,300	100%	Property development

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

Subsidiaries	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
荊州領創房地產開發有限公司 Jingzhou Lingchuang Real Estate Development Co., Ltd.	PRC/Mainland China 10 January 2019	RMB50,000,000	100%	Property development
雅安唯創房地產開發有限公司 Ya'an Weichuang Real Estate Development Co., Ltd.	PRC/Mainland China 20 September 2018	RMB50,000,000	100%	Property development
綿陽鴻遠領悅房地產開發有限公司 Mianyang Hongyuan Lingyue Real Estate Development Co., Ltd. ("Mianyang Hongyuan")	PRC/Mainland China 10 June 2019	RMB20,000,000	50%	Property development
新疆民佰房地產開發有限公司 Xinjiang Minbai Real Estate Development Co., Ltd.	PRC/Mainland China 12 October 1998	RMB224,960,000	100%	Property development
庫爾勒領創房地產開發有限公司 Korla Lingchuang Real Estate Development Co., Ltd.	PRC/Mainland China 11 April 2018	RMB60,000,000	100%	Property development
成都港基房地產開發有限公司 Chengdu Gangji Real Estate Development Co., Ltd. (Note 2)	PRC/Mainland China 17 October 2002	RMB83,485,321	100%	Property development
武漢領地房地產開發有限公司 Wuhan Leading Real Estate Development Co., Ltd. (Note 2)	PRC/Mainland China 13 December 2018	RMB39,220,000	100%	Property development

Note 1: As the Group has exposure or rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority of voting power and the existing rights of those companies to direct the relevant activities including but not limited to the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

31 December 2020

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

*Note 2:* The percentage of attributable equity interests presented concerns the beneficiary interests held by the Group. The percentage of equity interests in these entities legally held by the Group are lower than that of the beneficiary interests because of the existence of trust financing arrangements.

The Group legally transferred the equity interests in the following subsidiaries as collateral to trust financing companies as at 31 December 2020.

	<b>Percentage of equity pledged as at 31 December 2020</b>
Chengdu Gangji Real Estate Development Co., Ltd.	49%
Wuhan Leading Real Estate Development Co., Ltd.	49%

Under the afore-stated arrangements, the Group was obliged to repurchase at a fixed amount on a future date upon repayment of the borrowings from the trust financing companies.

In addition, the Group retains the power to operate and manage the above project companies in the ordinary course of business. In this regard, considering the facts that the substance of the arrangements is to collateralise some equity interests in these companies for the borrowings for project development and the Group retains the practical ability to govern the financial and operating policies of these project companies so as to obtain benefits from the operating activities of these project companies, the directors of the Company are of the view that the financial position and operating results of these companies should be combined into the Group's financial statements in full, irrespective of the equity transfers from the legal perspective.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate their Chinese names as they do not have an official English name. The legal form of all the principal subsidiaries disclosed above are limited liability companies.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group 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 (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses 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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s office buildings have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. The reduction in the lease payments arising from the rent concessions accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020 was insignificant.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
IFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>3, 5</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3, 5</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract<sup>2</sup></i>
<i>Annual Improvements to IFRS Standards 2018–2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41<sup>2</sup></i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies<sup>3</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by IFRIC 21 these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had no interest-bearing bank and other borrowings denominated in foreign currencies as at 31 December 2020. The amendment is not expected to have any significant impact on the Group's financial statements.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.



## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.



### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments in associates and joint ventures (Continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill (Continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Business combinations and goodwill** (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

#### **Fair value measurement**

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, 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 groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; *(If the Group itself is such a plan)* and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Hotel properties	4.75%
Motor vehicles	19.00%
Office equipment and electronic devices	19.00%–31.67%
Leasehold improvements	Over the shorter of the lease terms and 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

#### Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless they will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

### Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### Group as a lessee (Continued)

##### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use right	40 years
Leased properties	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### (b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### Group as a lessee (Continued)

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Investments and other financial assets** (Continued)

##### **Initial recognition and measurement** (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### **Subsequent measurement**

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

###### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

###### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### **Subsequent measurement** (Continued)

*Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### **General approach**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### **General approach** (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### **Simplified approach**

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

### Financial liabilities

#### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payable, other payables and accruals, financial guarantee contracts, lease liabilities, amounts due to related companies and interest-bearing and other borrowings.

#### **Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial liabilities** (Continued)

#### **Financial liabilities at fair value through profit or loss** (Continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

#### **Financial liabilities at amortised cost (loans and borrowings)**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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 effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### **Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred 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 for financial reporting purposes.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

#### **Revenue recognition**

##### ***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### **Sale of properties**

Revenue from the sale of properties is recognised over time when the Group's performance under the sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from the sale of properties is recognised at a point in time when the purchaser obtains control of the asset.

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

For a property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of the financing component if it is significant.

#### **Project Management**

The Group provides management services to its customers at a fixed or variable amount. If the consideration is variable, revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The Group recognises revenue from management services over a period of time where the customer simultaneously receives and consumes the benefits provided by the Group or the Group has an enforceable right to payments for performance completed to date and the performance does not create an asset with an alternative use.

#### **Hotel operation**

Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognised at the point in time when the services are rendered.

#### **Revenue from other sources**

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (Continued)

##### **Other income**

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

##### **Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

##### **Employee benefits**

##### **Pension scheme**

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain portion of these payroll costs to the central pension scheme. The only obligation of the Company with respect to the central pension scheme is to make the required contributions. No forfeited contribution under the central pension scheme is available to reduce the contribution payable in future years. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

##### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. The Board has resolved not to declare any dividend for the year ended 31 December 2020.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### ***Revenue recognition***

Revenue from the sale of properties is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer, and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of the sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements.

In assessing whether the Group has an enforceable right to payment for its sales contract, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for the sales contract.

#### ***Property lease classification – Group as lessor***

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Judgements (Continued)

##### ***Classification between investment properties and owner-occupied properties***

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation, or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

##### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

##### ***Revenue recognition***

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of each reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on the type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information, including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can affect the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

##### ***Provision for properties under development and completed properties held for sale***

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### **Estimation uncertainty** (Continued)

##### ***Provision for properties under development and completed properties held for sale*** (Continued)

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

##### ***Significant financing component***

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed by the parties to the contract provides the Group with a significant benefit of financing.

Advance payments received from customers provides a significant financing benefit to the Group. Although the Group is required to place all deposits and periodic payments received from the pre-completion sales in a stakeholder's account, the Group is able to benefit from those advance payments as it can withdraw money from that account to pay for the expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers.

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

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

##### ***PRC corporate income tax ("CIT")***

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty (Continued)

##### **Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal 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. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

##### **Estimation of fair value of investment properties**

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2020 was RMB4,551,600,000 (2019: RMB4,580,800,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 17 to the financial statements.

##### **Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 20 to the financial statements.

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- |  |  |
|--|--|
| (a) Property development;                          | Development and sale of properties<br>and project management |
| (b) Commercial property investment and operations; | Property leasing   |
| (c) Hotel operations.                              | Hotel operations   |

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The Group's operations are mainly conducted in Mainland China. Management considered that there is no reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

**4. OPERATING SEGMENT INFORMATION** (Continued)

Year ended 31 December 2020	Property development <i>RMB'000</i>	Commercial property investment and operations <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	13,032,493	84,396	41,194	13,158,083
Segment results	2,500,076	254	13,478	2,513,808
<i>Reconciliation:</i>				
Interest income				18,859
Finance costs				(306,540)
Corporate and other unallocated expenses				(209,767)
Profit before tax from continuing operations				2,016,360
<b>Segment assets</b>	<b>53,564,568</b>	<b>6,066,106</b>	<b>256,747</b>	<b>59,887,421</b>
<i>Reconciliation:</i>				
Corporate and other unallocated assets				185,749
Total assets				60,073,170
<b>Segment liabilities</b>	<b>45,941,981</b>	<b>4,544,342</b>	<b>297,906</b>	<b>50,784,229</b>
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				18,869
Total liabilities				50,803,098



31 December 2020

**4. OPERATING SEGMENT INFORMATION** (Continued)

Year ended 31 December 2019	Property development <i>RMB'000</i>	Commercial property investment and operations <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	7,460,186	70,876	37,102	7,568,164
Segment results	1,319,937	201,386	1,170	1,522,493
<i>Reconciliation:</i>				
Interest income				8,694
Finance costs				(230,381)
Corporate and other unallocated expenses				(172,841)
Profit before tax from continuing operations				1,127,965
<b>Segment assets</b>	35,367,241	6,072,237	255,156	41,694,634
<i>Reconciliation:</i>				
Corporate and other unallocated assets				355,492
Total assets				42,050,126
<b>Segment liabilities</b>	30,995,749	4,685,273	287,626	35,968,648
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				21,731
Total liabilities				35,990,379

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
<i>Revenue from contracts with customers</i>		
Sale of properties	13,027,945	7,452,435
Hotel operations	41,194	37,102
Project management	4,548	7,751
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases	84,396	70,876
	<b>13,158,083</b>	<b>7,568,164</b>

### Revenue from contracts with customers

#### (a) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Property development RMB'000	Project management operations RMB'000	Hotel operations RMB'000	Total RMB'000
<b>Types of goods or services</b>				
Sale of properties	13,027,945	—	—	13,027,945
Hotel operations	—	—	41,194	41,194
Project management services	—	4,548	—	4,548
Total revenue from contracts with customers	<b>13,027,945</b>	<b>4,548</b>	<b>41,194</b>	<b>13,073,687</b>
<b>Timing of revenue recognition</b>				
Sale of properties transferred at a point in time	10,928,118	—	—	10,928,118
Sale of properties transferred over time	2,099,827	—	—	2,099,827
Services transferred over time	—	4,548	41,194	45,742
Total revenue from contracts with customers	<b>13,027,945</b>	<b>4,548</b>	<b>41,194</b>	<b>13,073,687</b>

31 December 2020

**5. REVENUE, OTHER INCOME AND GAINS** (Continued)**Revenue from contracts with customers** (Continued)**(a) Disaggregated revenue information** (Continued)**For the year ended 31 December 2019**

Segments	Property development <i>RMB'000</i>	Commercial property investment and operations <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Types of goods or services</b>				
Sale of properties	7,452,435	—	—	7,452,435
Hotel operations	—	—	37,102	37,102
Project management services	—	7,751	—	7,751
Total revenue from contracts with customers	<u>7,452,435</u>	<u>7,751</u>	<u>37,102</u>	<u>7,497,288</u>
<b>Timing of revenue recognition</b>				
Sale of properties transferred at a point in time	5,212,313	—	—	5,212,313
Sale of properties transferred over time	2,240,122	—	—	2,240,122
Services transferred over time	—	7,751	37,102	44,853
Total revenue from contracts with customers	<u>7,452,435</u>	<u>7,751</u>	<u>37,102</u>	<u>7,497,288</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	<u><b>8,563,407</b></u>	<u>4,657,052</u>

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

#### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

##### *Sale of properties*

For property sales contracts, the Group receives payments from customers based on billing schedules as established in the contracts. Payments are usually received in advance of the performance under the contracts.

##### *Hotel operations*

The performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the service.

##### *Property management services*

The performance obligation is satisfied over time as services are rendered and short-term advances are sometimes required before rendering the service. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amounts expected to be recognised as revenue		
Within one year	<b>15,035,861</b>	11,191,991
After one year	<b>7,612,850</b>	8,352,189
	<b>22,648,711</b>	19,544,180

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties that is to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

31 December 2020

**5. REVENUE, OTHER INCOME AND GAINS** (Continued)**Revenue from contracts with customers** (Continued)**(b) Performance obligations** (Continued)

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Other income and gains</b>		
Bank interest income	<b>18,859</b>	8,694
Interest income from associates and joint ventures (note 39)	<b>2,613</b>	3,852
Management consulting service fees charged to joint ventures and associates (note 39)	<b>29,321</b>	9,336
Government grants	<b>13,336</b>	2,276
Compensation	<b>6,757</b>	17,273
Gain on disposal of items of property, plant and equipment	—	614
Others	<b>3,699</b>	2,781
	<b>74,585</b>	44,826

**6. PROFIT BEFORE TAX**

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of properties sold	17, 23	<b>9,555,460</b>	5,411,502
Cost of hotel operations		<b>27,716</b>	35,932
Impairment losses written off for completed properties held for sale	23	<b>(18,441)</b>	(15,699)
Depreciation of items of property, plant and equipment	14	<b>31,956</b>	41,839
Amortisation of others intangible assets	15	<b>2,253</b>	1,823
Amortisation of right-of-use assets	16	<b>6,511</b>	6,642
Gain on disposal of items of property, plant and equipment	5	—	(374)
Lease payments not included in the measurement of lease liabilities	16(c)	<b>6,315</b>	3,096
Auditor's remuneration		<b>5,295</b>	2,195
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		<b>343,131</b>	272,860
Pension scheme contributions and social welfare		<b>33,868</b>	36,929

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank loans and other loans	<b>1,364,258</b>	909,675
Interest on pre-sales deposits	<b>828,500</b>	610,628
Total interest expense on financial liabilities not at fair value through profit or loss	<b>2,192,758</b>	1,520,303
Less: Interest capitalised	<b>(1,886,218)</b>	(1,289,922)
	<b>306,540</b>	230,381

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fees	<b>114</b>	—
Other emoluments:		
Salaries, allowances and benefits in kind	<b>2,055</b>	1,883
Performance-related bonuses*	<b>1,360</b>	1,251
Pension scheme contributions and social welfare	<b>146</b>	276
	<b>3,675</b>	3,410

\* Certain executive directors of the Company are entitled to bonus payments which are associated with the profit after tax of the Group.

31 December 2020

**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION** (Continued)**(a) Independent non-executive directors**

Mr. Fang Min, Ms. Jin Xu and Ms. Liang Yunxing were appointed as independent non-executive directors of the Company on 16 November 2020.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Mr. Fang Min	38	—
Ms. Jin Xu	38	—
Ms. Liang Yunxing	38	—
	<b>114</b>	—

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

**(b) Executive directors and the chief executive****2020**

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance- related bonuses <i>RMB'000</i>	Pension scheme contributions and social welfare <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive directors:					
— Mr. Liu Yuhui	—	456	—	36	492
— Mr. Luo Changlin	—	565	555	38	1,158
— Ms. Zeng Xurong	—	496	335	36	867
— Ms. Hou Xiaoping	—	538	470	36	1,044
	—	<b>2,055</b>	<b>1,360</b>	<b>146</b>	<b>3,561</b>



**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION** (Continued)**(b) Executive directors and the chief executive** (Continued)**2019**

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance- related bonuses <i>RMB'000</i>	Pension scheme contributions and social welfare <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Executive directors:					
— Mr. Liu Yuhui	—	456	—	69	525
— Mr. Luo Changlin	—	492	521	69	1,082
— Ms. Zeng Xurong	—	440	208	69	717
— Ms. Hou Xiaoping	—	495	522	69	1,086
	—	1,883	1,251	276	3,410

Mr. Liu Yuhui is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included nil directors (2019: two directors). Details of directors' remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining five (2019: three) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, allowances and benefits in kind	<b>3,634</b>	2,651
Performance-related bonuses	<b>4,015</b>	3,104
Pension and social welfare	<b>182</b>	346
	<b>7,831</b>	6,101

31 December 2020

**9. FIVE HIGHEST PAID EMPLOYEES** (Continued)

The remuneration of the non-director and non-chief executive highest paid employee fell within the following bands as follows:

	Number of employees	
	2020	2019
Nil to HKD1,000,000	—	1
HKD1,000,001 to HKD1,500,000	—	1
HKD1,500,001 to HKD2,000,000	4	1
HKD2,000,001 to HKD2,500,000	1	—
	<b>5</b>	<b>3</b>

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**10. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2020.

Subsidiaries of the Group operating in Mainland China, except for Tibet Ludi Industrial Co., Ltd. ("Tibet Ludi") and Tibet Hengliang Industrial, Co., Ltd. ("Tibet Hengliang"), are subject to PRC corporate income tax at a rate of 25% for the year. Tibet Ludi and Tibet Hengliang enjoyed a preferential CIT rate of 15% during the year ended December 2020.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

**10. INCOME TAX** (Continued)

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax:		
PRC corporate income tax	<b>695,307</b>	440,121
PRC LAT	<b>493,220</b>	218,298
Deferred tax ( <i>note 20</i> )	<b>(232,735)</b>	(180,515)
Total tax charge for the year	<b>955,792</b>	477,904
Total tax charge for the year from continuing operations	<b>955,792</b>	469,688
Total tax charge for the year from discontinued operations	—	8,216

A reconciliation of income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate is follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before tax from continuing operations	<b>2,016,360</b>	1,127,965
Loss before tax from discontinued operations	—	(9,840)
Profit before tax	<b>2,016,360</b>	1,118,125
At the statutory income tax rate	<b>504,090</b>	279,532
Lower tax rate(s) for specific provinces or enacted by local authority	<b>(223)</b>	922
Profits and losses attributable to joint ventures and an associate	<b>3,157</b>	822
Expenses and cost not deductible for tax	<b>57,826</b>	5,811
Deductible temporary differences utilised from previous years	<b>(5,283)</b>	(7,260)
Deductible temporary differences and tax losses not recognised	<b>26,310</b>	34,354
Provision for LAT	<b>493,220</b>	218,298
Tax effect on LAT	<b>(123,305)</b>	(54,575)
Tax charge at the Group's effective rate	<b>955,792</b>	477,904
Tax charge from continuing operations at the effective rate	<b>955,792</b>	469,688
Tax charge from discontinued operations at the effective rate	—	8,216

31 December 2020

**10. INCOME TAX** (Continued)

Tax payable in the consolidated statement of financial position represents the following:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Tax payable		
PRC corporate income tax	<b>658,922</b>	279,292
PRC LAT	<b>699,552</b>	383,098
Total tax payable	<b>1,358,474</b>	662,390

**11. DISCONTINUED OPERATIONS**

In December 2017, according to the resolution of the board of directors, the Group decided to dispose of certain subsidiaries, all of which had been set up for purposes not related to the core business of the Group and, hence were not in line with the long term strategic development. The following sets forth the details of such disposals:

On 14 June 2019, the Group entered into an equity transfer agreement with Rong Liang Group, pursuant to which, the Group disposed of its entire equity interest in Lingyue Property Services Group Co., Ltd. ("Lingyue Property") to Rong Liang Group at a consideration of approximately RMB5.7 million.

The Group has decided to dispose of the property management related services because it was not related to the core business of the Group. With Lingyue Property being classified as a discontinued operation, the property management related services are no longer included in the note for operating segment information.

On 30 June 2019, the Group entered into an equity transfer agreement with Sichuan Linghui Enterprise Management Co., Ltd. ("Sichuan Linghui") and Nuode Investment Holding Group Co., Ltd. ("Nuode International"), an independent third party, pursuant to which, transferred its 55% and 45% equity interest in Jilin Junyi Property Service Co., Ltd. ("Jilin Junyi") to Sichuan Linghui and Nuode International, respectively, at considerations of approximately RMB0.43 million and approximately RMB0.35 million, respectively. The Group has decided to dispose of the property management related services because they were not related to the core business of the Group. With Jilin Junyi being classified as a discontinued operation, the property management related services are no longer included in the note for operating segment information.

On 19 June 2019, the Group entered into equity transfer agreements with Sichuan Huayitong Trading Co., Ltd., an independent third party, pursuant to which, transferred its 69% equity interest in Meishan Dongpo District Fanmei Management Co., Ltd. ("Meishan Dongpo") at a consideration of RMB69 million. The Group has decided to dispose of the business management related services because it was not related to the core business of the Group.

**11. DISCONTINUED OPERATIONS** (Continued)

On 6 May 2019, the Group entered into equity transfer agreements with Sichuan Lingci Health Industry Co., Ltd. (“Sichuan Lingci Health”), a direct wholly-owned subsidiary of Rong Liang Group, pursuant to which, transferred its 100% equity in Sichuan Lingci Health at nil consideration as the registered capital of Meishan Gaokang was not due for payment in accordance with its articles of association at the time of such disposal. The Group has decided to dispose of the provision of medical services, because they were not related to the core business of our Group.

The results of discontinued operations for the year ended 31 December 2019 are presented below:

	2019 RMB'000
Revenue	108,570
Finance costs	(440)
Expenses	(85,878)
Loss before tax from the discontinued operations	<u>(9,840)</u>
Income tax	<u>—</u>
Gain on disposal of discontinued operations	<u>32,092</u>
Tax attributable to gain on disposal	<u>(8,216)</u>
Profit for the year from the discontinued operations	<u>14,036</u>

The net cash flows incurred by discontinued operations are as follows:

	2019 RMB'000
Cash flows used in discontinued operations:	
Operating activities	(5,412)
Investing activities	(38,784)
Financing activities	<u>16,794</u>
Net cash inflow	<u>(27,402)</u>
Earnings per share:	
Basic and diluted, from the discontinued operations	<u>RMB0.01</u>

31 December 2020

**11. DISCONTINUED OPERATIONS** (Continued)

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2019
Profit attributable to ordinary equity holders of the parent from the discontinued operation	RMB7,720,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation ( <i>note 13</i> )	750,000,000

**12. DIVIDENDS**

The Board has resolved not to declare any dividend for the year ended 31 December 2020 (2019: Nil).

**13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the reorganisation and the capitalisation issue as described in note 33 as if the reorganisation and capitalisation issue had been completed on 1 January 2019.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 765,027,322 (2019: 750,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

### 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of basic and diluted earnings per share are based on:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	<b>860,311</b>	537,105
From a discontinued operations	—	7,720
	<b>860,311</b>	544,825
<b>Number of shares</b>		
	2020	2019
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>765,027,322</b>	750,000,000



## Notes to Financial Statements

31 December 2020

### 14. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Buildings RMB'000	Hotel properties RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2020</b>							
At 31 December 2019 and 1 January 2020:							
Cost	47,971	47,622	61,583	111,600	80,908	435	350,119
Accumulated depreciation	(41,782)	(32,494)	(10,945)	(5,301)	(23,534)	—	(114,056)
Net carrying amount	6,189	15,128	50,638	106,299	57,374	435	236,063
At 1 January 2020, net of accumulated depreciation	6,189	15,128	50,638	106,299	57,374	435	236,063
Additions	4,888	4,652	—	—	6,070	—	15,610
Acquisition of subsidiaries that are not businesses	155	30	1,974	—	—	—	2,159
Disposals	(3)	—	—	—	—	—	(3)
Transfers from construction in progress	—	—	435	—	—	(435)	—
Depreciation provided during the year	(1,897)	(5,033)	(2,870)	(5,301)	(16,855)	—	(31,956)
At 31 December 2020, net of accumulated depreciation	9,332	14,777	50,177	100,998	46,589	—	221,873
At 31 December 2020:							
Cost	53,011	52,304	63,992	111,600	86,978	—	367,885
Accumulated depreciation	(43,679)	(37,527)	(13,815)	(10,602)	(40,389)	—	(146,012)
Net carrying amount	9,332	14,777	50,177	100,998	46,589	—	221,873

**14. PROPERTY, PLANT AND EQUIPMENT** (Continued)

	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Buildings RMB'000	Hotel properties RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2019</b>							
At 31 December 2018 and 1 January 2019:							
Cost	46,602	27,996	61,583	111,600	17,790	61,234	326,805
Accumulated depreciation	(37,138)	(18,276)	(7,770)	—	(9,033)	—	(72,217)
Net carrying amount	9,464	9,720	53,813	111,600	8,757	61,234	254,588
At 1 January 2019, net of accumulated depreciation							
	9,464	9,720	53,813	111,600	8,757	61,234	254,588
Additions	1,674	11,198	—	—	8,704	1,612	23,188
Acquisition of a subsidiary	—	—	—	—	—	435	435
Disposals	(305)	(4)	—	—	—	—	(309)
Transfers from construction in progress	—	8,432	—	—	54,414	(62,846)	—
Depreciation provided during the year	(4,644)	(14,218)	(3,175)	(5,301)	(14,501)	—	(41,839)
At 31 December 2019, net of accumulated depreciation							
	6,189	15,128	50,638	106,299	57,374	435	236,063
At 31 December 2019:							
Cost	47,971	47,622	61,583	111,600	80,908	435	350,119
Accumulated depreciation	(41,782)	(32,494)	(10,945)	(5,301)	(23,534)	—	(114,256)
Net carrying amount	6,189	15,128	50,638	106,299	57,374	435	236,063

As at 31 December 2020, certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB100,998,000 (2019: nil) have been pledged to secure bank and other borrowings granted to the Group (note 32).

## 15. INTANGIBLE ASSETS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January		
Cost	20,241	16,771
Accumulated amortisation	(7,553)	(5,730)
Cost at 1 January, net of accumulated amortisation	12,688	11,041
Additions	7,833	3,470
Amortisation provided during the year	(2,253)	(1,823)
At 31 December	18,268	12,688
Cost	28,074	20,241
Accumulated amortisation	(9,806)	(7,553)
Net carrying amount	18,268	12,688

## 16. LEASES

### The Group as a lessee

The Group has lease contracts for various items of office properties and office equipment used in its operations. Leases of office properties generally have lease terms between one and five years, while office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The recognised right-of-use assets relate to the following types of assets:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Land use right	41,241	42,756
Leased properties	10,553	13,900
Total right-of-use assets	51,794	56,656

The land use right is held for self-use. The Group has lease contracts for office buildings. The lease term is one to five years. Amortisation expenses have been charged to administrative expenses and cost of sales.

**16. LEASES** (Continued)**The Group as a lessee** (Continued)**(a) Right-of-use assets** (Continued)

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Land use right</b>		
Carrying amount at the beginning of the year	<b>42,756</b>	44,271
Depreciation provided during the year	<b>(1,515)</b>	(1,515)
Carrying amount at the end of the year	<b>41,241</b>	42,756

Part of the Group's land use right with an aggregate carrying amount of approximately RMB19,021,000 as at 31 December 2020 (2019: nil) has been pledged to secure bank and other borrowings granted to the Group (Note 32).

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Leased properties</b>		
Carrying amount at the beginning of the year	<b>13,900</b>	8,832
Additions	<b>1,649</b>	10,195
Depreciation provided during the year	<b>(4,996)</b>	(5,127)
Carrying amount at the end of the year	<b>10,553</b>	13,900

31 December 2020

**16. LEASES** (Continued)**The Group as a lessee** (Continued)**(b) Lease liabilities**

The carrying amounts of lease liabilities and the movements during the year are as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Lease liabilities</b>		
Carrying amount at the beginning of the year	<b>14,289</b>	9,104
New leases	<b>1,649</b>	10,195
Accretion of interest recognised during the year	<b>667</b>	593
Payments	<b>(5,561)</b>	(5,603)
Carrying amount at the end of the year	<b>11,044</b>	14,289
Analysed into:		
Current portion	<b>6,220</b>	4,512
Non-current portion	<b>4,824</b>	9,777

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

**(c)** The amounts recognised in profit or loss in relation to leases are as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on lease liabilities	<b>667</b>	593
Depreciation charge of right-of-use assets	<b>6,511</b>	6,642
Expense relating to short-term leases	<b>6,315</b>	3,096
Total amount recognised in profit or loss	<b>13,493</b>	10,331

**(d)** The total cash outflows for leases is disclosed in note 35(c) to the financial statements.

**16. LEASES** (Continued)**The Group as a lessor**

The Group leases its investment properties (note 17) consisting of three commercial properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. As at the 31 December 2020, Rental income recognised by the Group during the year was RMB84,396,000 (31 December 2019: RMB70,876,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within one year	<b>95,238</b>	79,820
In the second to fifth years, inclusive	<b>302,005</b>	208,749
After five years	<b>104,558</b>	110,135
	<b>501,801</b>	398,704

**17. INVESTMENT PROPERTIES**

	<b>Completed</b> <i>RMB'000</i>
Carrying amount at 1 January 2019	4,463,800
Transferred to completed properties held for sale	(1,098)
Transferred to cost of sales	(42,742)
Net gain from a fair value adjustment	160,840
Carrying amount at 31 December 2019 and 1 January 2020	4,580,800
Acquisition of a subsidiary	<b>34,200</b>
Transferred to cost of sales	<b>(14,124)</b>
Net loss from a fair value adjustment	<b>(49,276)</b>
Carrying amount at 31 December 2020	<b>4,551,600</b>

31 December 2020

**17. INVESTMENT PROPERTIES** (Continued)

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 31 December 2020 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB4,551,600,000 (2019: RMB4,580,800,000). The Group's senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Certain of the Group's investment properties with an aggregate carrying amounts of approximately RMB1,380,627,000 as at 31 December 2020 (2019: RMB274,377,000) have been pledged to secure bank and other borrowings granted to the Group (Note 32).

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Recurring fair value measurement for	Fair value measurement as at 31 December 2019 using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Commercial properties Completed	—	—	4,580,800	4,580,800
Recurring fair value measurement for	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties Completed	—	—	4,551,600	4,551,600

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.



## 17. INVESTMENT PROPERTIES (Continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2020	2019
Completed investment	Income capitalization method	Estimated rental value (RMB per sq.m. and per month)	<b>48-500</b>	63-450
		Capitalisation rate	<b>5.0%–5.50%</b>	5.0%–5.50%

The fair value of completed investment properties is determined by the income capitalisation method by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference that has also been made to the comparable sales transactions as available in the relevant market.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of investment properties under construction is determined by using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

- Estimated construction cost to be expensed to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated profit margin, the lower is the fair value of the investment properties under construction.

## 18. INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	<b>577,807</b>	595,871

The Group's trade and other receivable and payable balances with joint ventures are disclosed in note 39 to the financial statements.

## (a) Particulars of the Group's joint ventures

Name of company	Place and date of registration	Paid-in capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
樂山川達房地產開發有限公司 Leshan Chuanda Real Estate Development Co., Ltd. ("Leshan Chuanda")	Leshan, PRC 4 December 2017	50,000	40% (note i) (note (a))	Property development
雅安城投領地房地產開發有限公司 Ya'an Chengtou Leading Real Estate Development Co., Ltd. ("Ya'an Chengtou")	Ya'an, PRC 12 July 2017	30,000	51% (note ii) (note (b))	Property development

*Note i:* Leshan Chuanda had three shareholders holding 40%, 30% and 30% equity interests, respectively. Pursuant to the articles of association of Leshan Chuanda, all shareholders' resolutions of Leshan Chuanda shall be resolved by the three shareholders on an unanimous basis. In light of this requirement, Leshan Chuanda is accounted for as a joint venture of the Company notwithstanding that the Company held a 40% equity interest during the reporting period.

*Note ii:* Ya'an Chengtou had two shareholders holding 51% and 49% equity interests, respectively. Pursuant to the articles of association of Ya'an Chengtou, all shareholders' resolutions of Ya'an Chengtou shall be resolved by the two shareholders on an unanimous basis. In light of this requirement, Ya'an Chengtou is accounted for as a joint venture of the Company notwithstanding that the Company held a 51% equity interest during the reporting period.

**18. INVESTMENTS IN JOINT VENTURES** (Continued)

- (a) Leshan Chuanda, which is considered as a material joint venture of the Group for the years ended 31 December 2019 and 2020, co-develops a property development project with another joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Leshan Chuanda adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Current assets	<b>221,449</b>	826,130
Non-current assets	<b>322</b>	78
Current liabilities	<b>(163,131)</b>	(813,534)
Non-current liabilities	<b>—</b>	—
Net assets	<b>58,640</b>	12,674
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	<b>40%</b>	40%
The Group's share of net assets of the joint venture	<b>23,456</b>	5,070
Revenue	<b>970,293</b>	5
Expenses	<b>(780,988)</b>	(30,113)
Tax	<b>(42,502)</b>	7,527
Net profit/(loss) and total comprehensive income/(loss) for the year	<b>146,803</b>	(22,581)

**18. INVESTMENTS IN JOINT VENTURES** (Continued)

- (b) Ya'an Chengtou, which is considered as a material joint venture of the Group for the years ended 31 December 2019 and 2020, co-develops a property development project with another joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Ya'an Chengtou adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Current assets	<b>147,888</b>	329,693
Non-current assets	<b>34</b>	3,978
Current liabilities	<b>(107,100)</b>	(318,200)
Non-current liabilities	<b>—</b>	—
Net assets	<b>40,822</b>	15,471
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	<b>51%</b>	51%
The Group's share of net assets of the joint venture	<b>20,819</b>	7,890
Revenue	<b>267,018</b>	—
Expenses	<b>(233,217)</b>	(2,564)
Tax	<b>(8,450)</b>	—
Net profit/(loss) and total comprehensive income/(loss) for the year	<b>25,351</b>	(2,564)

**18. INVESTMENTS IN JOINT VENTURES** (Continued)

(c) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the joint ventures' (loss)/profit for the year	(86,077)	14,098
Share of the joint ventures' total comprehensive (loss)/income	(86,077)	14,098
Aggregate carrying amount of the Group's investments in the joint ventures	533,532	582,911

**19. INVESTMENTS IN ASSOCIATES**

	2020 RMB'000	2019 RMB'000
Share of net assets	561,101	78,405

The Group's trade and other receivable and payable balances with associates are disclosed in note 39 to the financial statements.

**(a) Particulars of the Group's associates**

Name of company	Place and date of registration	Paid-in capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
成都金凱盛瑞房地產開發有限公司 Chengdu Jinkaishengrui Real Estate Development Co., Ltd. ("Chengdu Jinkaishengrui") (Note (b))	Chengdu, PRC 9 January 2018	150,000	49.00% (note (b))	Property development

31 December 2020

**19. INVESTMENTS IN ASSOCIATES** (Continued)

- (b) Chengdu Jinkaishengrui, which is considered as a material associate of the Group for the years ended 31 December 2019 and 2020, is a strategic partner of the Group engaged in property development and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Chengdu Jinkaishengrui adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Current assets	<b>487,050</b>	1,503,275
Non-current assets	<b>137</b>	130
Current liabilities	<b>(342,083)</b>	(1,342,386)
Non-current liabilities	<b>—</b>	(1,009)
Net assets	<b>145,104</b>	160,010
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	<b>49%</b>	49%
Group's share of net assets of the associate	<b>71,101</b>	78,405
Revenue	<b>910,278</b>	10
Expenses	<b>(852,149)</b>	(19,118)
Tax	<b>(23,035)</b>	4,728
Net profit/(loss) and total comprehensive income/(loss) for the year	<b>35,094</b>	(14,380)

- (c) The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Share of the associate's profit for the year	<b>—</b>	—
Share of the associate's total comprehensive income	<b>—</b>	—
Carrying amount of the Group's investment in the associate	<b>490,000</b>	—

## 20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Impairment of assets RMB'000	Accrued development cost RMB'000	Expenses for offsetting against future taxable profits RMB'000	Unrealised revenue in contract liabilities RMB'000	Financial guarantee contracts RMB'000	Accrued land value-added tax RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	49,748	9,789	—	18,218	348,152	2,000	57,359	361	485,627
Deferred tax credited/(charged) to profit or loss during the year	45,905	(18)	61,721	18,454	184,117	(1,706)	21,954	148	330,575
At 31 December 2019 and 1 January 2020	95,653	9,771	61,721	36,672	532,269	294	79,313	509	816,202
Acquisition of subsidiaries	25,331	—	—	—	—	—	—	—	25,331
Deferred tax credited/(charged) to profit or loss during the year	95,298	438	(3,738)	(22,764)	117,359	(273)	95,575	166	282,061
At 31 December 2020	<b>216,282</b>	<b>10,209</b>	<b>57,983</b>	<b>13,908</b>	<b>649,628</b>	<b>21</b>	<b>174,888</b>	<b>675</b>	<b>1,123,594</b>

### Deferred tax liabilities

	Fair value adjustment arising from investment properties RMB'000	Recognition of revenue over time RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2018	558,014	139,574	293	697,881
Deferred tax charged to profit or loss during the year	43,967	105,974	119	150,060
At 31 December 2019	601,981	245,548	412	847,941
Acquisition of a subsidiary	10,557	—	—	10,557
Deferred tax charged to profit or loss during the year	14,990	34,195	141	49,326
At 31 December 2020	<b>627,528</b>	<b>279,743</b>	<b>553</b>	<b>907,824</b>



31 December 2020

**20. DEFERRED TAX** (Continued)**Deferred tax liabilities** (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<b>983,633</b>	676,137
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(767,863)</b>	(707,876)
	<b>215,770</b>	(31,739)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019 and 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

As at 31 December 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,935,644,000 (31 December 2019: RMB2,544,035,000).

As at 31 December 2020, the Group had unutilised tax losses arising in the PRC of approximately RMB161,125,000 (31 December 2019: RMB93,585,000), that will expire in one to five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets amounting to approximately RMB22,477,000 as at 31 December 2020 (31 December 2019: RMB30,997,000) have not been recognised in respect of the deductible temporary differences, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

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

	2020 RMB'000	2019 RMB'000
Unlisted fund investments, at fair value	<b>11,026</b>	2,000

The unlisted investments were wealth management products.

## 22. PROPERTIES UNDER DEVELOPMENT

	2020 RMB'000	2019 RMB'000
At the beginning of the year	<b>27,983,574</b>	16,985,467
Additions	<b>17,361,150</b>	14,836,982
Acquisition of subsidiaries that are not businesses	<b>4,433,536</b>	1,152,316
Transferred to completed properties held for sale ( <i>Note 23</i> )	<b>(11,120,980)</b>	(4,991,192)
At the end of the year	<b>38,657,280</b>	27,983,573

The Group's properties under development are situated on leasehold lands in Mainland China.

As at 31 December 2020, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB12,733,997,000 (31 December 2019: RMB10,272,573,000) have been pledged to secure bank and other borrowings granted to the Group (*Note 32*).

## 23. COMPLETED PROPERTIES HELD FOR SALE

	2020 RMB'000	2019 RMB'000
Carrying amount at the beginning of the year	<b>1,296,666</b>	1,657,437
Acquisition of a subsidiary that is not a business	<b>5,442</b>	—
Transferred from properties under development ( <i>Note 22</i> )	<b>11,120,980</b>	4,991,192
Transferred from investment properties ( <i>Note 17</i> )	<b>—</b>	1,098
Transferred to cost of sales ( <i>Note 6</i> )	<b>(9,541,336)</b>	(5,368,760)
Impairment losses written off ( <i>Note 6</i> )	<b>18,441</b>	15,699
Carrying amount at the end of the year	<b>2,900,193</b>	1,296,666

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB494,645,000 as at 31 December 2020 (2019: RMB60,105,000) have been pledged to secure bank and other borrowings granted to the Group (*Note 32*).

31 December 2020

**23. COMPLETED PROPERTIES HELD FOR SALE** (Continued)

The movements in provision for impairment of completed properties held for sale are as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	<b>(58,779)</b>	(74,478)
Impairment losses written off (Note 6)	<b>18,441</b>	15,699
At the end of the year	<b>(40,338)</b>	(58,779)

The value of completed properties held for sale is assessed at the end of each of the reporting period. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by reference to the selling price based on the prevailing market price less applicable selling expenses.

**24. TRADE RECEIVABLES**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	<b>72,860</b>	60,788

Trade receivables mainly represent the receivables from the sale of properties. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Property buyers are generally granted credit terms of 1 month to 1 year. Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Less than 1 year	<b>33,530</b>	60,788
Over 1 year	<b>39,330</b>	—
	<b>72,860</b>	60,788

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

**24. TRADE RECEIVABLES** (Continued)

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on the evaluation on the expected loss rate and the gross carrying amount, the directors of the Company are of the opinion that the expected credit losses in respect of these balances are immaterial, and therefore, no provision has been made for a loss allowance.

**25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Prepayments for construction cost	95,849	118,526
Prepayments for acquisition of land use rights	—	50,105
Deposits for land auction	—	40,000
Other deposits	312,441	318,992
Other tax recoverable	1,334,734	967,474
Advance to staff	4,835	1,443
Due from non-controlling shareholders of the subsidiaries	1,263,340	439,916
Due from third parties	1,825	27,129
Other prepayments	13,705	16,637
Other receivables	52,479	32,307
Impairment	(78,180)	(77,427)
	<b>3,001,028</b>	1,935,102

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. The internal credit rating of amounts due from non-controlling shareholders of subsidiaries and third parties, other receivables and other deposits were regarded as the grade of performing. The expected loss rate of these receivables is assessed to be 0.17%. The information about the credit exposure is disclosed in note 42 to the financial statements.

**26. OTHER CURRENT ASSETS**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deferred commission for agents	598,232	110,551

31 December 2020

**27. OTHER NON-CURRENT ASSETS**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deposits for property developments	223,382	79,557
Prepayment for equity investments	—	50,000
	<b>223,382</b>	129,557

**28. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash and bank balances	5,925,092	3,177,557
Less: Restricted cash	1,602,975	1,637,442
Pledged deposits	144,855	158,473
	<b>4,177,262</b>	1,381,642
Cash and cash equivalents	<b>4,177,262</b>	1,381,642
Denominated in RMB	4,101,149	1,380,422
Denominated in HK\$	72,125	—
Denominated in US\$	3,359	—
Denominated in AUD\$	629	1,220
	<b>4,177,262</b>	1,381,642

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts a certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The restricted cash can only be used for payments for construction costs of the relevant properties when approval from the related government authority is obtained. Such restricted cash will be released after the completion of construction of the related properties. As at 31 December 2020, such restricted cash amounted to RMB1,358,701,000 (31 December 2019: RMB998,703,000). the restricted cash also included construction loan mortgage amounting to RMB236,533,000 (31 December 2019: RMB638,739,000). As at 31 December 2020, the restricted cash amounting to RMB7,741,000 was frozen by the People's Court due to lawsuits (31 December 2019: nil).

As at 31 December 2020, Bank deposits of RMB144,855,000 were pledged as security for purchasers' mortgage loans (31 December 2019: RMB158,473,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

## 28. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (Continued)

As at 31 December 2020, the internal credit rating of restricted cash, pledged deposits and cash and cash equivalents was regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

## 29. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each reporting period, based on the invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Less than 1 year	6,381,590	3,752,977
Over 1 year	418,822	305,395
	<b>6,800,412</b>	4,058,372

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

## 30. OTHER PAYABLES AND ACCRUALS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deposits related to construction	379,026	275,314
Advance from non-controlling shareholders of subsidiaries	3,564,642	948,292
Maintenance fund	18,768	45,157
Advance from third parties	1,259	21,217
Payroll and welfare payable	91,640	90,955
Tax and surcharges	82,591	30,907
Deposits related to the sale of properties	82,541	38,677
Interest payable	54,860	33,739
Share consideration payable	678,060	269,740
Accrued liabilities	7,368	49,922
Payable related to land acquisition	770,873	805,845
Financial guarantee contracts	82	1,176
Others	57,688	55,735
	<b>5,789,398</b>	2,666,676

31 December 2020

### 31. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract liabilities	<b>21,592,955</b>	15,398,334

### 32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	<i>RMB'000</i>	Effective interest rate (%)	Maturity	<i>RMB'000</i>
<b>Current</b>						
Bank loans — secured	8.00	2021	91,200			—
Other loans — secured			—	12.1-13.00	2020	1,484,800
Current portion of long term bank loans — secured	5.21-9.31	2021	764,477	5.31-11.69	2020	3,158,230
Current portion of long term other loans — secured	8.82-13.31	2021	3,234,389	6.87-14.06	2020	1,120,129
			<b>4,090,066</b>			<b>5,763,159</b>
<b>Non-current</b>						
Bank loans — secured	5.21-10.12	2022-2035	6,530,220	5.29-10.27	2021-2023	2,608,097
Bank loans — unsecured	6.17	2023	800,803			—
Other loans — secured	8.82-13.36	2022-2023	2,836,268	6.12-13.53	2021-2022	3,209,311
Other loans — unsecured			—	8.63-11.48	2022	174,612
			<b>10,167,291</b>			<b>5,992,020</b>
			<b>14,257,357</b>			<b>11,755,179</b>



**32. INTEREST-BEARING BANK AND OTHER BORROWINGS** (Continued)**Bank and other borrowings**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Analysed into:		
Repayable within one year	<b>4,090,066</b>	5,763,159
Repayable in the second year	<b>7,328,913</b>	4,132,477
Repayable in the third to fifth years, inclusive	<b>1,248,501</b>	1,859,543
Repayable beyond five years	<b>1,589,877</b>	—
	<b>14,257,357</b>	11,755,179

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period:

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Property, plant and equipment	14	<b>100,998</b>	—
Land use right	16	<b>19,021</b>	—
Investment properties	17	<b>1,380,627</b>	274,377
Properties under development	22	<b>12,733,997</b>	10,272,573
Completed properties held for sale	23	<b>494,645</b>	60,105

As at the 31 December 2020, certain of the Group's bank and other borrowings with an aggregate amount of RMB7,899,640,000 was secured by share charges in respect of the equity interests of certain subsidiaries of the Group (31 December 2019: RMB5,423,337,000).

31 December 2020

**33. SHARE CAPITAL**

	<b>31 December 2020</b>	31 December 2019
Issued and fully paid:		
Authorised:		
10,000,000,000 (2019: 38,000,000) ordinary shares HK\$0.01 each (2019: HK\$0.01 each)	<b>10,000,000,000</b>	38,000,000
Issued and fully paid:	<i>RMB'000</i>	<i>RB'000</i>
1,000,000,000 (2019: 60,000) ordinary shares of HK\$0.01 each (2019: HK\$0.01 each)	<b>8,446</b>	1

On 15 July 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital of HK\$380,000 dividing into 38,000,000 shares of HK\$0.01 par value each. In preparation for the listing, on 26 November 2020, the authorised share capital of the Company was increased to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each.

**33. SHARE CAPITAL** (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	—	—
Issue of shares on 15 July 2019	1	—
Issue of shares on 25 September 2019	9,999	—
Issue of shares on 31 December 2019	49,400	1
Issue of shares on 31 December 2019	600	—
As at 31 December 2019	60,000	1
Effect of capitalisation issue on 16 November 2020	749,940,000	6,333
Issue of shares on 10 December 2020	250,000,000	2,112
At 31 December 2020	<b>1,000,000,000</b>	<b>8,446</b>

On 15 July 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon its incorporation, one share was issued and allotted to the initial subscriber, an independent third party, and such share was transferred to Yue Lai Investment Limited on the same date. On 25 September 2019, an additional 9,999 shares were issued and allotted to several shareholders.

On 31 December 2019, the Company further issued and allotted 49,400 shares to related shareholders of HK\$0.01 each, and 600 shares in exchange for shares of Du Neng Investment Limited with the consideration of RMB35,511,000.

On 16 November 2020, 749,940,000 shares were issued by way of capitalisation with a par value of HK\$0.01 each, and the corresponding share capital amount was approximately RMB6,333,000. On 10 December 2020, upon its listing on the Hong Kong Stock Exchange, the Company issued 250,000,000 new ordinary shares with a par value of HK\$0.01 at HK\$5.69 each for a total cash consideration of HK\$1,423,319,000 (equivalent to approximately RMB1,202,136,000). The corresponding share capital amount was approximately RMB2,112,000 and the share premium arising from the issue was approximately RMB1,160,757,000, net of the share issue costs. The share issue costs paid and payable mainly include share underwriting commissions, lawyers' fees, a reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB39,267,000 were treated as a deduction against the share premium arising from the issue.

### 34. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2019 and 2020 are presented in the consolidated statements of changes in equity.

#### (a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

#### (b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

#### (c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

### 35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,649,000 (2019: RMB10,195,000) in respect of lease arrangements for leased properties.

#### (b) Changes in liabilities arising from financing activities:

	Interest-bearing bank and other borrowings <i>RMB'000</i>	Due to related companies <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	7,853,828	412,532	9,104	8,275,464
Cash flows from/(used in) financing activities	3,928,877	186,583	(5,603)	4,109,857
Cash flows from non-financing activities	—	128,148	593	128,741
New lease	—	—	10,195	10,195
Non-cash changes — accrual of interest	(27,526)	—	—	(27,526)
As at December 2019	11,755,179	727,263	14,289	12,496,731
Cash flows from/(used in) financing activities	1,318,299	(452,939)	(5,561)	859,799
Cash flows from non-financing activities	—	(48,729)	667	(48,062)
Increase from acquisition of a subsidiary	1,200,902	—	—	1,200,902
New lease	—	—	1,649	1,649
Non-cash changes — accrual of interest	(17,023)	—	—	(17,023)
As at December 2020	14,257,357	225,595	11,044	14,493,996

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within operating activities	6,982	3,689
Within financing activities	5,561	5,603
	<b>12,543</b>	9,292

31 December 2020

### 36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT BUSINESSES

During the year ended 31 December 2020, the Group acquired certain assets through acquisition of subsidiaries. The following table summarises the financial information in relation to the acquisition of subsidiaries.

A summary of the acquisitions of subsidiaries that are not a business during the year is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Property, plant and equipment	<b>2,159</b>	435
Properties under development	<b>4,433,536</b>	1,152,316
Prepayments, deposits and other receivables	<b>166,753</b>	463,122
Investment properties	<b>34,200</b>	—
Completed properties held for sale	<b>5,442</b>	—
Deferred tax assets	<b>25,331</b>	—
Cash and cash equivalents	<b>110,814</b>	124
Trade and bills payables	<b>(248,588)</b>	—
Other payables, deposits received and accruals	<b>(1,289,011)</b>	(772,447)
Interest-bearing bank and other borrowings	<b>(1,200,902)</b>	—
Deferred tax liabilities	<b>(10,557)</b>	—
Non-controlling interests	<b>(13,471)</b>	—
Net assets acquired	<b>2,029,177</b>	843,550
Reclassification from pre-existing interests in a joint venture to investment in a subsidiary	<b>(13,471)</b>	—
Satisfied by:		
Cash	<b>1,494,039</b>	673,207
Cash consideration payable	<b>508,196</b>	170,343
Analysis of cash flows on acquisition:		
Cash and bank balances acquired	<b>110,814</b>	124
Net outflow of cash and cash equivalents included in cash flows from investing activities	<b>(1,383,225)</b>	(267,783)

### 37. CONTINGENT LIABILITIES

At the end of the reporting period, the financial guarantees not provided for in the consolidated financial statements were as follows:

	Notes	2020 RMB'000	2019 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	<b>11,594,320</b>	8,882,032
Guarantees given to banks and other institutions in connection with facilities granted to related parties	(2)	<b>1,497,640</b>	1,765,900

Notes:

- (1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans. Upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore, no provision has been made in connection with the guarantees.

- (2) The Group provided guarantees to banks and other institutions in connection with borrowings made to the related companies. As of 31 December 2020, an allowance of RMB82,000 (31 December 2019: RMB1,176,000) was provided for as a result of the guarantees provided to the related companies and third parties.

### 38. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Property development activities	<b>22,456,963</b>	12,227,258
Acquisition of land use rights	—	77,947
Capital contributions for the acquisition of subsidiaries	<b>508,195</b>	1,016,570
Capital contributions to subsidiaries	<b>1,233,250</b>	927,750
Capital contributions to joint ventures	<b>15,000</b>	44,600
	<b>24,213,408</b>	14,294,125



31 December 2020

**39. RELATED PARTY TRANSACTIONS****(1) Significant related party transactions**

The following operating transactions were carried out with related parties during the reporting period:

	<b>2020</b>	2019
	<b>RMB'000</b>	<i>RMB'000</i>
Advances from related companies:		
Joint ventures	<b>539,588</b>	671,168
Associate	—	369
The then parent company	—	3,061,913
Companies controlled by the then parent company	<b>22,409</b>	106,987
Companies controlled by the director of the Company	—	34,449
Companies controlled by certain directors and/or their close family members	<b>5,974</b>	7,658
Repayment of advances from related companies:		
Joint ventures	<b>653,158</b>	606,483
Associate	—	369
The then parent company	<b>442,939</b>	2,752,100
Companies controlled by the then parent company	<b>22,409</b>	165,113
Companies controlled by the shareholders	—	5,754
Companies controlled by the director of the Company	<b>10,000</b>	99,552
Companies controlled by certain directors and/or their close family members	<b>5,974</b>	7,658
Advances to related companies:		
Joint ventures	<b>1,475,392</b>	1,784,866
The then parent company	<b>2,936,386</b>	1,254,998
Repayment of advances to related companies:		
Joint ventures	<b>1,159,809</b>	1,664,109
The then parent company	<b>2,935,386</b>	1,248,221
Companies controlled by the then parent company	—	1,631

**39. RELATED PARTY TRANSACTIONS** (Continued)**(2) Significant related party transactions**

The following non-operating transactions were carried out with related parties during the reporting period:

	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Rental income from companies controlled by the then parent company* (Note 1)	<b>4,156</b>	2,943
Property sales from companies controlled by the then parent company (Note 1 & 2)	<b>2,155</b>	47,379
Property management fee to companies controlled by the then parent company* (Note 1 & 2)	<b>95,454</b>	70,131
Management consulting service income from joint ventures and associates* (Note 1)	<b>29,321</b>	9,336
Project management fee to companies controlled by the then parent company* (Note 1)	<b>55,539</b>	33,975
Raw materials purchased from companies controlled by certain directors and/or their close family members* (Note 1)	<b>24,189</b>	41,996
Interest income from joint ventures and associates (Note 1)	<b>2,613</b>	3,852

Note 1: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties incurred.

Note 2: On 17 December 2020, the then parent company transferred its approximately 99% equity interest in Lingyue Property Services to Chengdu Rongyue Jinghui for the Pre-IPO reorganization.

\* The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

**(3) Other transactions with related parties**

As at 31 December 2020, the Group has guaranteed certain of the bank and other borrowings made to its joint ventures up to RMB1,497,640,000 (31 December 2019: RMB1,176,900,000).

31 December 2020

**39. RELATED PARTY TRANSACTIONS** (Continued)**(4) Outstanding balances with related parties**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Balances relating to non-operating activities</b>		
<b>Due from related parties:</b>		
Due from shareholders	1	1
Due from joint ventures	<b>1,121,830</b>	722,617
	<b>1,121,831</b>	722,618
<b>Due to related parties:</b>		
Due to the then parent company	—	442,939
Due to joint ventures	<b>121,972</b>	151,905
Due to companies controlled by the director of the Company	—	10,000
	<b>121,972</b>	604,844
<b>Balances relating to operating activities</b>		
<b>Due from related parties:</b>		
Due from joint ventures	<b>25,880</b>	4,630
Due from associates	—	1,641
Due from companies controlled by the then parent company	<b>2,202</b>	1,382
	<b>28,082</b>	7,653
<b>Due to related parties:</b>		
Due to companies controlled by the then parent company	<b>98,622</b>	105,713
Due to companies controlled by certain directors and/or their close family members	<b>5,001</b>	16,706
	<b>103,623</b>	122,419

Balances with the above related parties except for the balances with two joint ventures were unsecured, non-interest-bearing and repayable on demand.

**39. RELATED PARTY TRANSACTIONS** (Continued)**(5) Compensation of key management personnel of the Group:**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Short-term employee benefits	<b>13,536</b>	7,883
Pension scheme contributions	<b>437</b>	623
Total compensation paid to key management personnel	<b>13,973</b>	8,506

Further details of directors' emoluments are included in note 8 to the financial statements.

**40. FINANCIAL INSTRUMENTS BY CATEGORY**

**31 December 2020**

**Financial assets**

	<b>Financial assets at amortised cost</b> <i>RMB'000</i>	<b>Financial assets at FVPL</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Financial assets included in prepayments, deposits and other receivables	<b>1,630,083</b>	—	<b>1,630,083</b>
Trade receivables	<b>72,860</b>	—	<b>72,860</b>
Due from related companies	<b>1,149,913</b>	—	<b>1,149,913</b>
Financial assets at fair value through profit or loss	—	<b>11,026</b>	<b>11,026</b>
Restricted cash	<b>1,602,975</b>	—	<b>1,602,975</b>
Pledged deposits	<b>144,855</b>	—	<b>144,855</b>
Cash and cash equivalents	<b>4,177,262</b>	—	<b>4,177,262</b>
	<b>8,777,948</b>	<b>11,026</b>	<b>8,788,974</b>

31 December 2020

**40. FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)**31 December 2020** (Continued)**Financial liabilities**

	<b>Financial liabilities at amortised cost RMB'000</b>
Trade and bills payables	<b>6,800,412</b>
Financial liabilities included in other payables and accruals	<b>3,639,529</b>
Interest-bearing bank and other borrowings	<b>14,257,357</b>
Lease liabilities	<b>11,044</b>
Financial guarantee contracts	<b>82</b>
Due to related companies	<b>225,595</b>
	<b>24,934,019</b>

**31 December 2019****Financial assets**

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	499,352	—	499,352
Other deposits	318,992	—	318,992
Trade receivables	60,788	—	60,788
Due from related companies	730,271	—	730,271
Financial assets at fair value through profit or loss	—	2,000	2,000
Restricted cash	1,637,442	—	1,637,442
Pledged deposits	158,473	—	158,473
Cash and cash equivalents	1,381,642	—	1,381,642
	<b>4,786,960</b>	<b>2,000</b>	<b>4,788,960</b>

**40. FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)**31 December 2019** (Continued)**Financial liabilities**

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	4,058,372
Financial liabilities included in other payables and accruals	1,048,405
Interest-bearing bank and other borrowings	11,755,179
Lease liabilities	14,289
Financial guarantee contracts	1,176
Due to related companies	727,263
	<u>17,604,684</u>

**41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group's financial instruments as at the end of each reporting period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2019 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2020 RMB'000
<b>Financial liability</b>				
Interest-bearing bank and other borrowings (note 32)	11,755,179	<b>14,257,357</b>	11,591,660	<b>14,538,051</b>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, trade receivables, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the fair values of the financial assets at fair value through profit or loss, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

The Group invests wealth management products issued by financial institutions in Mainland China. The Group has estimated the fair value by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks and classified them into Level 2 financial instruments.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted cash, pledged deposits, trade and other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

### (a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 32. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables are held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB24,934,000 and RMB40,816,000 for the years ended 31 December 2019 and 2020, respectively.



## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Credit risk

The Group classifies financial instruments on the basis of shared credit risk characteristics, such as the instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally from one to twelve months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the 12-month expected loss approach to provide for expected credit losses prescribed by IFRS 9, and the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables and adjusts for forward-looking macroeconomic data. The Group applies the lifetime expected loss approach to financial assets that are credit-impaired at the reporting date, but that are not purchased or originated credit-impaired. The expected loss rate of these receivables is assessed to be 100%.

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**(b) Credit risk** (Continued)**Maximum exposure and year-end staging**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

**31 December 2020**

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables*	—	—	—		72,860	72,860
Financial assets included in prepayments and other receivables						
— Normal**	1,630,083	—	—		—	1,630,083
— Doubtful**	—	—	75,382		—	75,382
Due from related companies	—					
— Normal**	1,149,913	—	—		—	1,149,913
Restricted cash						
— Not yet past due	1,602,975	—	—		—	1,602,975
Pledged deposits						
— Not yet past due	144,855	—	—		—	144,855
Cash and cash equivalents						
— Not yet past due	4,177,262	—	—		—	4,177,262
Guarantees given to banks and other institutions in connection with facilities granted to related parties						
— Not yet past due	1,497,640	—	—		—	1,497,640
	<b>10,202,728</b>	<b>—</b>	<b>75,382</b>		<b>72,860</b>	<b>10,350,970</b>

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**(b) Credit risk** (Continued)**Maximum exposure and year-end staging** (Continued)**31 December 2019**

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables*	—	—	—		60,788	60,788
Financial assets included in prepayments and other receivables						
— Normal**	499,352	—	—		—	499,352
— Doubtful**	—	—	76,382		—	76,382
Due from related companies						
— Normal**	730,271	—	—		—	730,271
Restricted cash						
— Not yet past due	1,637,442	—	—		—	1,637,442
Pledged deposits						
— Not yet past due	158,473	—	—		—	158,473
Cash and cash equivalents						
— Not yet past due	1,381,642	—	—		—	1,381,642
Guarantees given to banks and other institutions in connection with facilities granted to related parties						
— Not yet past due	1,765,900	—	—		—	1,765,900
	<u>6,173,080</u>	<u>—</u>	<u>76,382</u>		<u>60,788</u>	<u>6,310,250</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 24 to the financial statements. There is no significant concentration of credit risk.

\*\* The credit quality of amounts due from related companies and the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

31 December 2020

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**(c) Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>31 December 2020</b>					
Interest-bearing bank and other borrowings	—	793,147	4,906,752	10,652,444	16,352,343
Trade and bills payables	5,844,194	429,211	526,737	—	6,800,142
Financial liabilities included in other payables and accruals	3,639,529	—	—	—	3,639,529
Guarantees given to banks in connection with facilities granted to related parties	—	—	50,000	1,447,640	1,497,640
Lease liabilities	1,157	2,180	3,728	6,310	13,375
Due to related companies	—	225,595	—	—	225,595
	<b>9,484,880</b>	<b>1,450,133</b>	<b>5,487,217</b>	<b>12,106,394</b>	<b>28,528,624</b>
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>31 December 2019</b>					
Interest-bearing bank and other borrowings	—	1,692,342	3,350,097	8,794,548	13,836,987
Trade and bills payables	4,058,372	—	—	—	4,058,372
Financial liabilities included in other payables	1,048,405	—	—	—	1,048,405
Guarantees given to banks in connection with facilities granted to related parties	—	212,500	—	1,553,400	1,765,900
Lease liabilities	1,251	1,539	3,534	10,317	16,641
Due to related companies	—	727,263	—	—	727,263
	<b>5,108,028</b>	<b>2,633,644</b>	<b>3,353,631</b>	<b>10,358,265</b>	<b>21,453,568</b>

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)**(d) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals, amounts due to related companies and lease liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each reporting period were as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade and bills payables	<b>6,800,412</b>	4,058,372
Other payables and accruals	<b>5,789,398</b>	2,666,676
Interest-bearing bank and other borrowings	<b>14,257,357</b>	11,755,179
Due to related companies	<b>225,595</b>	727,263
Lease liabilities	<b>11,044</b>	14,289
Less: Cash and cash equivalents	<b>4,177,262</b>	1,381,642
Net debt	<b>22,906,544</b>	17,840,137
Equity attributable to owners of the parent	<b>7,250,400</b>	5,227,220
Capital and net debt	<b>30,156,944</b>	23,067,357
Gearing ratio	<b>76%</b>	77%

31 December 2020

### 43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

31 December 2020

	Percentage of equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Jilin Leading	45	(37,386)	225,556
Pixian Shengda	45	76,521	185,073
Mianyang Sanhe	35	(48,124)	76,659
Sichuan Yuandi	43	1,633	3,671

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Jilin Leading RMB'000	Pixian Shengda RMB'000	Mianyang Sanhe RMB'000	Sichuan Yuandi RMB'000
Revenue	11,751	333,368	645,499	15,339
Total expenses	(121,776)	(68,028)	(420,291)	(10,469)
Income tax credit/(expense)	26,946	(95,293)	(87,710)	(1,072)
(Loss)/profit and total comprehensive (loss)/profit for the year	(83,079)	170,047	(137,498)	3,798
Current assets	133,308	990,057	460,034	83,367
Non-current assets	656,699	77,007	8,767	10,193
Current liabilities	(262,857)	(655,790)	(249,775)	(85,024)
Non-current liabilities	(25,914)	—	—	—
Net cash flows used in operating activities	(95,812)	(71,765)	(62,794)	(120,663)
Net cash flows from investing activities	91,658	159,821	63,098	129,275
Net cash flows used in financing activities	—	(90,000)	—	(1,000)
Net (decrease)/increase in cash and cash equivalents	(4,154)	(1,944)	304	7,612

### 43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

#### 31 December 2019

	Percentage of equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
Jilin Leading	45	122,011	262,941
Pixian Shengda	45	51,003	148,784
Mianyang Sanhe	35	(8,381)	39,949
Sichuan Yuandi	43	61,673	49,763

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Jilin Leading RMB'000	Pixian Shengda RMB'000	Mianyang Sanhe RMB'000	Sichuan Yuandi RMB'000
Revenue	904,516	784,932	—	538,269
Total expenses	(544,764)	(583,821)	(31,913)	(302,887)
Income tax (expense)/credit	(88,616)	(87,771)	7,968	(91,957)
Profit/(loss) and total comprehensive income/(loss) for the year	271,136	113,340	(23,945)	143,425
Current assets	159,983	1,371,265	897,746	321,635
Non-current assets	746,830	136,484	26,019	9,910
Current liabilities	(278,772)	(1,177,118)	(809,624)	(215,818)
Non-current liabilities	(43,727)	—	—	—
Net cash flows from/(used in) operating activities	(95,553)	(42,646)	126,194	(54,340)
Net cash flows from/(used in) investing activities	97,022	—	(144,823)	37,316
Net cash flows from/(used in) financing activities	(2,282)	40	2,190	16,976
Net decrease in cash and cash equivalents	(813)	(42,606)	(16,439)	(48)



31 December 2020

### 44. EVENTS AFTER THE REPORTING PERIOD

#### **Issuance of over-allotment**

On 6 January 2021, an over-allotment option pursuant to the listing of the Company on the Hong Kong Stock Exchange, was exercised in respect of an aggregate of 26,945,000 ordinary shares of the Company, resulting in a cash consideration of RMB125,193,000 deduction of the allotted related expense.

## 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
NON-CURRENT ASSET		
Investment in subsidiaries	<b>35,512</b>	35,512
Total non-current asset	<b>35,512</b>	35,512
CURRENT ASSETS		
Due from shareholders	<b>1</b>	1
Cash and cash equivalents	<b>73,418</b>	—
Due from subsidiaries	<b>1,086,543</b>	—
Total current assets	<b>1,159,962</b>	1
CURRENT LIABILITY		
Due to subsidiaries	<b>593</b>	1
Total current liability	<b>593</b>	1
NET CURRENT ASSETS	<b>1,159,369</b>	—
TOTAL ASSETS LESS CURRENT LIABILITY	<b>1,194,881</b>	35,512
Net assets	<b>1,194,881</b>	35,512
EQUITY		
Share capital	<b>8,446</b>	1
Reserves	<b>1,186,435</b>	35,511
Total equity	<b>1,194,881</b>	35,512

31 December 2020

**45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY** (Continued)*Note:*

A summary of the Company's share capital and reserves is as follows:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2020 and 31 December 2019	1	—	35,511	—	35,512
Loss and total comprehensive loss for the year	—	—	—	(3,500)	(3,500)
Issue of new shares	2,112	1,200,024	—	—	1,202,136
Issue of ordinary shares Upon capitalisation	6,333	(6,333)	—	—	—
Issue of new shares	—	(39,267)	—	—	(39,267)
Balance at 31 December 2020	<b>8,446</b>	<b>1,154,424</b>	<b>35,511</b>	<b>(3,500)</b>	<b>1,194,881</b>
Balance at 1 January 2019	1	—	35,511	—	35,512
Issuance of new shares	—	—	—	—	—
Balance at 31 December 2019	1	—	35,511	—	35,512

**46. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 29 March 2021.

Questions about the terms of the Exchange Offer should be directed to the Dealer Manager or the Information and Exchange Agent at their respective addresses and telephone numbers set forth below.

If you have questions regarding tender or exchange procedures, please contact the Information and Exchange Agent at the address and telephone number set forth below.

All documents of materials related to the Exchange Offer will be made available, subject to eligibility, on the Exchange Website. For additional copies of this exchange offer memorandum, please contact the Information and Exchange Agent at the address and telephone number set forth below.

Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer.

*The Information and Exchange Agent for the Exchange Offer is:*

**D.F. King Ltd.**

In London

65 Gresham Street  
London EC2V 7NQ  
United Kingdom  
Tel: +44 7920 9700

In Hong Kong

Suite 1601, 16th Floor, Central Tower  
28 Queen's Road Central  
Hong Kong  
Tel: +852 3953 7208

Email: [leading@dfkingltd.com](mailto:leading@dfkingltd.com)

Exchange Website: <https://sites.dfkingltd.com/leading>

*The Dealer Manager for the Exchange Offer is:*

**Guotai Junan Securities (Hong Kong) Limited**

27/F., Low Block, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong  
Attention: Fixed Income, Currencies and Commodities Department  
Facsimile: +852 2509 0030

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**THIS EXCHANGE OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE OR ARE ACTING FOR THE ACCOUNT OR BENEFIT OF NON-U.S. PERSONS THAT ARE ADDRESSEES OUTSIDE THE UNITED STATES.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the attached supplement (the “**Supplement**”) to exchange offer memorandum (the “**exchange offer memorandum**”) following this page. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Supplement. In accessing the attached Supplement, you agree to be bound by the following terms and conditions including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**Confirmation of Your Representation:** You have accessed the attached document on the basis that you have confirmed your representation to Leading Holdings Group Limited (領地控股集團有限公司) (the “**Company**”) and Guotai Junan Securities (Hong Kong) Limited (the “**Dealer Manager**”) (1) that you are a holder of or are a custodian or intermediary acting on behalf of the beneficial owner of the Existing Notes (as defined in the exchange offer memorandum) issued by the Company; (2) you are or are acting for the account or benefit of a non-U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) outside the United States and to the extent you participate in the exchange offer as described in the exchange offer memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act; and (3) that you consent to delivery of the attached Supplement and any amendments or supplements thereto by electronic transmission.

**YOU SHOULD READ THE ATTACHED SUPPLEMENT CAREFULLY BEFORE MAKING A DECISION WHETHER TO PARTICIPATE IN THE EXCHANGE OFFER, AND ANY SUCH DECISION SHOULD BE MADE SOLELY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THE EXCHANGE OFFER MEMORANDUM. UPON YOUR PARTICIPATION IN THE EXCHANGE OFFER, YOU WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED TO THE COMPANY AND THE DEALER MANAGER THE REPRESENTATIONS AS SET FORTH IN “DESCRIPTION OF THE EXCHANGE OFFER—CONDITIONS TO THE EXCHANGE OFFER—REPRESENTATIONS, WARRANTIES AND COVENANTS OF ELIGIBLE HOLDERS OF THE EXISTING NOTES” OF THE EXCHANGE OFFER MEMORANDUM.**

The communication of the attached document and any other document or materials relating to the issue of the securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “**FSMA**”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”)), or who fall within Article 43(2) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, the securities offered hereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

**Notice to Prospective Investors in the European Economic Area**—The attached document is not a prospectus for the purposes of the Prospectus Regulation (as defined below). The attached document has been prepared on the basis that any offer of the New Notes in any Member State of the European Economic Area (the “**EEA**”) will only be made to a legal entity which is a qualified investor under the Prospectus Regulation (“**Qualified Investors**”). Accordingly any person making or intending to make an offer in that Member State of New Notes which are the subject of the exchange contemplated in the attached document may only do so with respect to Qualified Investors. Neither the Company nor the Dealer Manager has authorized, nor do they authorize, the making of any offer of New Notes other than to Qualified Investors. The expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS**—The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The attached document is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (the “**EUWA**”).

**Prohibition Of Sales To UK Retail Investors**—The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Company, the Subsidiary Guarantors, the Dealer Manager or any person who controls them or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version.

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Leading Holdings Group Limited

領地控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Offer to Exchange at least a Minimum Acceptance Amount (as defined in the exchange offer memorandum (as defined below))  
of the Outstanding 12.0% Senior Notes Due 2022

Description of Debt Securities	Outstanding Amount <sup>(1)</sup>	ISIN/ Common Code	Minimum Acceptance Amount	Exchange Consideration per US\$1,000 of applicable Existing Notes (as defined herein) tendered for exchange
12.0% Senior Notes Due 2022 (the "Existing Notes")	US\$122,730,000	XS2341204688/ 234120468	US\$110,457,000	US\$1,000 in aggregate principal amount of the New Notes (as defined in the exchange offer memorandum) and the Accrued Interest (as defined in the exchange offer memorandum). See the section entitled "Description of the Exchange Offer—Exchange Consideration."

(1) The outstanding amount does not include US\$15,200,000 in principal amount of the Existing Notes held by a controlling shareholder of the Company as of the date of the exchange offer memorandum. This controlling shareholder of the Company plans to cancel such principal amount of the Existing Notes held by it.

This is the supplement (the "Supplement") to the exchange offer memorandum (the "exchange offer memorandum") of Leading Holdings Group Limited (the "Company") dated June 13, 2022. All capitalized terms used in this Supplement and not otherwise defined herein have the meanings set forth in the exchange offer memorandum.

#### Extension of the Expiration Deadline

With immediate effect, the Company has extended the Expiration Deadline from 4:00 p.m., London Time on June 20, 2022 to 4:00 p.m., London Time on June 22, 2022 (the "Extended Expiration Deadline"). Correspondingly, subject to satisfaction or waiver of the conditions as set forth in the exchange offer memorandum, settlement of the New Notes and delivery of the Exchange Consideration to Eligible Holders whose Existing Notes have been validly tendered and accepted for exchange are expected to occur on or about June 24, 2022 (the "New Settlement Date"), and listing of the New Notes on the SGX-ST is expected to occur on or about June 28, 2022.

Eligible Holders who have validly tendered their Existing Notes at or prior to the original Expiration Deadline do not need to take any action. Their instructions in connection with the Exchange Offer remain valid and irrevocable.

Eligible Holders who have not tendered their Existing Notes may tender their Existing Notes at or prior to the Extended Expiration Deadline in accordance with the terms and conditions set forth in the exchange offer memorandum. **Instructions in connection with the Exchange Offer are irrevocable.** Eligible Holders of the Existing Notes should inform themselves of any earlier deadlines that may be imposed by the Clearing Systems and/or any intermediaries, which may affect the timing of the submission of a notice of exchange.

Subject to the consummation of the Exchange Offer, we will pay, with respect to Existing Notes validly tendered and accepted for exchange at or prior to the Extended Expiration Deadline, the Exchange Consideration as set forth in the exchange offer memorandum on the New Settlement Date.

Except as set forth herein, all other terms and conditions of the Exchange Offer as set out in the exchange offer memorandum remain unchanged.

The date of this Supplement is June 20, 2022

Questions about the terms of the Exchange Offer should be directed to the Dealer Manager or the Information and Exchange Agent at their respective addresses and telephone numbers set forth below.

If you have questions regarding tender or exchange procedures, please contact the Information and Exchange Agent at the address and telephone number set forth below.

All documents of materials related to the Exchange Offer will be made available, subject to eligibility, on the Exchange Website. For additional copies of this Supplement and the exchange offer memorandum, please contact the Information and Exchange Agent at the address and telephone number set forth below.

Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer.

*The Information and Exchange Agent for the Exchange Offer is:*

**D.F. King Ltd.**

In London:

65 Gresham Street  
London EC2V 7NQ  
United Kingdom  
Telephone: +44 7920 9700

In Hong Kong:

Suite 1601, 16th Floor, Central Tower  
28 Queen's Road Central  
Hong Kong  
Telephone: +852 3953 7208

Email: [leading@dfkingltd.com](mailto:leading@dfkingltd.com)

Exchange Website: <https://sites.dfkingltd.com/leading>

*The Dealer Manager for the Exchange Offer is:*

**Guotai Junan Securities (Hong Kong) Limited**

27/F., Low Block, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

Attention: Fixed Income, Currencies and Commodities Department  
Facsimile: +852 2509 0030